

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

# Health and Social Security Scrutiny Panel



## Living on Low Income

Presented to the States on 7<sup>th</sup> September 2016

SR.4/2016

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## **1. TERMS OF REFERENCE**

1. To investigate the impact of the incidence in Jersey of relative low income households as referred to in the Household Income Distribution Survey report 2014/15
2. To assess the evidence of relative low income in comparison with previous years
3. To determine whether the incidence of relative low income in Jersey has increased and, if so, the reasons for such increase
4. To assess the effectiveness of States of Jersey policy with regard to tackling relative low income
5. To assess the effectiveness of methods used to monitor the implementation of policies that aim to reduce the incidence of relative low income
6. To assess the delivery of support and help available to those on low income
7. To determine the effects of the changes to the benefits system contained in the Medium Term Financial Plan affecting those on relative low income

### **To be undertaken by an independent expert advisor:**

8. To provide an analysis of low income households in Jersey with reference to the information contained in the Jersey Household Income Distribution Survey 2014/15. The study should identify trends in the incidence of low income and their associated risks in order to inform future short and long-term policy. The study will include:
  - a. Obtaining statistical information on Income Support from the Social Security Department
  - b. A comparison between the low income figures contained within the Jersey Household Income Distribution Survey with the number of people claiming Income Support
  - c. To assess the prevalence of low income households and how this might be addressed in the future

## 2. PANEL MEMBERSHIP



Deputy Richard Renouf (Chairman)



Deputy Geoff Southern (Vice-Chairman)



Deputy Jackie Hilton



Deputy Terry McDonald



Deputy Montfort Tadier (co-opted for this review)

### 3. CHAIRMAN'S FOREWORD

#### Deputy Richard Renouf

Jersey rightly takes pride in the quality of life and standard of living it can offer its citizens. But there is a group of residents who are often forgotten in Island life. They are the ones left with little or no disposable income at the end of a working week; whose finances are so finely balanced that any disruption to income flow can have traumatic effects upon their lives; and where unplanned events such as illness, work lay-offs, job losses and relationship breakdown only add impossible financial strains to already stressful situations.



In October 2015 the States Assembly approved plans to remove £10 million from the Social Security budget. Income Support benefit was most affected. However just a few weeks later a five-yearly survey on household income starkly revealed that the income gap between the richest and poorest sections of Jersey society had widened significantly since 2009. One is left to wonder whether decisions might have been made on a more informed basis if the survey findings had been known at the time of the debate.

In the light of all this, my Panel decided to carry out a review to investigate the impact of living on a low income in Jersey. We have been alarmed and saddened but not altogether surprised by what we have learned.

We can surely measure ourselves as a society by the way we look after the poorest, most needy and most vulnerable amongst us. The States Strategic Plan for 2015 - 2018 acknowledges that nothing undermines social inclusion more than financial hardship and has as a stated goal "to help people in Jersey achieve and maintain financial independence and safeguard the most vulnerable in our community".

My Panel hopes its report will help to inform and highlight the difficulties faced by the sizeable number of people living on a low income in Jersey so that States Members and the whole Island community can redouble their efforts to achieve the Strategic Plan goal. The task is huge; it will not be easy to meet this challenge; but dare we hope that the next household income survey (due in 2020) will show a narrowing of the gap between the Island's rich and poor?

On behalf of my Panel, I would like to thank all those who have contributed to the Panel's review, either orally or in writing; to the charitable organisations that have welcomed us to their premises and shown us their work; to our adviser for her detailed analysis and guidance; and to our Scrutiny Officers for their hard work and support throughout this review.

## **4. KEY FINDINGS AND RECOMMENDATIONS**

### **Increased Numbers of requests to Charities for financial and material support: Key Findings**

1. The voluntary sector in Jersey is playing an increasingly important role in providing essential assistance to people living on a low income. (paragraph 40)
2. The growing use of Food Banks in Jersey is a consequence of the increasing pressures on people living in Relative Low Income and the widening income inequality gap in Jersey which has been highlighted in the Jersey Household Income Distribution Survey 2014/15. (paragraph 41)
3. The Minister for Social Security's assertion that the growth in use of Food Banks is mostly due to people who have recently arrived in the Island and who are not qualified for Income Support is at odds with the experience of the charitable organisations, as reported above to the Panel. (paragraph 42)
4. The Minister for Social Security presented no evidence to the Panel to substantiate the claim that people were regularly abusing charities by making unnecessary multiple applications for food parcels and again this appears to be contrary to the experience of the charitable organisations. (paragraph 43)

### **Increased Numbers of requests to Charities for financial and material support: Recommendation**

5. The Chief Minister should report to the States on the outcome of his investigation into the increasing use of Food Banks within six months. (paragraph 44)

### **States Support for Charities: Key Findings**

6. A number of the organisations working with people living on a low income rely on States grants to meet a substantial part of their operating costs and they are vulnerable in these times of cost cutting. (paragraph 50)
7. Given the increasing demands on services provided by these organisations, great care should be taken when reviewing grant aid to organisations to determine that a reduction in grants will not affect services and thereby ultimately result in increased costs to the taxpayer. (paragraph 51)

### **States Support for Charities: Recommendation**

8. The Chief Minister, through the Social Policy Group, should ensure that a co-ordinated and consistent approach is taken by the States towards charitable organisations supporting people living on a low income and should review their levels of funding to ensure that the States are properly meeting the Strategic aim of tackling relative low income. (paragraph 52)

### **Parish Funds: Key Finding**

9. The existence of funds held by the Parishes for the purpose of assisting people with a low income is not well known; the use and distribution of these funds varies between the Parishes. (paragraph 54)

### **Parish Funds: Recommendation**

10. The Connétables and Rectors should look afresh at the resources they have to help parishioners and, to the extent necessary, coordinate their approaches to distribution of these funds. (paragraph 55)
11. The Minister for Social Security should collaborate with the Connétables and Rectors in efforts to ensure these funds are used for maximum benefit. (paragraph 56)

### **Income Support: Current Reach: Key Finding**

12. The Income Support system does not reach a significant proportion of those who fall below the Relative Low Income threshold. (paragraph 67)

### **Income Support: Current Reach: Recommendation**

13. The Social Security Department should conduct a comprehensive review of the Income Support system to ensure that it is reaching the people who are in need and bring a report to the States by July 2017. (paragraph 68)

### **Income Support: Declining value of the Safety Net: Key Finding**

14. The Income Support system is failing to achieve the aims set out in P.86/2005 (Principles of Income Support) of reducing poverty in the Island. (paragraph 77)

### **Income Support: Declining value of the Safety Net: Recommendation**

15. The Minister for Social Security should suspend the freezing of benefits in 2017 in order to alleviate the pressures on low income households. (paragraph 78)

### **Impact of Housing Costs: Key Finding**

16. High rental costs have had a significant negative impact on the disposable income of people living below the Relative Low Income threshold. The States do not currently have an effective policy to deal with the high costs of rental housing in Jersey. (paragraph 95)

### **Impact of Housing Costs: Recommendation**

17. The Housing Minister should conduct an economic and social impact assessment on the current housing rental policy and report to the States by July 2017. (paragraph 96)

### **The 'Benefit Trap': Key Findings**

18. Few Income Support claimants, who work on minimum wage or close to minimum wage contracts, are ever likely to have sufficient earnings from work to escape from Relative Low Income. (paragraph 108)
19. The level of disregard for earnings and other income in Jersey provides limited incentive to work compared to the UK. (paragraph 109)



## **The ‘Benefit Trap’: Recommendations**

20. To improve work incentives and reduce the ‘benefit trap’ the Minister for Social Security should
  - a) examine whether additional payments – such as those for childcare or care related needs – could be removed from the Income Support calculation. An alternative mechanism of provision may be, for example, to pay for childcare for those with incomes below a fixed threshold.
  - b) examine the benefits of applying a higher level of disregard for earnings income and consider whether a separate disregard for second earners would better incentivise work.
  - c) Introduce an annual earnings allowance which does not affect Income Support entitlement, as in the UK. (paragraph 110)

## **One-Parent Families: Key Findings**

21. The Minister for Social Security’s decision to remove the £40 per week one-parent component payment is unsound. It is a U-turn on the previous policy of providing additional support for one-parent families which was well-founded. (paragraph 131)
22. The decision also goes against the clear evidence of the Jersey Household Income Distribution Survey 2014/15 that the position of one-parent families within the Relative Low Income Threshold has worsened. (paragraph 132)

## **One-Parent Families: Recommendations**

23. The Minister for Social Security should take the necessary steps to reinstate the one-parent component of Income Support as a matter of urgency. (paragraph 133)
24. The Social Security Department should consider creating a role for an officer working on behalf of one-parent families to pursue absent parents for maintenance. (paragraph 134)

## **Pensioners: Key Findings**

25. Pensioners, along with all other Income Support claimants, have suffered an effective loss of income due to the freezing of Income Support components (adult and household) at 2015 levels until 2017. This comes on top of an effective loss of value in benefits of £17.38 between 2010 and 2016 (adult and household component rates). (paragraph 141)
26. The Minister for Social Security’s decision to alter the Income Support disregard for pensions does the opposite of targeting benefits on those most in need. It has reduced the disposable income of those new pensioners joining the scheme from January 2016 who have no additional income from a second occupational pension, who are the poorest section of pensioners in Jersey. (paragraph 154)

## **Pensioners: Recommendation**

27. The Minister for Social Security should re-examine the impact of her decision to change the Income Support disregard for new pensioners and devise a scheme which does not discriminate against the poorest section of pensioners in the Island. (paragraph 155)

28. The Minister for Social Security should suspend the changes she has made to pension disregards and investigate the introduction of legislation requiring all employers to enrol their employees in an occupational pension as a better way of achieving her aim of encouraging occupational pensions. (paragraph 156)

### **Visiting the Doctor: Key Findings**

29. The high costs of G.P. visits are deterring many people on low income from seeking appropriate and timely medical treatment. Many are compromising their health for fear of incurring debts with medical practices. This is contrary to the policy of the Health Department to encourage early intervention and treatment by primary care in the community. (paragraph 162)
30. The current provision for medical expenses in Income Support has failed to deliver on the promises made at the introduction of the scheme in 2008 that Income Support claimants should not be concerned about the costs of going to the doctor because Income Support would pay their fee. (paragraph 163)
31. Financial pressures have been increased on the most vulnerable by transferring funds into their Household Medical Accounts from other care components instead of providing additional money. The money transferred from care components was designed to supplement essential living and mobility support. (paragraph 180)
32. The Department has saved money on special payments for medical costs by replacing grants with loans where the claimant contributes to the cost of larger amounts. Repayments are likely to be a minimum of £21 per week. This has added financial worries for claimants over the past five years. (paragraph 181)
33. Undue reliance is placed on General Practitioners to mitigate the burden of medical costs by discounting their fees in favour of low income families. This support, though laudable, is provided in a haphazard and untargeted way. (paragraph 182)

### **Visiting the Doctor: Recommendations**

34. The Minister for Social Security's review of mechanisms to assist people on low income with health care costs should include consideration of uprating the medical provision in Income Support which has declined in value since 2008. (paragraph 183)
35. The Minister for Social Security should report to the States by July 2017 on proposals to ensure that the original aims of the Income Support system, that no-one should fear going to the doctor due to incurring unaffordable medical expenses, are effectively reinstated. (paragraph 184)

### **Reductions in Income Support Payments: Key Finding**

36. Reductions to Income Support payments through under or overpayments and sanctions can combine to leave individuals in a seriously precarious financial position for several weeks. (paragraph 193)

## **Reductions in Income Support Payments: Recommendation**

37. The Minister for Social Security should examine ways to reduce the number of over and under-payments in Income Support. Consideration should be given to payments in arrears rather than in advance. (paragraph 194)

## **Long Term Incapacity Allowance: Key Findings**

38. There is insufficient evidence for removing the LTIA disregard for people drawing Income Support. This discriminates between people who are able to support themselves financially and those who cannot. (paragraph 204)

## **Long Term Incapacity Allowance: Recommendation**

39. The removal of the LTIA disregard should be suspended pending the outcome of the Minister for Social Security's review of the contributory system. (paragraph 205)

## **Home Carers: Key Finding**

40. Carers who wish to continue in employment find it difficult to find work that will keep them within the income disregard. (paragraph 212)

## **Home Carers: Recommendation**

41. The Panel recommends that the Minister for Social Security's review of contributory benefits should examine extending the range of the current Home Carer's Allowance and include caring for those on PC2 as well as PC3. (paragraph 213)

## **Lack of Flexibility in the Social Security System: Key Finding**

42. Key workers from organisations assisting people on a low income find the process time-consuming due to the lack of an appointment system at Social Security and have difficulty in identifying a single and consistent point of contact. (paragraph 222)

## **Lack of Flexibility in the Social Security System: Recommendation**

43. The Minister for Social Security should establish an appointment system for key workers supporting Income Support claimants. (paragraph 223)

## **Conclusion: Impact of Benefit Changes in 2016/17: Key Findings**

44. In our view the Minister for Social Security has undertaken a narrow review of benefits with the sole purpose of identifying savings in line with the requirements of the Council of Ministers that all departments must contribute to dealing with deficit reduction. (paragraph 228)
45. In narrowing the focus of her review the Minister for Social Security neglected to research properly the impact of these savings on the most vulnerable members of our society and to take into account the 2014/15 JHID Survey which revealed that the average income of the poorest in our society had worsened over the past five years. (paragraph 229)

46. Without waiting to consult this Survey, the Minister for Social Security chose to proceed with £10 million in savings to tax funded benefits which have increased the pressures on people reliant on these benefits. (paragraph 230)
47. The Panel questions the Minister for Social Security's assertion that the benefits brought into place in 2008 were 'very generous'. In any event the real value of benefits introduced in 2008 has steadily declined over the past 8 years. This decline has been exacerbated with the freezing of benefit levels until 2017. (paragraph 231)
48. The benefits freeze will create further hardship for people living on a low income in contradiction of the Council of Ministers' stated priorities which include 'promoting social inclusion and tackling relative low income in the long term'. (paragraph 232)
49. In view of the increasing pressures on a range of people living on a low income in Jersey who depend on the Income Support system to have an adequate standard of living as outlined in our report, there is a strong argument for the Social Security budget to receive the same protection in the next Medium Term Financial Plan as has been accorded to Health and Education in the current MTFP. (paragraph 233)

### **Conclusion: Impact of Benefit Changes in 2016/17: Recommendation**

50. The Council of Ministers should exempt Social Security from any further savings cuts in the next MTFP and identify new funding streams to uprate appropriately current Income Support components. (paragraph 234)

## 5. GLOSSARY OF TERMS

JHIDS	Jersey Household Income Distribution Survey: prepared approximately every five years by the Statistics Unit to better understand the differences in the incomes of Jersey residents including the most vulnerable and low income groups
RLI	Relative Low Income – a standard level of income which is defined as 60% of the median household equivalised income of the population
AHC	After Housing Costs
BHC	Before Housing Costs
HMA	Household Medical Account – a means of setting aside a proportion of Income Support benefit to provide for the payment of GP bills
LTIA	Long Term Incapacity Allowance – a contributory Social Security benefit which compensates working adults who have a loss of faculty whether through illness or injury. LTIA allows people to work if able to do so whilst still receiving a benefit which provides some additional financial support. Claims can vary between 100% and 5% depending on the severity of the incapacity
Disregard	Element(s) of earnings that are not taken into account when determining an application for Income Support
Personal care component	A benefit provided under Income Support to people with a disability or long term medical condition. The numbers of claimants are smaller than those on LTIA. The criteria for assessing these components is relatively demanding – requiring a 24 page assessment form – in comparison to LTIA which is accessed automatically after 12 months' incapacity.

## 6. INTRODUCTION

1. Approximately every five years the States Statistics Unit prepares the Jersey Household Income Distribution (JHID) Survey. The first JHID survey in 2002 was used as part of the process to develop a new benefits system. The stated aim of the first JHID survey was:

### **Aim of Jersey Household Income Distribution Survey**

...to better understand the differences in the incomes of Jersey residents including the most vulnerable and low-income groups.

2. The JHID survey is based on a large representative selection of Jersey households (1,200 households) and provides detailed information on all sources of income and spending on housing costs as well as demographic information on the make-up of the household.
3. The survey is an internationally recognised statistical tool which is used in many jurisdictions and can be used to enable analysis of trends within Jersey as well as comparison with other jurisdictions, across time periods, within geographical areas and across particular demographic groups. The previous JHID survey was carried out in 2009/10 and so the latest JHID survey published in November 2015 enables a comparison with how average households have fared over the last five years and shows trends for various groups in society.
4. The JHID survey 2014/15 indicates that income inequality over the whole of our community in Jersey has increased since the previous JHIDS survey conducted in 2009/10 and is worse in Jersey than in the UK.

### **Growing Income inequality in Jersey**

Average household income of the poorest section of Jersey's community (the lowest quintile) actually decreased by a sixth (17%) over the last five years whilst the household income of the third and fourth quintile increased by 7% and 9% respectively.

5. The JHID Survey 2014/15 revealed that, after housing costs are taken into account:
  - One in four of all households (26%) – and 23% of individuals in Jersey - were living in relative low income; compared to about one in five (21%) five years ago;
  - The proportion of children living in relative low income households has increased from 22% five years ago to 29% (4,900 children);
  - The proportion of pensioners in Jersey living in relative low income (28%) has not increased but is twice the proportion in the UK (14%) (4,900 pensioners);
  - The proportion of one-parent family households in Relative Low Income increased from under half (47%) in 2009/10, to (56%) in 2014/15.
6. The JHID Survey uses the term Relative Low Income<sup>1</sup> (RLI) to define a level of income which is 60% of the median<sup>2</sup> household equivalised income<sup>3</sup> of the population. The Relative Low

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<sup>1</sup> Relative Low Income: summary note, Jersey Statistics Unit, 2015

<sup>2</sup> The median household income is a more meaningful average measure of the distribution of income than the mean average. The median equivalised household income for Jersey (£680 per week before housing costs) means that 50% of the population have income more than £680pw and 50% have income less than £680pw.

Income standard is defined in terms of the society in which an individual lives and therefore differs between countries and over time. The standard would be expected to rise as the country becomes richer.<sup>4</sup> The Relative Low Income threshold (60% of the median) in Jersey in 2014/15 was £410 per week household income before housing costs (approximately £21,400 per annum) and £340 after housing costs (approximately £17,700per annum).

**Lower Relative Low Income Thresholds (in constant 2014 prices)**

£441 in 2009/10	£408 in 2014/15	(7% fall)	Before Housing Costs (BHC)
£380 in 2009/10	£336 in 2014/15	(12% fall)	After Housing Costs (AHC):

- The Survey (JHIDS) points out that median household incomes have increased by less than inflation since 2009/10 (over this period prices rose by 13%). This means that the threshold at which Relative Low Income (RLI) is defined in 2014/15 in Jersey is actually lower than that in 2009/10.

**Relative Low Income Threshold**

The Relative Low Income threshold in Jersey was actually lower in 2014/15 than it was in 2009/10. Adjusting for inflation those defined as living in relative low income in 2014/15 had lower average incomes and are on average worse off than those in relative low incomes in 2009/10 and the number of households in Jersey living in relative low income has increased.

- Adjusting for inflation, those defined as living in Relative Low Income in 2014/15 had lower average incomes and are on average worse off than those in RLI in 2009/10.
- In the light of these stark facts the Health and Social Services Scrutiny Panel decided to undertake a review which would look at what help was available to people living on low income and to consider how effective current States policies were in tackling the issue.
- The Panel was also mindful of the measures agreed in the last Medium Term Financial Plan which set out to achieve a £10 million reduction from the Social Security Department’s budget by 2019. Most of the savings were achieved by changes to benefits affecting the most vulnerable in our society.

**Social Security Budget Savings**

The £10m Social Security budget measures were introduced before the Jersey Household Income Distribution Survey of 2014/15 had revealed the growing inequality in income distribution in Jersey and before any

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The mean average would be a higher figure because the overall distribution is skewed because a small number of households may have a particularly high income – see Jersey Household Income Distribution Report 2014/15 page 10

<sup>3</sup> Equivalisation allows for comparison between figures for relative low income thresholds in the JHIDS and Income Support. The same scale used in the JHIDS is the OECD modified scale which is widely used in developed countries. The equivalised scale adjusts income using the following weights per household member: 0.58 first adult, 0.42 additional adult or child 14 or over and 0.2 per child under 14. The base case is a couple with no children, for whom the scale is 1. Other households’ income are adjusted with reference to this base.

<sup>4</sup> The term poverty, sometimes called ‘Absolute’ poverty, on the other hand refers to a set minimum standard below which no one anywhere in the world should ever fall. Source: The Poverty site: [www.poverty.org.uk](http://www.poverty.org.uk)

opportunity to investigate the causes contributing to this situation and the potential impact on those whose household income was already in decline.

11. In December 2015 the Panel agreed terms of reference and co-opted Deputy Montfort Tadier onto the Panel for the review. On launching the review, the Chairman of the Panel, Deputy Richard Renouf, said:

The way we look after the poorest, most needy and most vulnerable is a measure of our society. It is a concern that the gap between the rich and poor is growing – and growing far more than in the UK. States policies acknowledge the importance of tackling low income and the Panel will investigate how effective they are likely to be.

*(Statement by Panel Chairman, Deputy Richard Renouf)*

12. In February 2016 the Panel appointed Dr Susan Harkness as its advisor (DPhil London; MA Sussex; MA Cantab). Dr Harkness is a senior lecturer in Social Policy at the University of Bath. She is a labour economist and was previously a lecturer in economics at the Universities of Bristol and Sussex and a researcher at the LSE. Her main research interests are in the areas of poverty and inequality, female and household patterns of employment and child poverty. Dr Harkness had worked with a previous Health and Social Scrutiny Panel in its review of Benefit Levels in 2011 (SR3/2011).

13. Dr Harkness was asked to

- Provide an analysis of low income households in Jersey with reference to the information contained in the Jersey Household Income Distribution Survey 2014/15. The study should identify trends in the incidence of low income and their associated risks in order to inform future short and long-term policy.
- Obtain statistical information on Income Support from the Social Security Department
- Provide a comparison between the low income figures contained within the Jersey Household Income Distribution Survey with the number of people claiming Income Support
- Assess the prevalence of low income households and how this might be addressed in the future.

14. References are made throughout this report to her report to the Panel and her full report is appended to this Scrutiny Report.

15. The Panel issued a call for evidence in February 2016, receiving nine written submissions from organisations and 24 personal written submissions. In addition the Panel conducted two drop-in sessions at St Helier Town Hall inviting anyone who wished to speak to them in confidence about their personal experience of living on a low income and visited four organisations, the Grace Trust, Headway, Strathmore and Brighter Futures who arranged for groups of their clients to share their experience of living on a low income. The Panel also held meetings with four other groups who work closely with people living on a low income.

16. On 5<sup>th</sup> May 2016 the Panel held a public hearing with the Minister for Social Security and her officers.



17. The Panel wishes to thank all those who contributed to their review.

## **7. MEETING PEOPLE LIVING ON A LOW INCOME**

18. During this review the Panel set out to meet a range of people living on a low income in order to hear their personal experiences at first hand:
  - The Panel conducted two drop-in sessions at St Helier Town Hall inviting anyone who wished to speak to us in confidence about their personal experience of living on a low income: 29 interviews were conducted during these two sessions.
  - The Panel received 24 written submissions from individuals describing their circumstances and difficulties they faced living on a low income.
  - The Panel visited four organisations, the Grace Trust, Headway, Strathmore and Brighter Futures who arranged for groups of their clients to share their experience of living on a low income with the members of the Panel: 25 individuals talked with the Panel within these groups.
  - The Panel also met pensioners at Age Concern and the Eastern Good Companions Club.
  - The Panel also met four other groups who work closely with people living on a low income, namely Community Savings Ltd, St Helier Methodist Centre and Georgetown Methodist Church, Citizens Advice Jersey and representatives of the Primary Care Body.
  - In addition the Panel received nine written submissions from organisations working with people on low incomes.
19. The Panel's resources did not allow for a comprehensive survey of people living on a low income in Jersey. The Panel is conscious that the individuals and groups they met represent only a small sample. We did not succeed in engaging with representatives of Portuguese, Polish and other immigrant communities. Conversations with pensioners at Age Concern and Eastern Good Companions Club allowed for only a generalised discussion rather than a detailed examination of the pressures faced by large numbers of pensioners who do not have secondary sources of income above their States pension.
20. Having said that, the meetings we did have were enlightening and the Panel is extremely grateful to the individuals who were prepared to share their experiences with us, helping us to come to a better understanding of the real life issues faced by those who have to survive on low incomes.
21. It would be difficult to summarise in a few words the range of experiences heard by the Panel throughout these interviews. A few case studies have been selected in order to give a human element to the statistics – see appendix 2 of this report (details have been summarised or amended in order to protect the identity of individuals).
22. In addition, selected comments from the groups the Panel met in round table discussions are included below.
23. The Panel was particularly impressed with a meeting with a group of women, at a session organised by Brighter Futures, a charity supporting parents, carers, children and young people in Jersey. They were articulate and open in describing the difficulties they faced. Their experiences are listed briefly below. The twelve women who shared their experiences with

the Scrutiny Panel spoke highly of the support they receive from this organisation. Brighter Futures must be congratulated on the work they are doing to develop a voice and self-confidence for the 150 families who access their services every week.

- A. A woman with a disabled husband described how she struggled with the help of charities to feed her family, having to buy the cheapest forms of food, not necessarily the most healthy. She often had to say no to her children when they requested money for activities.
- B. A woman described how her son often lost his clothes or PE kit. She relied on charity shops for clothing but found it difficult to find the right sizes.
- C. Another woman said that having to rely on her parents for additional handouts was demeaning and lowered her self-respect but she had to ask them for support for the sake of her child.
- D. One woman, who was disabled and unable to work, described her husband as hard working; however, as a builder his work depended on the weather and when the weather was bad he received no money. Consequently the family had to turn to the Grace Trust and Food Banks.
- E. One woman wanted to be able to support her parents as her father was seriously ill in a hospital in the UK as his condition could not be treated in Jersey. Social Security however would not provide any funding for her to visit him.
- F. Another woman described how the water supply to her flat stopped when the electricity went off.
- G. One woman had an ambition to study for a degree which would enable her to get a good job and not have to rely on Income Support.
- H. Others wanted to improve themselves through studies at Highlands. However, Social Security insisted that they should give up college and look for work.
- I. One woman described going through a difficult breakup. She was unable to find full time work because of childcare needs. Her parents were elderly and disabled and so unable to help. She had recently had to make several visits to the doctor and the dentist. She was grateful for the support she had received but found it humiliating to have to rely on charities for support.

My son believes that there are lots of power cuts in Jersey because the electricity meter frequently runs out and we have no power.  
*(Woman at Brighter Futures)*

## Written Submissions

The vast majority of people who come to us for financial support are facing times of stress because of unexpected events in their lives such as redundancy, illness, relationship issues or mental health problems. It is comparatively rare that people have come to this situation due to their own fault. (Community Savings Bank)

24. The submissions received by the Panel and our engagement with stakeholder organisations revealed a number of challenges faced by people living on a low income and the organisations seeking to support them.
25. Caritas Jersey said that the evidence of the Statistical Unit, that income inequality had increased in recent years and that the gap was now worse in Jersey than in the UK, was of no surprise to those 'at the coal face'. Caritas Jersey anticipated that the freeze on benefits would cumulatively increase the number of claimants and the degree of dependency on their charitable giving.

'The benefits freeze will undoubtedly create further hardship and by 2019 we anticipate the problem will become very serious and require an urgent injection of public funds thereby negating the savings achieved. .... We believe that the policy is flawed and will be an expensive error for the States.' (Caritas Jersey)

26. Caritas Jersey summed up the experience of living on a low income: *"Working longer or on more than one job means less (or no) time for family or for leisure, with all the consequent pressure on married life, quality of life and quality of parenting. Family break up is costly for the States. Poor parenting leads to poor achievement in education and life skills and this is transmitted down through the generations, again with increased costs for the Public Purse. All this stress impacts upon both physical and mental health and this is fast becoming an ever-greater burden on the States' budgets, a situation that is mirrored in the UK. But we would argue that this is a burden of the States' own making. The phrase 'penny wise, pound foolish' comes to mind."*

Living on a low income means having no savings, no cushion and great stress and worry. Having a low income in Jersey means having to work longer or having more than one job in order to have a decent standard of living. (Caritas Jersey)

27. Citizens Advice Jersey described the stress of living with limited disposable income: *"Typically clients on a low income have little or no disposable income available at the end of each week or month; accessing services which many people take for granted is out of reach for certain sectors of our community. We often hear that clients cannot afford to visit the doctor, dentist or optician. Clothing and shoes are sourced in charity shops and the Grace Trust or St Helier Methodists are approached for food and tokens. A number of free lunches are provided in St Helier and we are aware that certain clients take full advantage of these events. Clients in such situations have no access to credit and find it impossible to replace or have repaired household items that may have broken down without assistance from a charity or by way of a loan from Social Security."*

People living on a low income present with low self-esteem, anxiety, depression and feelings of hopelessness, certain clients may present with mental health problems, be suicidal or have problems with addiction to drugs and alcohol. We often encounter such clients when they have hit rock bottom. ... Once out of employment such clients find it very difficult to re-enter the world of work, they lack confidence and may feel worthless. (Citizens Advice Jersey)

28. When asked to comment on the impact of recent benefit changes Citizens Advice Jersey commented: *"We consider that it is too early in the year to evaluate how the impact of the recent changes to the benefits system will impact on this particular sector of our service users, but we are aware that when finances are so finely balanced any disruption to income flows can potentially have traumatic effects upon the lives of our clients."*
29. Community Savings Ltd reported an increase in the number of people passing through their door year on year seeking assistance with basic account facilities (to replace accounts they may have had with high street banks which had been closed or frozen), basic budgeting support/mentoring or emergency funding.
30. Community Savings Ltd described the difficulty for their customers in coping with limited income: *"Living on a low income affects people in different ways. One of the main aspects is how it impacts their ability to make choices. .... Regrettably, some unwise decisions are made from time to time which lead to people getting into debt. This can on occasions spiral by people borrowing from one source to repay another at very high interest rates. Such situations put even more pressure on people with limited income, it becomes harder to manage repayments with interest on top and the cycle often repeats itself. Some customers do have sufficient income to be able to manage but lack financial acumen, which results in mismanagement of their finances. This is where our budgeting and mentoring service proves so valuable."*

With limited income, decisions need to be faced about whether elements of spending are necessary or just desirable. Often these are difficult decisions and can be stressful for the whole family. (Community Savings Bank)

31. The Special Needs Advisory Panel (SNAP Jersey) expressed their concern that the most vulnerable, including carers, families and individuals living alone, would end up with less disposable income, little or no employment opportunities and less ability to socialise leading to isolation and possible health issues: *"Changes within the system should be handled carefully with understanding and transparency. The people who will be affected should be made aware, in a timely fashion, of what is to happen and when. Co-ordination and good communication between staff within the department and other States departments is essential. However, this does not always happen, when there are so many changes even staff within Social Security have trouble keeping up which leads to misunderstandings and ultimately leads to a negative impact on these families and individuals."*

Unfortunately, families and individuals become reliant whether they like it or not on the benefit system. Changes within the system can be very unnerving, leaving families and individuals feeling very vulnerable and isolated. (S.N.A.P.)

32. Reverend T. Morley of the St Helier Methodist Centre told the Panel that he had been surprised that in September 2013 there was no available data relating to poverty in Jersey from the States departments which would then drive cohesive social policy. After numerous enquiries a report by the Statistics Unit was placed on the States website in 2015 which gathered together data from a number of sources. <sup>5</sup>
33. That report indicated that 3,700 children in Jersey and 4,400 pensioners were living in relative low income. Five of the seven vintaines in St Helier were the most deprived areas in Jersey. Reverend Morley asked:
- *“How far has this report been disseminated and developed to coherent direct social policy?”*
  - *Without hard data how is it possible to prioritise limited resources to ensure that it has maximum benefit in addressing poverty alleviation?*
  - *Was this analysis taken into consideration to measure the impact upon the most vulnerable when the Medium Term Financial Plan was agreed that freezes benefits.*
  - *‘Have the States realised the impact of their decisions on the poorest and most vulnerable in society which may store up problems for health and mental health?’*

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<sup>5</sup> Relative Low Income – Note summarising available data, January 2015

## 8. INCREASED NUMBERS OF REQUESTS TO CHARITIES FOR FINANCIAL AND MATERIAL SUPPORT

Many people who come to our Food Bank are hard-working people who have reached a crisis point. They don't have reserves to fall back on when something unexpected happens, such as an illness, redundancy, relationship breakup or lack of work. (*St Helier Methodist Centre*)

34. The Grace Trust, Caritas Jersey, the British Red Cross and the St Helier/Georgetown Methodist Centre all reported a marked increase in the numbers of people requesting material support (mainly food and clothing) through Food Banks in the early months of 2016.
35. Citizens Advice Jersey confirmed that there was an increasing trend in the number of clients seeking charitable support (from 67 in 2012 to 96 in 2015). Citizens Advice reported that they regularly referred clients to the charitable organisations for emergency food parcels.

Grace Trust Food parcels	
2011	344
2012	418
2013	735
2014	1,347

36. The Grace Trust reported a steadily increasing number of food parcels that had been given out by staff between 2011 and 2014. In January 2015 Mr Jones of the Grace Trust told the Jersey Evening Post that in the past many people thought that only homeless people needed food donations. However, more and more people from a range of backgrounds had been visiting

### CASE STUDY

A woman who visited the Grace Trust for the first time felt that she had 'no other choice' but to ask for food after she was unable to give her children a hot meal for several days. Although she had never used a food bank before, the woman said that she would visit the Grace Trust again because she simply didn't have enough money left over to be able to buy food. And that is despite the fact that both she and her husband are working.

the Grace Trust, including people with jobs: *"There are some people we see only three times a year, and then there are those who are suddenly out of work or waiting for benefits, so they will come more regularly. Overall a good mix of people and working backgrounds, including people who are still working but can't make ends meet – but it is important to mention that almost all of the people we see are local Jersey people."*<sup>6</sup>

<sup>6</sup> Source: Jersey Evening Post 7 January 2015

In an Island this size and with all the money it has it is a disgrace that I cannot afford to feed my children. It is awful to think that it's come to this but there is no middle ground in Jersey. The rich would not understand how poor people really are and I think the States really need to do something about it. (*Woman using Grace Trust Food Bank*)<sup>7</sup>

37. The St Helier Methodist Centre reported that the needs of people accessing their Food Bank were more complex and greater than ever. Many people told them that they had never had to ask for assistance before but were in desperate need of short-term assistance to overcome a temporary crisis. Those who came for assistance had generally sought help from other members of the family where possible.

'They come with a heavy heart, as a last resort and wish to be treated with respect. Most only came to the Food Bank once or twice. In our experience the majority of people coming for assistance are Jersey-born or long term residents – we rarely see people who have been in the Island under the five year residency qualification. The mantra that there are large numbers of newly arrived immigrants seeking support is far from the truth.' (*St Helier Methodist Centre*)

38. When we questioned the Social Security Minister on her response to the evidence of growing access to Food Banks in the Island, she said that investigations carried out by a team from Social Security seemed to indicate that a large proportion of the people claiming extra clothing and food parcels were people not entitled to Income Support, who were not residentially qualified. The Department also believed that there were a number of people 'doing the rounds' from one charity to another.
39. The Panel was informed that the Chief Minister's Department is currently organising a survey of people using Food Banks to try to collect demographic information about the people using these Food Banks.<sup>8</sup> We note that such an investigation into reasons why people were approaching charitable organisations in increasing numbers was announced in the States by the Chief Minister eighteen months ago.<sup>9</sup> However, no outcome to these investigations has yet been reported.

## KEY FINDINGS

40. The voluntary sector in Jersey is playing an increasingly important role in providing essential assistance to people living on a low income.
41. The growing use of Food Banks in Jersey is a consequence of the increasing pressures on people living in Relative Low Income and the widening income inequality gap in Jersey which has been highlighted in the Jersey Household Income Distribution Survey 2014/15.
42. The Minister for Social Security's assertion that the growth in use of Food Banks is mostly due to people who have recently arrived in the Island and who are not qualified for Income Support is at odds with the experience of the charitable organisations, as reported above to the Panel.

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<sup>7</sup> Ibid

<sup>8</sup> Transcript public hearing 05.05.16

<sup>9</sup> Oral Question dated 20 January 2015



43. The Minister for Social Security presented no evidence to the Panel to substantiate the claim that people were regularly abusing the charities by making unnecessary multiple applications for food parcels and again this appears to be contrary to the experience of the charitable organisations.

## Recommendation

44. The Chief Minister should report to the States on the outcome of his investigation into the increasing use of Food Banks within six months.

## States support for charities

45. The States provides grants to a number of charitable organisations working with people on a low income. Table 1 below shows amounts given as grants or within contracts for services over the past three years:

Table 1 States grants and contracts with charitable organisations

Total Amounts	2013	2014	2015
Headway	28,290.00	29,000.00	29,000.00
Shelter Trust	827,860.33	1,212,713.21	1,095,746.04
Brighter Futures	80,000.00	82,000.00	81,996.00
Age Concern	16,550.00	16,964.00	16,964.00
Women's Refuge	204,350.00	189,459.00	209,459.04
Community Savings	50,000.00	50,000.00	50,000.00
Red Cross	215,460.00	371,536.00	489,051.00
Salvation Army	-	50,000.00	50,000.00

Source: Treasury dept

46. In the course of our review both Headway and Community Savings Ltd expressed concerns regarding potential cuts to grants and their services as a result of MTFP efficiency savings. Headway told us of the concerns for his organisation, including having to cease opening the centre on a Saturday as funds do not permit it with all the other initiatives they have in place, continuing: *"I review all services on an ongoing basis and if funding is short have to redress or reduce accordingly. I am currently reviewing our Art Therapy on Fridays for example. I focus on the services that give most reward to as many members as possible but inevitably this means that some of the niche services that are of great benefit but to fewer members suffer from time to time.*

*Currently we receive £29,000 p.a. from HSSD under a grant set up many years ago to help support a drop in centre which is how Headway started. Since then, as you know, Headway has moved to focus on rehabilitation programmes and more advanced therapies which have shown considerable success. It costs £350,000 p.a. to run the centre and the services. So you can see that less than 10% is supported by HSSD. Several years ago our Commissioner from HSSD agreed that HSSD should be supporting the charity with approx. £120,000 p.a. to cover*

*base costs. Despite continued dialogue with HSSD no increase has been made other than a small cost of living change bringing it to £29,000 p.a. Regretfully we have also been told that even this small sum may be under threat.*

*The expectations of the charity, increasing referrals and a desire to maintain and improve services which have proved to be very beneficial are what drives us but I do feel that the grant from HSSD is not at all reflective of the work we undertake and the successes we achieve.”*

47. Community Savings Ltd reported a sense of frustration that the financial savings to government departments (Social Security, Health and Social Services and Housing) made as a result of the services provided by Community Savings Ltd, were not fully recognised. They said that many of these savings were intangible, for example in terms of long term illness and stress avoided through interventions by Community Savings; or dental work for children funded through a Community Savings grant. Other savings could be more easily quantified, such as a pilot scheme being undertaken by Social Security to pay Income Support benefits by means of BACS payments rather than by cheques. Such a scheme would not be possible for many Social Security claimants who were unable to access a regular bank account were it not for Community Savings bank accounts.
48. At the time of our meeting with Community Savings the Executive Chairman told the Panel that the grant of £50,000 received from the Treasury over the past three years was subject to review. Subsequently the Panel was informed that this grant had ceased. To compensate for this loss of income Community Savings applied for consideration to be given for payments to be made from the Criminal Confiscation Fund in recognition of Community Savings having been part of the Prison Rehabilitation programme for the past eight years. By the end of July no acknowledgement from Treasury to this application had been received.
49. Community Savings informed the Panel: *“As you know, our operation relies largely on volunteers but as a consequence of the substantial reduction in our income, of our five part-time remunerated staff employed at the beginning of 2016, we have dispensed with the services of one and reduced the hours of another. We have also put our modest expansion programme on hold and are planning to make further savings. These include considering our withdrawal from the Prison Rehabilitation programme and closing accounts of those, of which there are quite a number, who are not complying with our rules, particularly our principal one of saving at least £1 a week. These customers are therefore, effectively using us as an ATM. Deputies Moore and Pinel have been advised accordingly as their clients are the ones that will principally be affected.*

## **KEY FINDINGS**

50. A number of the organisations working with people living on a low income rely on States grants to meet a substantial part of their operating costs and they are vulnerable in these times of cost cutting.
51. Given the increasing demands on services provided by these organisations, great care should be taken when reviewing grant aid to organisations to determine that a reduction in grants will not affect services and thereby ultimately result in increased costs to the taxpayer.

## **RECOMMENDATION**

52. The Chief Minister, through the Social Policy Group, should ensure that a co-ordinated and consistent approach is taken by the States towards charitable organisations supporting people living on a low income and should review their levels of funding to ensure that the States are properly meeting the Strategic aim of tackling relative low income.

## **PARISH FUNDS**

53. Before the introduction of the Income Support system, the parishes played a key role in supporting people living on a low income. The Panel sought evidence from the Connétables and Rectors of the parishes and it is clear that they still have some funds available for these purposes. Typically they emanate from legacies which produce an annual income or the ownership of agricultural land which produces annual rents. The existence of these funds is not well known and the Panel has gained the impression that the use of the funds and distribution of support varies between the parishes. The funds are probably not sufficient to provide regular support to individuals but would be useful in helping parishioners to fund the type of emergencies which so often derail the plans of those who are struggling to live on a low income. Examples might be unexpected GP costs, dental bills, replacement of white goods, travel and accommodation costs whilst visiting UK hospitals etc.

## **KEY FINDING**

54. The existence of funds held by the Parishes for the purpose of assisting people with a low income is not well known; the use and distribution of these funds varies between the Parishes.

## **RECOMMENDATION**

55. The Connétables and Rectors should look afresh at the resources they have to help parishioners and, to the extent necessary, coordinate their approaches to distribution of these funds.
56. The Minister for Social Security should collaborate with the Connétables and Rectors in efforts to ensure these funds are used for maximum benefit.

## 9. INCOME SUPPORT: ORIGINAL AIMS AND CURRENT REACH

57. In this section of the report we look at the original aims and principles of the Income Support system and the numbers of people within the Income Support scheme today. We note that there is a sizeable number of people whose income leaves them below the relative Low Income threshold who are outside the Income Support benefit system and ask whether it is time for the Social Security Department to conduct a comprehensive review of the Income Support system to ensure that it is reaching the people who are in need.
58. In undertaking an earlier review of the Income Support Scheme (S.R.17/2007) the Health, Social Security and Housing Scrutiny Panel at that time stated that the scheme must be judged on its success in meeting the fundamental aims of the policies developed over the past two decades.

Income Support should seek to guarantee an adequate standard of living for all. (*Income Support Steering Group, first report 2001*)

59. The introduction to P.86/2005 (Principles of the Income Support system) reinforces this fundamental statement: *“No-one wants to create a culture of benefit dependency, yet there is a need to achieve a level of financial support high enough to provide a basic standard of living without it being so high as to undermine the incentive to work and save. In Jersey this has to be achieved within the Island’s existing and future means. The ultimate aim is that of reducing poverty in the Island.”*

### Original principles of Income Support System

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. It will be equitable, consistent, sustainable, easily understood and accessible whilst taking account of the whole needs of the family. (*The Report to P.90/2007 on the Introduction of Income Support*)

60. The Minister for Social Security, Senator Routier, in the debate on the introduction of the Income Support Law on 10<sup>th</sup> October 2006 referred to the principles of the Income Support System set out in P.86/2005 and reaffirmed the aims of Income Support (added emphasis):

My Committee at the time explained that the purpose of the system is to avoid poverty and to take appropriate actions and life decisions to get out of poverty. (*Senator P. Routier, Minister for Social Security in October 2006*)

61. The Committee also declared that the system should provide a firm foundation on which the Island can work towards the eradication of financial and social exclusion in the Island.
62. Successive States Strategic Plans have reiterated a pledge to support Islanders living on a low income. The 2015 – 2018 Plan acknowledges that “a sizeable proportion of Islanders live in relative low income and have difficulty coping financially” and lays strong emphasis on reducing social exclusion. The priorities set out in the Plan are said to be “critical to promoting social inclusion and tackling relative low income in the long term”. The four priorities are:

- Health and wellbeing: ensuring that people can access quality health care if they need it. This will help reduce social exclusion;
- Education: our focus on early years and education is intended to ensure that every Islander has the opportunity to develop the skills and confidence to become a successful, independent citizen will play a vital role in the prevention of social exclusion;
- Economic growth: Nothing undermines social inclusion more than financial hardship. Our focus on economic growth is intended to create more good jobs and opportunities for islanders, remove barriers to employment and increase participation. Economic growth will also provide government with more resources to fund services that help lower-income households and safeguard the vulnerable;
- St Helier: Improving our town as a place to live and enjoy will help create a stronger community and increase social inclusion.

### **Number of Income Support Claims Today**

63. At the end of 2014, 6,486 households<sup>10</sup> claimed Income Support out of a total of 43,000 Jersey households (15% of all Jersey households).
- 10% (roughly) of adults in Jersey receive Income Support
  - 21% of all children in Jersey live in families supported by Income Support, half of whom are in one-parent families.<sup>11</sup>
  - Those resident in Jersey for less than 5 years do not qualify for IS but are likely to be at higher risk of low income.
64. Weekly benefits paid in Income Support amounted to £74million in 2014 with 6,486 household claims. 40% of the total benefits bill is spent on accommodation with 52% on living costs. The breakdown of spending is reported in Table 22 of the Advisor's report.
- Adults without children account for the largest number of claims (2,664) and attract the largest share of spending on Income Support (33%)
  - Pensioners are the second largest claimant group (1,767) but have a lower share of the spending (21%)
  - Single parents with children account for 1,098 claims and 27% of the spending
  - Adults with children account for slightly fewer claims (957) and 19% of the spending.

### **Comparing numbers on Income Support with those on Relative Low Income**

65. Figure 1 below shows that many more households live in Relative Low Income than claim Income Support:
- Before housing costs, only 2,142 pensioners out of 4,900 in Relative Low Income (51%) are supported by Income Support;

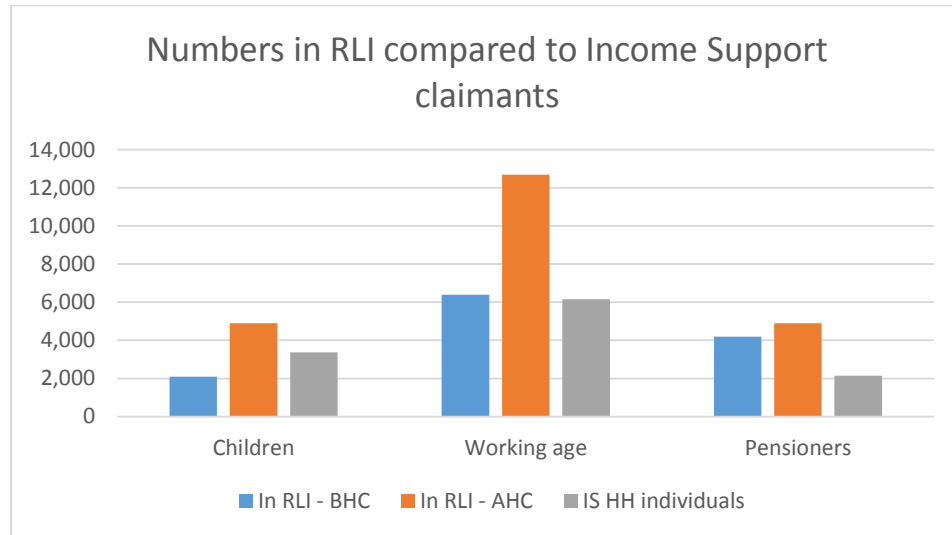
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<sup>10</sup> Source: Advisor's report Table 19

<sup>11</sup> Source: Advisor's report Table 19

- After housing costs only 3,365 out of 4,900 children in Relative Low Income (70%) live in households which claim Income Support
- After housing costs only 6,158 people of working age in Relative Low Income (50%) claim Income Support

Figure 1 Income Support claimants and numbers in Relative Low Income



Source: Table 20 Advisor's report

66. In addition, those resident for less than 5 years fall outside the Income Support system.

## KEY FINDING

67. The Income Support system does not reach a significant proportion of those who fall below the Relative Low Income threshold.

## RECOMMENDATION

68. The Social Security Department should conduct a comprehensive review of the Income Support system to ensure that it is reaching the people who are in need and bring a report to the States by July 2017.

## 10. INCOME SUPPORT: DECLINING VALUE OF THE SAFETY NET

### Falling living standards

Falling levels of Income Support in real terms mean that those living on a low income are likely to see their standard of living continue to fall

69. In this section of the report we look at how the rates of Income Support have changed in the period since the establishment of Income Support in 2008 and the current rates as at May 2016. It also compares the safety net provided through Income Support for those without any other source of income with the Relative Low Income threshold in the JHIDS.
70. Table 2 below shows how the main Income Support rates (excluding housing) have changed since 2008. Between 2008 and 2010 the rates were kept under review and updated for inflation. Since 2010, however, the rates have been frozen (in the case of the adult rate) or increased below inflation
- the adult rate for Income Support has been frozen at £92.12;
  - the child rate has increased by £1.89;
  - the household component has increased by £4.20.
71. Once these rates have been adjusted for inflation over the period (15.5%), as shown in column C, it is possible to show by how much the Income Support rates have declined in value. Column E shows the loss in value of the three basic Income Support component rates due to inflation

Table 2: Main Income Support Rates between 2008 and 2016

	A 2008 rates	B 2010 rates	C 2016 Rates adjusted for RPI	D 2016 Actual rates	E Loss of value due to inflation since 2010
Adult rate	£83.58	£92.12	£106.40	£92.12	-£14.28
Child rate	£56.42	£62.09	£71.71	£63.98	-£7.83
Household (if own or rent own home)	£42.84	£47.11	£54.41	£51.31	-£3.10
Total					-£25.21

Source: Income Support (Amendment No 4) Jersey) Regulations 2009 and Advisor's report Table 8

72. The Index of average earnings for the period between June 2010 and June 2015 increased by 11%<sup>12</sup>. However, as we have seen from the JHIDS 2014/15, average earnings for those in the bottom quintile, most of whom would be Income Support claimants, have actually seen a drop. Whilst the earnings of those in the third and fourth quintiles has improved both the value of benefits and the average earnings of those in low income have worsened, thus widening the inequality gap in Jersey.
73. Table 3 below looks at the Income Support entitlements for five 'model' family types, totally reliant on Income Support and compares rates between 2010 and 2016. These examples

<sup>12</sup> Source: JHIDS page 24

assume no alternative source of income, individuals run their own household, Income Support fully covers housing costs and no additional care or mobility allowances or other additional payments.

Table 3: Income Support entitlements by family type 2010 – 2016: no alternative source of income

Family type	2010	2016	2010 - 2016 RPI adjusted	Value change	% change
Single, no children	£139.23	£143.43	£160.81	£17.38	-11%
Single parent, 1 child <14	£241.71	£207.41	£279.18	£71.71	-26%
Single parent 2 children<14	£303.80	£271.39	£350.89	£79.50	-23%
Couple No children	£231.35	£235.55	£267.21	£31.66	-12%
Couple 2 children <14	£355.53	£363.51	£410.64	£47.13	-11%

Source: Advisor’s Report table 9

74. In current or nominal prices there has been little change in rates between 2010 and 2016, (except for one-parent families for whom the removal of the lone parent component has substantially reduced the value of the safety net – see further discussion in section 7 of this report on one-parent families). Once again when adjusted for inflation over the period we can see that the real value of the benefits has fallen significantly.

**Declining value of benefits in real terms**

Once the entitlements have been adjusted for inflation, it becomes apparent that the real value of benefits has fallen by 11/12% for single adults and couples with or without children.

One-parent families have suffered a decline of between 23% and 26% in their benefit income in real terms due to the removal of the one-parent component of Income Support.

**Income Support and Relative Low Income Threshold**

75. Figures 2 and 3 below illustrate how the position of low income households who rely solely on Income Support has worsened in relation to the Relative Low Income Threshold in the five years since 2009/10. Once again it is clear that the value of the safety net has fallen in real terms:

- for single people and couples with or without children their position has worsened since 2009 by dropping a further 3% or 4% below the Relative Low Income threshold.
- The position of single parents has dropped even more sharply due to the removal of the single parent component of Income Support (see section 7.1 of this report).



Figure 2 2009/10 Income Support Entitlements - AHC equivalised income – no alternative source of income

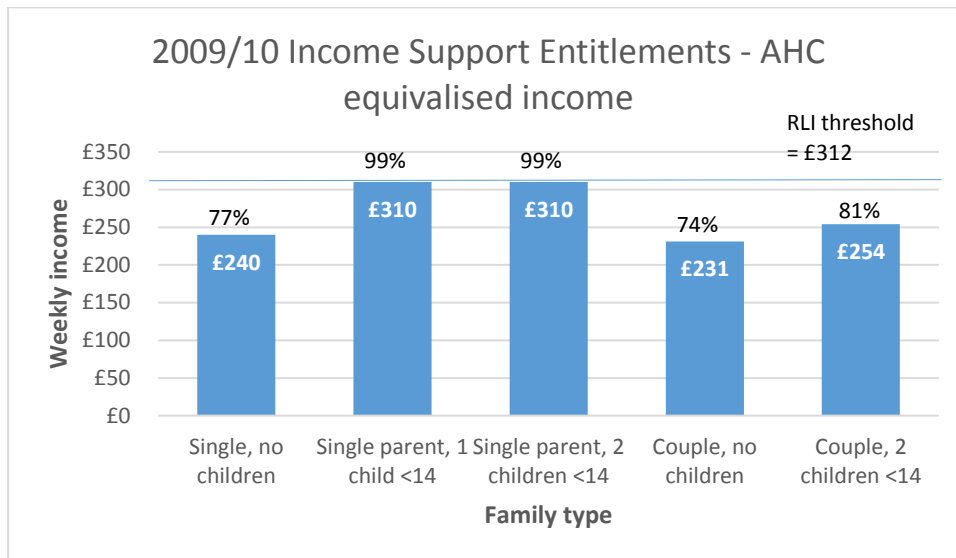
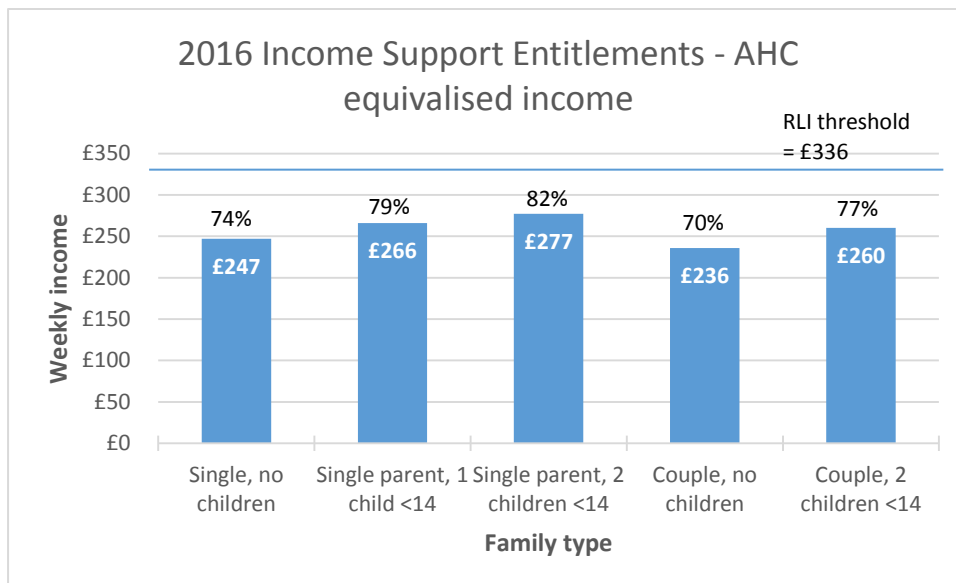


Figure 3 2016 Income Support Entitlements – AHC equivalised income – no alternative source of income



Source: Advisor's report table 10

76. The declining value of benefits in real terms once adjusted for inflation illustrates sharply growing pressures on low income families in Jersey. Ongoing freezing of benefit rates until 2017 will further reduce the real value of benefits. The RPI rate in June 2016 was 1.5%. This means a further effective loss of £3 in value for those on Income Support benefits.

## KEY FINDING

77. The Income Support system is failing to achieve the aims set out in P.86/2005 (Principles of Income Support) of reducing poverty in the Island.

## **RECOMMENDATION**

78. The Minister for Social Security should suspend the freezing of benefits in 2017 in order to alleviate the pressures on low income households.

## 11. INCREASE IN HOUSEHOLDS IN JERSEY LIVING IN RELATIVE LOW INCOME

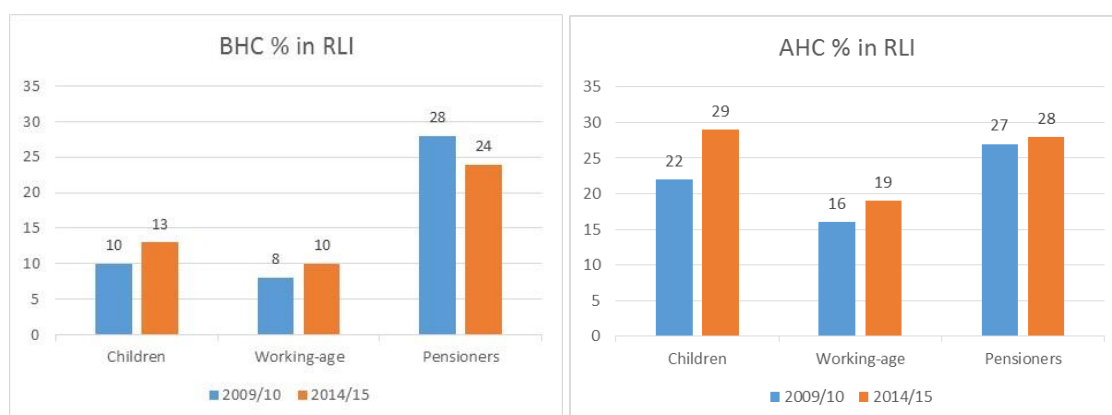
79. This section of the report looks at the incidence of low income in Jersey and summarises the analysis undertaken by the Panel’s advisor in part two of her report.
80. The JHID Survey 2014/15 reports that the number of households in Jersey living in Relative Low Income after housing costs (AHC) in 2014/15 increased from 21% to 26% compared to 2009/10. Before Housing Costs (BHC) the increase was from 15% to 16%<sup>13</sup>.

### Growing Numbers in Relative Low Income in Jersey

Given that the Relative Low Income threshold has declined in value since 2009 it would have been expected that the numbers of people falling under the Relative Low Income threshold would have decreased. In fact the opposite has happened: numbers in Relative Low Income in Jersey have grown and the financial position of those living on a low income has worsened.

81. Figure 4 below illustrates the increasing incidence of Relative Low Income between 2009/10 and 2014/14 with before housing costs and after housing costs measures of RLI.

Figure 4: Percentage changes in incidence of RLI 2009/10 to 2014/15



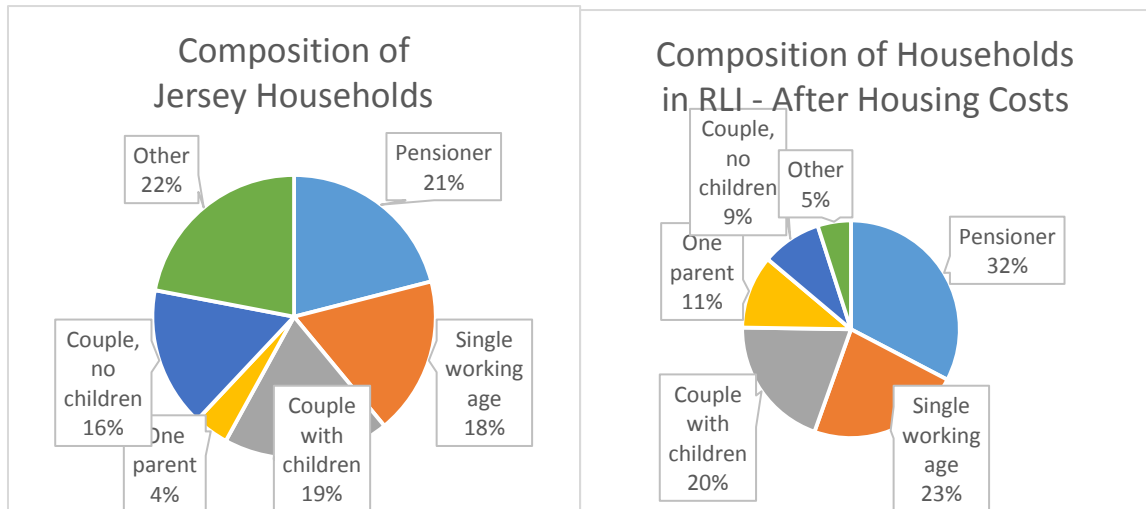
Source: Table 1 Advisor’s report<sup>14</sup>

82. Figure 5 below illustrate the compositions of families in Relative Low Income. Figure 5 shows the percentage of household types in the general population in Jersey. Figure 6 shows the composition of households in Relative Low Income after housing costs. The figures show that both pensioners and one-parent families have increased their share of those in Relative Low Income.

<sup>13</sup> See Table 2 of the Advisor’s report appended to this report. For a full discussion of the figures quoted here please refer to the Tables in her report

<sup>14</sup> Note: The numbers in Figure 1 differ from those given above because of differences in unit analysis. For an explanation please see the Advisor’s report section 2.3

Figure 5 Composition of Jersey households



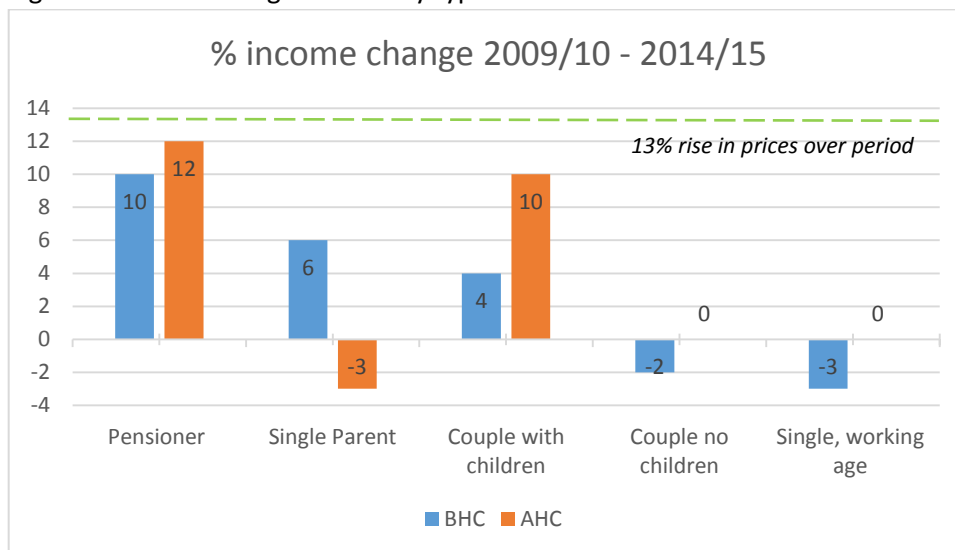
Source: Advisor's report Table 6

### Changes in Income

83. Figure 6 below looks at the changes in income and Relative Low Income over time for a number of groups: pensioners, single parents, couples with children, couples with no children and single working age adults. The following key points can be seen:

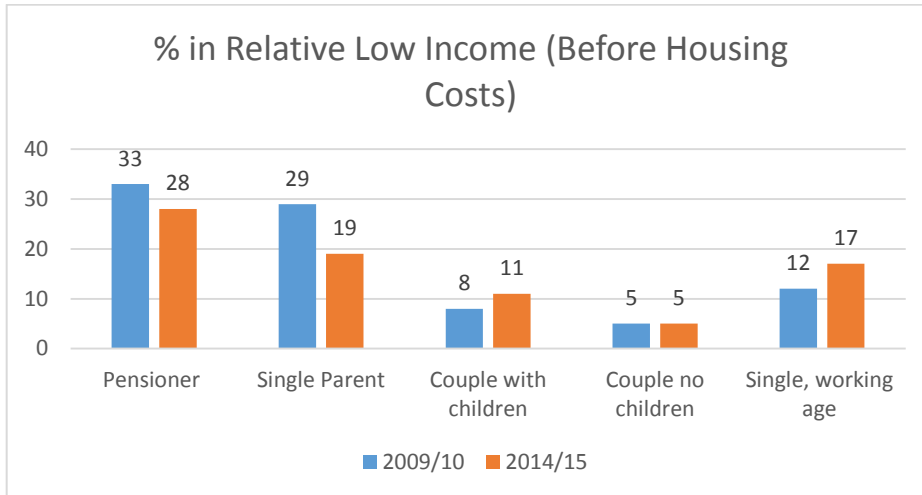
- For all groups, income before housing costs has increased by less than inflation (13% over this period), so real incomes have fallen. Falls have been largest for those of working age with or without children.
- Measures of relative low income have increased across the board, once increased housing costs have been taken into account. This is in spite of the 12% fall in the RLI threshold in real terms.
- Rising housing costs have hit single adults with or without children hard, leading to large increases in Relative Low Income AHC.

Figure 6 Income Changes for family types in Relative Low Income over time



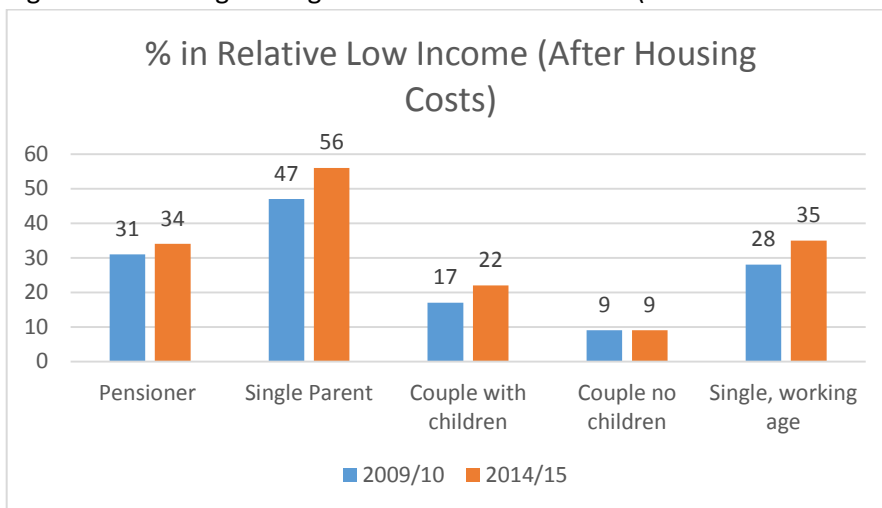
Source Table 2 Advisor's report

Figure 7 Percentage changes in Relative Low Income (BHC)



Source Table 2 Advisor's report

Figure 8 Percentage changes in Relative Low Income (AHC)



Source Table 2 Advisor's report

## 12. IMPACT OF HOUSING COSTS

84. Our advisor’s report highlights the impact of rising housing costs in Jersey, particularly on those in social and private rented accommodation as a critical factor in driving changes in Relative Low Income for working age families.
85. As we have seen, the Jersey Household Income Distribution Survey 2014/15 established that average incomes in Jersey have fallen over the past five years in relation to inflation and in real terms (see paragraph 5 of this report). People living in social rented accommodation have fared far worse than any other group in the past five years. They have seen an 8% reduction in disposable income after housing costs, before inflation<sup>15</sup>. Their income before housing costs has also failed to keep pace with all other groups with the exception of those in non-qualified accommodation.
86. Figure 9 below illustrates average income by tenure. It shows that people living in social rented accommodation have lower average incomes than those who own their own property - £470 per week before housing costs or £280 after housing costs, whilst, as shown in Figure 10 below, they also pay substantially more proportionately for housing – nearly twice as much - than owner occupiers<sup>16</sup>. They are paying £190 per week, over 40% of their gross income, to meet housing costs. This puts them substantially within the measure for housing stress.
87. Housing stress is defined as spending more than 30% of gross income on housing costs. Figures from the Housing affordability report 2013 reveal that a third of people in social rental are in housing stress and that over a half in private rental are in housing stress.<sup>17</sup>

Figure 9 Income by Tenure 2014/15.

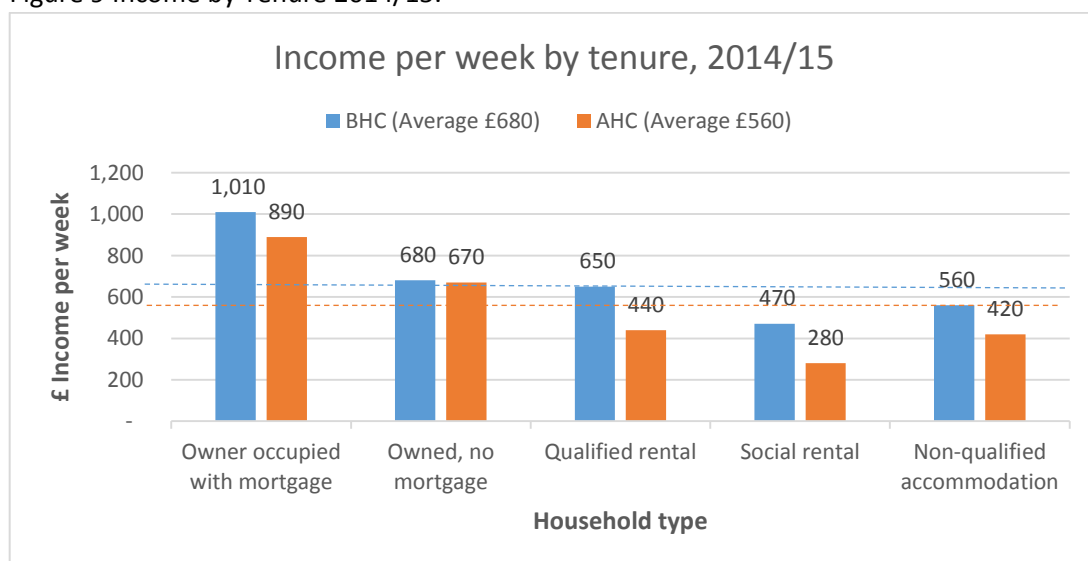
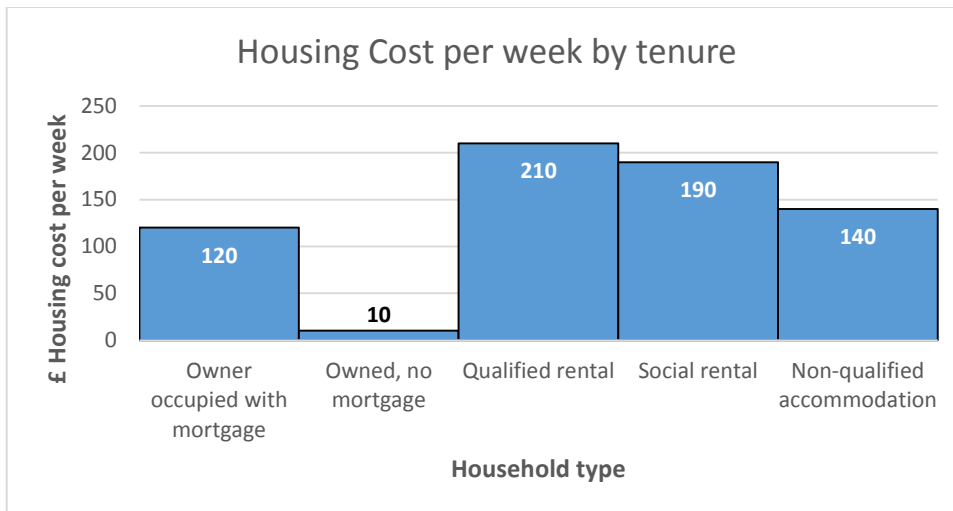


Figure 10: Housing costs per week by tenure

<sup>15</sup> Source: Advisor’s report Table 3

<sup>16</sup> Source: Advisor’s report Table 4

<sup>17</sup> Source: Written Question to Minister for Housing dated 26.04.16 1240/5(9387)



Source advisor's report Table 4

88. Table 4 below illustrates median income by family types. One parent families, who have the lowest income (£530 per week) and single adults (£640 per week) face substantially higher housing costs than other family types - £220 for one-parent families and £190 for single adults.

Table 4: Median Income by Family Type and Housing Costs

	BHC Income (£/week)	AHC Income (£/week)	Equivalised housing costs (£/week)
Pensioner	540	490	50
One parent	530	310	220
Couple with children	720	600	120
Couple no children	850	710	140
Single adult	640	450	190
Other	800	750	50
<i>All Households</i>	<i>680</i>	<i>560</i>	<i>120</i>

Source Table 2.2 JHIDS

89. **Citizens Advice Jersey** reported a significant rise in 2015 in the number of clients reporting with rent arrears, particularly in relation to those living in social housing.

There are many and varied reasons for rent arrears accruing, for instance a change in the level of benefits paid, a delay in receiving benefits, sanctions imposed in relation to breaches of the Back to Work scheme, prioritising other debts over rent, and mismanagement of finances in general. (*Citizens Advice Jersey*)

90. In the public hearing in May 2016, the Panel asked the Minister for Social Security whether Income Support components for housing were sufficient to meet typical private sector and social housing rents. The Director, Policy and Strategy explained the current situation for social rented housing: *"Income Support supports the full range of social housing provider*

*rents. So you do not need to publish a scale any more but Andium do publish their average rentals. There is quite a comprehensive list on the Andium website of rentals that are being charged. The Income Support system automatically covers the full rent of a social housing tenant as long as the social housing tenant is appropriately housed."*

91. The problem remains for private sector tenants (comprising 1,898 Income Support households) whose rents may only be paid in part by Income Support. The Income Support Housing component for private tenants covers rents at 95% of the market value of Andium stock as there is insufficient budget to cover 100%.
92. The Panel was told that £1million in extra money had been put into this area in 2014 so that more private sector tenants were now seeing their rent fully covered within the Income Support figures. The Director, Policy and Strategy claimed that currently 50% of private tenants on Income Support had their rent fully met.
93. She added: *"We will be taking a proposition to the Minister this month to adjust those numbers for this October so when the social housing rents go up in October the private sector rental components will also be rising as well in line with the change we have seen in the social housing sector."* This adjustment was agreed by the States in approving the draft Income Support (Amendment No. 14) (Jersey) Regulations 2016 which provided for an average increase of 5.2% in the support provided to Income Support tenants in the private sector.
94. The Panel considers that the following factors contribute to the increase in the numbers of people who live in Relative Low Income Threshold, after housing costs:
  - There is no mechanism to control private sector rents;
  - The States are still maintaining a system which effectively subsidises private sector rents;
  - The policy of raising rents in the social sector by RPI plus 0.75% is simply a marker to prompt the private sector to increase rents and fails to deal with the high costs in the private sector;
  - New tenancies in the social rental sector are charged at 90% of the market rate – which, for some people, means a significant rise in rents even for those who are downsizing.

## **KEY FINDING**

- |   |
|---|
| 95. High rental costs have had a significant negative impact on the disposable income of people living below the Relative Low Income threshold. The States do not currently have an effective policy to deal with the high costs of rental housing in Jersey. |
|---|

## **RECOMMENDATION**

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|--|
| 96. The Housing Minister should conduct an economic and social impact assessment on the current housing rental policy and report to the States by July 2017. |
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### 13. INCOME SUPPORT, OTHER SOURCES OF INCOME AND THE ‘BENEFIT TRAP’

97. Only 15% of Income Support claimants rely totally on benefits. Most claimants have other income sources from earnings, pensions and maintenance. There are large variations by household type in the share of Income Support claimants who rely on Income Support as their sole source of income. For all household types *except single parents* income from other sources exceeds that from Income Support<sup>18</sup>.
- Just 1% of pensioners rely solely on Income Support– the vast majority have pension income with an average of £208 per week;
  - Only 4% of couples with children rely solely on Income Support - Income Support comprises 41% of their household income;
  - 17% of one-parent families rely solely on Income Support. Single parents derive 64% of their income from Income Support. Maintenance comprises just 5% of their income. It is collected by 48% of single parents with average awards of £55 per week.
  - 29% of adults without children rely solely on Income Support. These are likely to be those with health conditions affecting their ability to work
98. For households with income from earnings, pensions and maintenance a common disregard of 23% is now applied to these other sources of income, meaning that they retain a proportion of any additional income before they see their Income Support rates reduced.
99. These levels of disregard have increased over time, having been set at a very low level of 6% on the introduction of Income Support in 2008. Disregards in the Income Support system mean that, for Income Support claimants who have additional earnings, their income may be close to or in excess of the Relative Low Income threshold. The rising level of disregard is meant to provide a greater incentive for those on benefits to find work.
100. The level of disregard in Jersey, however, is relatively low compared to the UK where the tax credit taper rate is 41% and applies only to income over £3,850 without affecting a tax credit entitlement. (Please note the UK term ‘taper rate’ is equivalent to the Jersey term disregard. Thus, the Advisor in her report refers to Jersey’s taper rate as 77%).

#### **Low level of disregard compared to UK**

For someone in Jersey on the minimum wage who increased their hours from 30 to 40 would keep just £16 of their additional £70 earnings on the basis of the 23% Jersey disregard – or just £1.60 per hour.

In the UK, if families only receive support with Tax Credits (no housing, council tax or childcare costs) income will be withdrawn at 41%. If an individual works at the minimum wage of £7.20 they would therefore retain £42.48.<sup>19</sup>

<sup>18</sup> Source: Advisor’s report Tables 12-15

<sup>19</sup> In practice, the UK benefit system is much more complex than this and the marginal tax rates (MTR) individual face vary widely with circumstances (family structure, housing tenure and costs, child care costs, rate of council tax, whether individuals have been moved over to Universal Credit or remain on the legacy

101. In section 3.4 of her report the Advisor examines how household incomes for those on Income Support rises with additional earnings and what level of earnings would allow claimants to cease claiming Income Support and escape low income.
102. Figure 1 and Table 17 in the Advisor's report shows the earnings and hours of work required to leave Income Support, assuming individuals work at the minimum wage of £6.97 per hour. For all family types, the income required from earnings to move away from Income Support is high.
103. For those in rental accommodation unrealistically long working hours are required to leave Income Support for those on low, or even moderate, wages. For lower skilled families with childcare costs or additional care needs the income required to leave Income Support is even higher.
- For a single parent with one child in rental accommodation weekly earnings of £575 a week are required to leave Income Support or annual earnings of £30,000. At the minimum wage, this would require a working week of 82 hours;
  - For a single parent with two children in rental accommodation earnings of £658 are required to leave Income Support, or annual earnings of £34,200. At the minimum wage this would require a working week of 94 hours;
  - For couples with two children in rental accommodation earning of £778 a week are required, or an annual income of £40,000, or 111 hours of work at the minimum wage.
104. Those with child care costs or more than one child, and those with additional care needs, are likely to find it particularly hard to leave Income Support.
105. Current Income Support components for those with no alternative source of income are inadequate for families to escape from Relative Low Income. While for some this may be a transitory position (for example those who are temporarily unemployed), for others the implications may be much more serious, in particular, for those for whom there is no expectation of work – single parents with young children and those unable to work for health reasons.

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WTC system). The IFS suggests a wide range of MTRs, but that once Universal Credit is introduced they estimate that the average MTR will be 54% (with much higher rates for some, and lower rates for others, see <http://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch10.pdf> pP253/254). Therefore, on average, for an extra 10 hours work individuals would be expected to gain £33.12. The Department commented that if making comparisons with the UK, the universal credit taper rate of 65% would be a more direct comparison. Our advisor informed us that this is only true in so far as the design of the IS system more closely resembles UC. However, UC is only currently claimed by 300,000 single individuals without complex needs (which includes those with children or disabilities). In contrast there are 4 million claiming tax credits. Which comparison is most apt depends on whether you wish to compare the situation of the majority of claimants in the UK with those in Jersey, or to compare the design of the system of IS in Jersey with UC. Note UC is now planned to be rolled out by 2022 and its design has been subject to significant change since first proposed. Note too the complexity of the UK benefit system means there is no single disregard rate (under UC or WTC) – this depends on family circumstances (see footnote below). The IFS Study suggests an average marginal tax rate of 54% (or 46% disregard) under UC once other benefits are accounted for.

Source: Note from Advisor

106. Children in one-parent families face particular difficulties in escaping from Income Support, needing to earn £575 a week to leave Income Support (equivalent to 82 hours a week at the minimum wage). This assumes they have just one child and no childcare costs – for those with more children or paying for childcare earnings required are higher again.
107. The more benefits are subject to means testing the greater the distortion of work incentives. Including childcare costs in Income Support calculations make the earnings required to escape from Income Support very hard to achieve, particularly for single parents. An alternative model might, for example, pay for the full childcare costs for all those incomes below a certain threshold (e.g. for all those with household incomes under £50,000. It may also be desirable to provide some tapered support for those with higher incomes). This would enhance incentives for those with children to work (or to work more), and reward them more for doing so.

## KEY FINDINGS

108. Few Income Support claimants, who work on minimum wage or close to minimum wage contracts, are ever likely to have sufficient earnings from work to escape from Relative Low Income.

109. The level of disregard for earnings and other income in Jersey provides limited incentive to work compared to the UK.

## RECOMMENDATIONS

110. To improve work incentives and reduce the ‘benefits trap’ the Minister for Social Security should:

a) examine whether additional payments – such as those for childcare or care related needs – could be removed from the Income Support calculation. An alternative mechanism of provision may be, for example, to pay for childcare for those with incomes below a fixed threshold.

b) examine the benefits of applying a higher level of disregard for earnings income and consider whether a separate disregard for second earners would better incentivise work.

c) introduce an annual earnings allowance which does not affect Income Support entitlement, as in the UK.

## 14. THE IMPACT OF LIVING ON A LOW INCOME

### 14.1 One-parent families

Nobody sets out to be a single parent – but you are treated as though it was your choice to become a single parent. (*Comment from single mother of Brighter Futures*)

111. One-parent families are heavily dependent on Income Support, deriving 37% of their total household income from Income Support. In contrast, the large majority (93%) of income for couples with dependent children was from employment, and only 3% from Income Support, benefits and grants.
112. One-parent families are over-represented in Relative Low Income – they make up just 1 in 10 of low income households but account for over 1 in 3 low income families with children.
113. At the introduction of Income Support, Social Security at the time recognised that the vulnerability of one-parent families required that additional support should be provided to them. In 2005, the Social Security Committee, presided by Senator P. Routier, had stated in its report on the Principles of the Income Support System:

There is an additional cost attributed to being a lone parent, not in terms of food and clothing, but in the cost of running the family home, which is comparable to that of a couple. The Committee considers that the lone parent and the first child should be classed financially as a couple. (*Social Security Committee Report 2005, P.86/2005*)

114. The report to the Income Support Regulations in 2007 further states:

Research and experience suggest that single parents require more benefit than single householders without children and are generally the most vulnerable to issues of poverty (*Income Support (Jersey) Regulations 2007*)

115. The previous Jersey Household Income Distribution Survey noted in 2009/10 that there had been a reduction in the proportion of one-parent families whose income was below the Relative Low Income threshold since 2002. The Panel believes that an important contributing factor in the improvement for one-parent families between 2009/10 and 2014/15 was the decision of the Minister for Social Security at the introduction of Income Support to provide an enhanced rate for one parent families.
116. Despite this additional assistance, five years later the position of one-parent families has worsened again: one-parent families had seen the largest falls in income, (3% in current prices, or roughly 15% in real terms, after housing costs) during that five year period<sup>20</sup>. After housing costs:
  - in 2009/10 under half (47%) were in RLI;
  - in the 2014/15 survey over half (56%) were in RLI.
117. On top of a deteriorating position, one-parent families have been the hardest hit in the changes to benefits brought about by the MTFP in 2015. The removal of the one-parent

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<sup>20</sup> Source: Advisor's report Section 2.3 and 2.5

component of Income Support, worth £40 per week, represents a significant loss of income for the most vulnerable group in our society. According to the Social Security Department this change affects 1,300 one-parent households in Jersey. Through this change in policy the Social Security Department will make a saving of £0.8million in 2016, in combining this change with the freezing of the Income Support child component.

118. In the public hearing in May 2016 the Panel was told that the Department had analysed the differences between the support available to a one-parent household and a couple household and had reached the conclusion *'that there was absolutely no reason or indication that it would cost a lone parent £40 a week more to live than it would a couple'*.<sup>21</sup>
119. The Panel was told that further analysis by the Department had shown that being a lone parent tended to be a short-term situation with people moving in and out of being a lone parent. Half of Income Support claims on behalf of a lone parent lasted less than 20 months; one third lasted less than a year, as people moved back into a relationship or things changed, such as a parent returning to work as their child got older. The Director of Policy and Strategy maintained: *"There is little evidence to support the idea that you need to give them more money in the short-term, because they are not in that situation for very long."*
120. The Director, Policy and Strategy added: *"The number of children living in single-parent households is much less than the number of children living in couple households. So if we are thinking about children, we need to be thinking about children across the board and not allocating extra resources to the lone-parent children at the expense of children in couple households..... Those are the hard choices we have to make at the minute."*<sup>22</sup>
121. The Director, Policy and Strategy told the Panel that additional support had only been maintained as part of the transition from the previous welfare system and that the removal of the one-parent component would make the system *"fairer and better targeted"*. She said that the one-parent component of Income Support was carried over as a legacy benefit from the Parish Welfare system. To ensure that Income Support payments would match the previous treatment, a separate lone parent component was introduced.<sup>23</sup>
122. The Panel does not accept the argument from Social Security that because some single parents move in and out of relationships they are not deserving of additional support in the periods when they are without a partner – after all the Income Support system regularly supports individuals who move in and out of low pay or unemployment situations. Whether short term or permanent, insufficient income results in stress and accumulating debts.
123. The Panel is not persuaded that generalised 'improvements' to the support available to one-parent families are sufficient to compensate for the loss of targeted support for this group. The higher earnings disregard and improved support with child care costs ignores the fact that single parents often have restricted earning opportunities and that in a couple household both parents can be earners.
124. The Panel further believes that the removal of the one-parent component of Income Support contradicts States policies in the Strategic Plan to tackle low income. The Panel notes for

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<sup>21</sup> Public hearing dated 05.05.16

<sup>22</sup> Ibid page 16

<sup>23</sup> Source: Social Security Dept

example that the position of one-parent families is recognised by the Income Tax system which provides for a single parent tax exemption worth £4,500 to single parents who pay tax.

125. The Department claimed in a written response to the Panel that various improvements to the Income Support system since its start would increase the amount of benefit available to single parents. For example, a higher earnings disregard (from 6% in 2008 to the current level of 23% making working more worthwhile); Back to Work Services (helping parents with the transition back into work); and a higher maintenance income disregard (providing an additional incentive for single parents to agree on maintenance payments with ex-partners where possible).
126. Variety, the Children's Charity, was one of a number of organisations which expressed concern for the position of one-parent families: *"Last year Variety helped 229 families with 476 children with basic needs: Almost on a daily basis we get requests via Health Visitors, CAB, Social Workers, The Bridge, schools and other organisations and individuals who have direct dealings with children and their families. These requests are for food, nappies, baby milk, baby equipment, school uniforms, shoes and other basic day to day needs."*

Virtually all of the families are single parent families and every family is on an income well below average. (Variety)

127. Variety said that they could not accept the position of the Minister for Social Security: *"We in Variety have deep concern that Social Security is no longer paying the single parent allowance. Deputy Pinel is of the view that this will encourage the parent to pursue the absent parent for maintenance. This is most unlikely as we deal with the most vulnerable families where often the absent father is in prison, was abusive or is simply not known. .... Indeed I have only very recently had a phone call from a single parent Mum who asked her legal aid lawyer to contact her child's father as he had not paid maintenance ever. The consequence of that was he appeared early morning and emptied her dustbin on the door step and shouted abuse!"*

Surely it is obvious that when a woman has finally got away from an abusive partner she is going to be very reluctant to make contact for maintenance. (Variety)

128. The views expressed by Variety were reiterated at the session with Brighter Futures attended by the Panel. Members were told that pursuing contact with a former partner can stir up emotions which the women would rather leave behind them. One lady commented: *"The pressures on a lone parent are enormous. This can affect your physical well-being and mental health. If you become ill things can fall apart."*
129. The Jersey Centre for Separated Families recommended: *"Social Security should have a legal adviser working on behalf [of resident parents] to pursue non maintenance payers in cases where there is unlikely to be any family Court proceedings and therefore no legal representation which would save the tax payer."*
130. The Panel agrees with the evidence provided by Variety, Brighter Futures and the Centre for separated families which points to the difficulties faced by many one-parent families in pursuing maintenance payments. It is unrealistic to expect that an additional incentive in the form of a maintenance income disregard will have a significant effect on absent partners without providing specialist legal support for the resident parent.

## KEY FINDINGS

131. The Minister for Social Security's decision to remove the £40 per week one-parent component payment is unsound. It is a U-turn on the previous policy of providing additional support for one-parent families which was well-founded.
132. The decision also goes against the clear evidence of the Jersey Household Income Distribution Survey 2014/15 that the position of one-parent families within the Relative Low Income Threshold has worsened.

## RECOMMENDATIONS

133. The Minister for Social Security should take the necessary steps to reinstate the one-parent component of Income Support as a matter of urgency.
134. The Social Security Department should consider creating a role for an officer working on behalf of one-parent families to pursue absent parents for maintenance.

## 14.2 Pensioners

### Pensioners

Pensioner households are relatively over-represented within the numbers living in Relative Low Income – they represent 33% of people in low income although they represent just 21% of the whole population. The most vulnerable pensioners are those who rely solely on their States of Jersey pension and Income Support, having no other or very little other additional pension or earnings<sup>24</sup>.

135. Many pensioners we spoke to at the Good Companions Club and Age Concern were very satisfied with their standard of living. As home owners they do not face the problems of rising housing costs and those fortunate to have occupational pensions could plan for travel and a comfortable old age. However, there are many others who are not fortunate enough to own their own homes or have second pensions.
136. The Jersey Household Income Distribution Survey 2014/15 shows that there are 4,900 pensioners in Relative Low Income in Jersey (after housing costs). Although this proportion of the population (28%) has not changed significantly over five years, this figure is twice the proportion of that in the UK<sup>25</sup>.
137. In the UK there has been a significant transformation in patterns of low income relating to pensioners according to the latest study of the Institute of Fiscal Studies: *One great success is that pensioner incomes have grown so much and, after housing costs, they are now the least likely major demographic group to be in income poverty.*<sup>26</sup>
138. It is mainly lack of income rather than housing costs which has caused the over-representation of pensioners in RLI.<sup>27</sup> The pensioners in Relative Low Income are those who rely solely on their States of Jersey pension supplemented by Income Support. Many have little or no other additional pensions or earnings. At the end of 2015 this accounted for 31% of all Income Support pensioner claimants (approx. 5,450 pensioners).
139. Of the 17,564 people receiving an old age pension in Jersey in 2014, only 3,706 received a full pension. The numbers receiving a part pension are shown in Figure 7 below.
140. The average pension payment is around £145 weekly. About 9,000 pensioners receive pension payments less than this average. Of course a significant number of these will be in receipt of a UK pension or an occupational pension; however, our concern is for those who have no other source of income besides Income Support. Any single pensioner or pensioner couple wholly reliant on the States pension at the full rate is eligible to apply for Income Support.

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<sup>24</sup> Source: Advisor's report Table 6

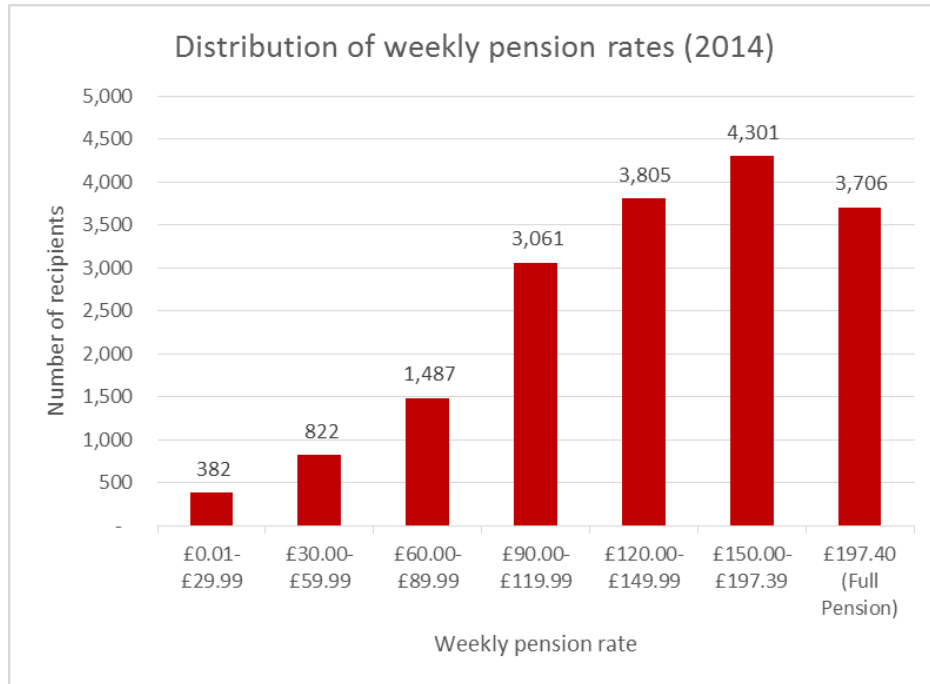
<sup>25</sup> Source: Table 1 Advisor's report

<sup>26</sup> Living standards, poverty and inequality in the UK: 2016, Institute of Fiscal Studies, 19 July 2016

<sup>27</sup> Source: Advisor's report page 4



Figure 11: Distribution of weekly SOJ pension rate to Jersey residents as at 31 December 2014



Source: Minister’s Report and Statement 2014, Social Security Department

## KEY FINDING

141. Pensioners, along with all other Income Support claimants, have suffered an effective loss of income due to the freezing of Income Support components (adult and household) at 2015 levels until 2017. This comes on top of an effective loss of value in benefits of £17.38 between 2010 and 2016 (adult and household component rates).<sup>28</sup>

### Pension Disregard

142. The Income Support entitlement of new pensioners will be affected by the changes to the current disregard for pensions.
143. Previously there was a fixed sum disregard for income from pensions of £55.23 for the first pensioner and £35.77 for an additional pensioner. After applying these disregards, a pensioner couple in a rented 1-bed flat would receive a top-up payment from Income Support. A single pensioner in a bedsit would receive around £120. The “average pensioner” referred to above, reliant on a States pension of around £140, would have expected a top up from Income Support of around £200 weekly.
144. Under the Minister for Social Security’s change the disregard becomes a percentage and not a fixed sum. That percentage is set at the same level as earned income, that is, 23%. For a single full pension that becomes a disregard of around £46, and for an additional pensioner an extra £30. These disregards leave pensioners with the least income i.e. those needing IS benefit, worse off by £9 or £15 weekly for a couple with an additional pension.

<sup>28</sup> – see Table 2 of this report

145. The Minister for Social Security claimed that this change will benefit those people who have made provision for their old age (for example through paying into a pension scheme) as they will retain a higher proportion of their pension should they need to claim Income Support.
146. This may be a laudable aim in itself, but the Panel considers it a perverse and ineffective way of achieving this aim: it does so at the financial detriment of the poorest pensioners whose disposable income has already been reduced by the freezing of Income Support components. The pensioners on lowest incomes who have never had sufficient income or opportunity for making private pensions provision and who are already in relative low-income will be worse off, while the better off, who have occupational pensions but are still dependent on Income Support, will be better off still.
147. With the average “other” income into pensioner households (almost entirely made up of income from pensions) standing at only £218 per week (DSS annual report 2014, table 29) this suggests that significant numbers of these poorest pensioners will be made worse off by the change, whereas it is those who are better off that will benefit.
148. The Minister for Social Security’s report on benefit changes gives two examples of the effect of these changes
- Person A works in Jersey for 45 years, paying contributions and also paying into an occupational pension scheme. When Person A reaches pension age they will get the full old-age Jersey pension (£200) and an occupational pension (say, £100) coming to a total of £300 per week.
  - Person B works in Jersey for 23 years, paying contributions but makes no other provision for their retirement. At pension age, Person B will get half of the old-age Jersey pension, at roughly £100 per week<sup>29</sup>
149. However, it should be noted If person A is fortunate enough to work for a series of employers with occupational pension schemes so that he has an additional £100 weekly pension he will be better off by an additional £12 per week under Income Support than person B who may well have done similar work throughout his life, but for different, less generous, employers with no pension scheme in place.
150. This measure applies only to new entrants, that is, the majority of people who turn 65 in 2016. There are some 1100 residents currently who will do so. Using the average pension income figure of £215, our calculations show a loss of around £5.50 per week in disregard. This is a saving of around £300,000 annually to the department.
151. Table 5 below gives further illustrations of the impact of the replacement of a fixed disregard with a 23% disregard for pension income for those newly claiming Income Support in 2016 on disposable income after housing costs for a single pensioner. The chart shows that with a fixed disregard of £55 the net disposable income of a single pensioner was £200 for all pensioners who did not have an occupational pension. Those on the maximum pension available of £200 still received £200 disposable income.
152. Under the new system, new entrants will get a range of figures. Everyone without a second pension will be worse off. A single pensioner with a full States of Jersey pension of £200 per week under the new disregard system will receive net disposable income (after housing costs)

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<sup>29</sup> P.102/2015 Christmas Bonus (Repeal)(Jersey) Law 201-, section 4.4.3, page 22

of £191, a loss of income of £9 per week compared to the old system. Most pensioners however will not be in a position of receiving 100% States pension and will suffer a greater loss. Someone on a part pension, for example of £120, with no additional pension income, will receive only £173 disposable income.

Table 5

	£	£	£	£	£
Weekly pension income	60	90	120	150	200
Income Support adult and household	145	145	145	145	145
Old fixed disregard	55	55	55	55	55
Less disregarded income	-5	-35	-65	-95	-145
Net disposable income	200	200	200	200	200
New 23% disregard	14	21	28	35	46
Less disregarded income	-46	-69	-92	-115	-154
New disposable income	159	166	173	180	191

Source: Written Question 1240/5(9153) by Deputy G.P. Southern, dated 19 January 2016

153. New legislation requires every UK employer to automatically enroll workers into a workplace pension scheme if they are aged between 22 and State Pension age and earn more than £10,000 a year.<sup>30</sup> This legislation does not exist at present in Jersey. Employees have no right to insist on their employers following this route and many workers in low paid, insecure jobs will not be in a position to invest in a private pension scheme.

## KEY FINDING

154. The Minister for Social Security's decision to alter the Income Support disregard for pensions does the opposite of targeting benefits on those most in need. It has reduced the disposable income of those new pensioners joining the scheme from January 2016 who have no additional income from a second occupational pension, who are the poorest section of pensioners in Jersey.

## RECOMMENDATION

155. The Minister for Social Security should re-examine the impact of her decision to change the Income Support disregard for new pensioners and devise a scheme which does not discriminate against the poorest section of pensioners in the island

156. The Minister for Social Security should suspend the changes she has made to pension disregards and investigate the introduction of legislation requiring all employers to enrol their employees in an occupational pension as a better way of achieving her aim of encouraging occupational pensions.

<sup>30</sup> Source: <https://www.gov.uk/workplace-pensions/about-workplace-pensions>

### 14.3 Visiting the Doctor

Please ensure that if anybody asks about whether they can go to the doctor if they are on Income Support, [tell them] they can go to the doctor and they must go to the doctor. If they have any medical concerns they should go to the doctor and not be concerned about whether it is going to be paid because Income Support will pay their fee. *Message from Senator P. Routier to States members in the debate on the introduction of Income Support in 2008*<sup>31</sup>

157. The Panel received overwhelming evidence from many of the witnesses that they spoke to in the course of this review who told them of the problems they faced in affording visits to the doctor or dentist for themselves or their children. Many said that the prospect of medical expenses for themselves or their children was their biggest worry. As a consequence, to avoid accruing debts with the medical practice, they avoided going to the doctor unless a condition had developed into an emergency. This situation is contrary to the pledge given by Senator Routier above at the inception of Income Support in 2008.
158. Some examples of the personal experiences related to the Panel:
- A. One woman described how she avoided going to the doctor or dentist because the bills would mount up. She said it was often a choice between paying for heating and food or the doctor's expenses.
  - B. Another woman who had experienced dental problems due to pregnancy said that Social Security had helped with dental expenses but had refused her application for grant assistance for a plate which she required.
  - C. One woman spent two weeks in pain but wouldn't go to the doctor because of the expense. Eventually she went to A&E and was diagnosed with a problem with her gall bladder. She spent two days in hospital.
  - D. Another woman developed pneumonia because she couldn't afford to go to the doctor.
  - E. One young man with epilepsy, high blood pressure and pain requiring high doses of regular medication said that he only visited the doctor once last year due to the expense involved. As a result he was told by Social Security that he wouldn't qualify for medical allowance.
  - F. One man with a chronic medical condition (diabetes, asthma and angina), receiving 25/30% LTIA said that he regularly had to pay for his medical expenses out of his Income Support for living expenses. Income Support did not cover his diabetes testing equipment amounting to £25. Nor did it pay for X-rays (£20). He has had to defer prescriptions because he was unable to pay for them and had put off dealing with his teeth due to the expense.<sup>32</sup>
159. Dr N. Minihane, Chairman of the Primary Care Body, told the Panel that affordable medical care was a problem for a section of the population and that some people only presented

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<sup>31</sup> States Assembly Official Record, 13 March 2008

<sup>32</sup> X rays are only charged at the hospital if ordered by a GP. The charge in this case is waived by HSS to people who produce an Income Support award letter – Social Security Department advisory note

themselves to GPs when in crisis: *“We have seen a general increase in the number and complexity of problems presented to us, which I think is exacerbated by the fact that people seek to get value for money when they attend. On the negative side it may be that medical attention is not sought appropriately for fear of receiving an invoice.”*<sup>33</sup>

The Department has evidence our discounting is poorly targeted. Equally, it is not appropriate for a small group of the community, namely GP’s in Primary Care, to try to ascertain who can and cannot pay for their medical needs within the current system as it is presently established. (Dr N. Minihane, Primary Care Body)

160. Dr Minihane said that many doctors regularly discount fees for people they know to be on a low income and struggling to meet the costs of consultations. However, it was extremely difficult for GP’s to act essentially as ‘judges’ of what a patient could afford when they sought medical advice. He commented: *“The benefit system is essentially quite opaque to the majority of us working in Primary Care. Suggestions were made by us previously that perhaps there should be access to a spread sheet on line which would allow patients and healthcare staff alike to determine eligibility criteria and subsequent payments. It would be extremely beneficial for us to have rapid access to perhaps a dedicated person in the Social Security department to discuss those patients who may be vulnerable from the psychological, social, medical or financial perspective. We could then establish a means whereby they could be provided with appropriate medical care as and when it is needed.”*

It seems to be down to the individual GP within a practice whether or not they discount for a patient. (S.N.A.P. Jersey)

161. **The Special Needs Advisory Panel (SNAP Jersey)** in their submission to the Panel pointed out that the Household Medical Account (HMA) scheme had not kept up with the rising costs of visiting the doctor: *“A figure of £6.30 per week is paid to an individual on the highest level of clinical need within Impairment. In 2007 this figure was set at £5.25 per week. On looking at the Comparison of Consumer Prices 2015, Personal Services which includes GP visits rose by approximately 42% since 2007. SNAP understands that benefits rise but not linked directly to RPI. If it was, then this benefit should now be paid at approximately £7.55 per week. In Jersey we are very lucky to be able to access GPs easily, however, they are very expensive. It seems to be down to the individual GP within a practice whether or not they discount for a patient.”*

With fees being around £38.00 per visit before adding on the cost of blood tests etc and out of hours being around £90.00 during surgery hours, £6.30 per week does not go far to support these costs. (S.N.A.P. Jersey)

## KEY FINDINGS

162. The high costs of G.P. visits are deterring many people on low income from seeking appropriate and timely medical treatment. Many are compromising their health for fear of incurring debts with medical practices. This is contrary to the policy of the Health Department to encourage early intervention and treatment by primary care in the community.
163. The current provision for medical expenses in Income Support has failed to deliver on the promises made at the introduction of the scheme in 2008 that Income Support claimants

<sup>33</sup> Written submission dated 08 April 2016

should not be concerned about the costs of going to the doctor because Income Support would pay their fee.

## Household Medical Accounts

164. Support for G.P. visits is provided in a number of ways, under Income Support. However, the basis for this support has changed over the years since 2008 with the effect of increasing stress on Income Support claimants.
165. During the run up to the introduction of Income Support, the decision was made to remove the provision of free access to GPs largely on the grounds that there were several mechanisms to qualify for HIE, which meant that HIE was not accurately targeted on only the poorest and those most in need. After 6 years of development, and several reviews, we now have an accurate picture of households that are most in need of additional help with medical bills, namely, those who require a HMA.
166. The basic provision in Income Support for GP visits is provided through
- the living component of Income Support which covers up to 4 surgery visits in a year, the average for a healthy person.
  - Then, on top of that, the clinical cost component can provide additional support, up to a total of 12 visits a year, for individuals with chronic illness.
  - Then there is also the additional personal care component and the mobility component, which provide additional assistance for individuals with an illness or disability.
167. The Household Medical Account (HMA) is a scheme devised by the Social Security Department for those most in need of additional help with medical bills. It is designed to help individuals claiming Income Support clinical components 1 and 2 to save an appropriate amount from their weekly benefit to cover the costs of the visits that they require. If someone is in genuine need of home visits, the weekly amount saved can be increased to cover this cost. There is no specific limit on the number of visits for which a claim can be made.
168. When deficits in HMAs become apparent, because of prolonged bouts of illness and increased use of GPs, solutions will be sought after discussion with the claimant. Whereas previously the usual solution would be for claimants to apply for additional money through special payments, now in most cases the extra money for the HMA will come from their personal care or mobility components – up to half of the lowest personal care level and half of the mobility component can be used for this purpose. No additional money is provided by the Department. By taking money from these components to save for increased medical costs, the Department is potentially reducing the ability of the claimants with the highest medical needs to cope with the stresses and strains of everyday living.
169. Personal care components are available to people who need assistance with their own personal care, including such activities as housework, shopping, cooking, washing and dressing. There are three levels of personal care component, and they can be awarded for physical, sensory and mental impairments. The mobility component is available for those who have an impairment which seriously affects their mobility outside their home environment. There is a higher rate paid to people who work to assist with additional costs incurred

travelling to and from work. This rate is paid as long as the net earned income from the work exceeds the value of the higher rate.

170. The Director, Policy and Strategy told the Panel the transfer of money from personal care and medical components is always done in discussion with the claimant: *“So what happens is that there will be a discussion with the claimant that they are needing more G.P. visits and they can put some extra money into their H.M.A. to make sure those visits will be covered. They will get an award letter and these days that is all done face to face, the person who gets the letter it is explained to them at the time. .... It will never be done without the person knowing about that. They will always know that. They will always have that letter upfront.”*<sup>34</sup>
171. The Panel, however, notes that discussion does not mean that the transfer is made with the agreement of the claimant.
172. The Director, Policy and strategy assured the Panel that money for HMAs would never be taken from living components of Income Support - only from the medical component. The maximum would be about £30 per week: made up of £11.48 from mobility; £11.48 from personal care and £6.30 from clinical care. One member of the Panel, however, has evidence of cases where medical costs taken from personal care components has put significant stresses on vulnerable household budgets:

**Transfers from personal care components to HMAs**

- A. Single Parent, 2 children, no impairment or mobility, HMA: £15.26 per week (£800 annually)
- B. Family with 3 children, child impairment, HMA: £47.60 per week (£2,500 annually)
- C. Single female, no impairment, HMA: £35 per week (£1,800 annually). This award left her to find over £70 weekly towards her rent.
- D. Elderly single female, PC2 and mobility, HMA: £28 per week

**Special payments**

173. The Table below shows how the total value of special payments to support HMA costs has reduced sharply over the past five years.

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<sup>34</sup> Public hearing 5 May 2016

Table 6 Reduction in special payments to support HMAs

Special payments to support HMA costs	
2012	£729,710
2013	£562,848
2014	£413,476
2015	£381,705
2016 (Jan to May)	£158,109

Source: Social Security Dept

174. The Department told the Panel that the reduction in the number of accounts needing additional support through special payments was due to better monitoring.
175. In addition, new guidelines have been adopted in respect of dental costs, which had been a major proportion of special payment applications with many claims in excess of £1,000, so that individuals make a contribution towards larger bills. A limit of £500 was established on grants, with additional costs above £500 issued as a loan to be recovered from ongoing benefit.
176. The Panel also notes that numbers in receipt of assistance with medical costs, for example, have been seriously reduced over time. In November 2007, just prior to the introduction of Income Support, there were a total of 2,966 households (around 4,000 individuals) who qualified for Health Insurance Exemption (HIE) and thereby free access to GP consultations. As of March 2008, there were only 158 individuals who were previously in receipt of HIE who were not receiving Income Support or a Protected Payment. All the remaining households had a HMA set up to assist them with GP costs. At the end of 2011, however, the number of households with a HMA had been reduced to 1,429.
177. The Panel notes that the Social Security Department has a 2016 Business Plan objective to explore mechanisms which will assist people with a low income to meet health care costs. The Panel was told that the department has already initiated a review of Household Medical Accounts seeking to update the policy underpinning these accounts, their operation and preserving appropriate access to GP services.
178. Dr N. Minihane of the Primary Care Body told the Panel that he welcomed this review, as in his view the HMA system in its current form was not fit for purpose. He said that the system did not incentivise correct behaviour. People were able to withdraw money from their account if it was in credit and could spend the money on anything, even though the HMA was supposed to be for terminal and chronic illnesses.<sup>35</sup>
179. The Panel will review the outcome of the Minister for Social Security's review of mechanisms to support care costs once her proposals have been received.

## KEY FINDINGS

180. Financial pressures have been increased on the most vulnerable by transferring funds into their Household Medical Accounts from other care components instead of providing additional money. The money transferred from care components was designed to supplement essential living and mobility support.

<sup>35</sup> Meeting with the Panel held on 4 May 2016



181. The Department has saved money on special payments for medical costs by replacing grants with loans where the claimant contributes to the cost of larger amounts. Repayments are likely to be a minimum of £21 per week. This has added financial worries for claimants over the past five years.
182. Undue reliance is placed on General Practitioners to mitigate the burden of medical costs by discounting their fees in favour of low income families. This support, though laudable, is provided in a haphazard and untargeted way.

## **RECOMMENDATION**

183. The Minister for Social Security's review should include consideration of uprating the medical provision in Income Support which has declined in value since 2008
184. The Minister for Social Security should report to the States by July 2017 on proposals to ensure that the original aims of the Income Support system, that no-one should fear going to the doctor due to incurring unaffordable medical expenses, are effectively reinstated.

## 14.4 Reductions in Income Support payments

185. Besides repayment of loans arising from special payments, a number of witnesses to this review spoke to the Panel of the difficulties they have experienced because of reductions from their basic weekly Income Support entitlements due to over-payments, under-payments and sanctions.
186. Income Support components are calculated to provide a 'basic minimum standard of living' for individual households depending on their circumstances. Despite these aims, the manner in which the benefit is administered by the department often requires applicants to live on less than the minimum benefit required to meet this basic standard.

### Over/under payments

187. The most common reason for claimants having to live on less is as a result of an over-payment having occurred. The Department recognises that the Income Support scheme is designed such that over and under-payments commonly arise. In answer to a question by Deputy Southern in 2012 the then Minister for Social Security responded: *"Income Support benefit is always paid in advance, on either a weekly or four-weekly basis. Any change of circumstance that occurs after a payment has been made and during the period paid for, which affects the value of the claim rate, will result in the need for a payment adjustment in respect of the over or under payment."*<sup>36</sup>
188. The Minister for Social Security said that in 2011, against an estimate of 11,000 manual changes per annum due to a change of circumstance, 6,246 payment adjustments were created in respect of Income Support claims. (3,558 underpayments and 2,688 overpayments).
189. The Panel notes that both of these adjustments can cause hardship for claimants. During a period of underpayment the claimant will be attempting to live on less than what is needed. An overpayment leads to the department claiming back the sums paid. The department has taken the position that repayment is to be reclaimed at a minimum of £21 weekly. With an average overpayment of around £134 in 2012 this means that the claimant could be living at a substandard rate for over 5 weeks, this is likely to cause hardship and the building up of debts.

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<sup>36</sup> Written Question 1240/5(7344) dated 15 January 2013

190. Most Income Support claims are paid in advance, so it is inevitable that these adjustments will occur with the potential for the creation of hardship. This is also a very inefficient service since each adjustment requires a letter to be sent detailing the changes. An example of such a letter is shown here. This particular adjustment occurred from a mismatch between the IS claim (paid 4 weekly in advance) and a short-term sickness claim (paid in arrears). The letter is far from a model of clarity.

• **Notice of Amended Income Support Benefit**

As a result of your visit I have updated your claim accordingly and can confirm that your Income Support award has been revised as follows. Your Short term Incapacity Allowance has been extended to 18/07/16

Your entitlement from **03/06/16** will now be £76.79 per week

Due to the above change an overpayment of Income Support has occurred as you were paid £18.31 per day from 24/05/2016 to 02/06/2016 instead of £10.97 per day = £7.34 for 10 days. This has resulted in an overpayment of £73.40, which has been added to your previous overpayment of £38.54, meaning a total overpayment of £111.94.

From your entitlement, the following amounts will be paid direct to:

Recovery of overpayment until 10/07/16	£21.00 per week
Landlord	£50.19 per week
Household Medical Account (HMA)	£5.60 per week

Your entitlement from **08/07/16** will now be £76.79 per week

From your entitlement, the following amounts will be paid direct to:

Recovery of overpayment until 10/07/16	£6.94 per week
Landlord	£64.25 per week
Household Medical Account (HMA)	£5.60 per week

**Sanctions**

191. The problems associated with over/underpayment can be made worse by the application of the sanctions policy adopted by the department. Sanctions can be imposed on IS claimants for a number of reasons, and whilst they can be justified when applied to persistent failure to seek work, they are often applied to minor infringements of the rules. Simply missing an appointment may provoke a sanction, for example. Leaving employment “without proper reason” is a common cause of sanction and is applied to poor quality employment such as

those involving zero-hours contracts, since the policy of the Minister for Social Security is that any work is better than no work.

192. The following case, whilst extreme, illustrates the way the rules operate: a couple with 3 children lost £148 per week from their Income Support payments through reductions for overpayments and sanctions. In effect their basic living components required to enable basic standards which were calculated at £264 per week (after housing costs), were halved for a number of weeks.

**Reductions in Income Support through repayments and sanctions**

Your payments will now be £492 per week

From your entitlement, the following amounts direct to:

Overpayment recovery - £35 duration 28 months

Giving up work overpayment - £21 duration 18 weeks

**KEY FINDING**

193. Reductions to Income Support payments through under or overpayments and sanctions can combine to leave individuals in a seriously precarious financial position for several weeks.

**RECOMMENDATION:**

194. The Minister for Social Security should examine ways to reduce the number of over and under-payments in Income Support. Consideration should be given to payments in arrears rather than in advance.

## 14.5 Long Term Incapacity Allowance

195. The St Helier/Georgetown Methodist Centre suggested to the Panel that one of the apparent causes for the increased numbers accessing their services was the changes to the Long Term Incapacity Allowance disregard. They said that this had hit hard those people who could least cope with change and was causing increasing signs of mental illness and depression.

Taking away a small amount of support means a great deal to people living on the edge and can push them into real difficulties or trigger serious mental health issues. (St Helier Methodist Centre)

196. The Department's savings plan for the MTFP includes the removal of a 6% disregard for allowances such as the Long Term Incapacity Allowance (LTIA)<sup>37</sup>.
197. The LTIA supplements the income of people with limited powers of earning. The table below shows that 22% of Income Support households claim LTIA (and Invalidity Benefit INV which is no longer available to new claimants). LTIA claims can vary between 100% and 5% depending on the severity of the incapacity affecting the individual but the average claim of those on LTIA in Income Support is 57% or £113 per week. The removal of the 6% disregard for this allowance results in the loss of £7 per week; for a person on Income Support claiming 100% LTIA the loss amounts to £12 per week or £624 per annum; for people already living below the Relative Income Threshold this represents a significant loss of income
198. The Director of Policy and Strategy told the Panel that removal of the disregard for LTIA payments was part of the process of ensuring that the Income Support system was clear, consistent and fair. The LTIA, as an 'overlapping' benefit which allowed a person to in effect to claim two allowances, did not make sense.

Table 7 Long term Incapacity Allowance Claims

Household type	No of claims that include INV/LTIA Income	Annualised average of INV/LTIA income per claim £	% of IS households receiving INV/LTIA income
65+	69	£4,953	45%
Adults/without children	1,077	£6,276	40%
Adults with child/ren	173	£5,056	18%
Single adult with child/ren	140	£4,631	13%
Total	1,459	£5,911	22%

Source: Minister's report and financial Statement 2014, Social Security

<sup>37</sup> The Long Term Incapacity Allowance (LTIA) is a contributory benefit, that is, it is available only to those who have paid into the Social Security system during their working lives. It compensates working age adults who have a loss of faculty whether through illness or injury. LTIA allows people to work if able to do so, whilst still receiving a benefit which provides some financial support. The maximum value of this benefit currently is £199.99 per week. As an alternative to the LTIA Income Support claimants with a long term medical condition or disability might be entitled to the Personal Care or (Impairment) component. This is separate benefit provided under Income Support to people with a disability or long term medical condition. The numbers of claimants are smaller than those on LTIA - in 2014, 541 claimed Personal Care Component (PC) 1, 341 PC2 and 394 PC3. The criteria for assessing these components is relatively demanding – requiring a 24 page assessment form – in comparison to LTIA which is triggered automatically after 12 months incapacity and claimed via application to a Medical Board.

199. As it is a contributory benefit LTIA differs from other Income Support benefits and the Panel believes that it should be considered within the contributory system as a whole which is scheduled for review by the Minister for Social Security.
200. The claim that these two benefits are overlapping, and that the removal of the disregard is somehow “fair” is belied by the department’s own description of long-term incapacity “In many cases, this makes it difficult for the individual to support themselves through employment” (Annual report 2014 page 55).
201. The disregard for earned income is 23%, and yet a 6% disregard for incapacity allowance for many who cannot work, is removed.
202. Two of the personal components are clearly designed to cater for the increased costs of mobility and of medical care for those with a disability.
203. The impact of this change has not been assessed by the Department.

### **KEY FINDINGS**

204. There is insufficient evidence for removing the LTIA disregard for people drawing Income Support. This discriminates between people who are able to support themselves financially and those who cannot.

### **RECOMMENDATION**

205. The removal of the LTIA disregard should be suspended pending the outcome of the Minister for Social Security’s review of the contributory system.

## 14.6 Home Carers

206. The Special Needs Advisory Panel (SNAP Jersey) expressed concern about the difficulties faced by Home Carers, particularly those who try to balance a career alongside their caring role.

*Carers feel discriminated against and penalised for being in this position as the threshold dictates they can only work in low paid jobs although they have qualifications and experience to do higher paid employment. None of our carers want to be in a situation where they have to give up their jobs, become unemployed and then dependent on benefits. (S.N.A.P.)*

207. SNAP said that the Home Carers Allowance (HCA) which is available to those who care for someone on PC level 3 dependant on specific conditions, amounts to £799.96 for four weeks, or £10,399.48 per annum. SNAP calculates that this works out at an hourly rate of £5.71 (less than minimum wage which is set at £6.97 per hour). The income disregard is set at £149.54 per week (or £7776.08 per annum). Those who try to continue in employment are finding it increasingly difficult to find work that will keep them within the income disregard.
208. SNAP said that an Officer at Social Security had suggested that some carers, who are mostly mothers, might consider returning to work full-time and pay for a carer to look after their child - however, SNAP explained that the costs of childcare rendered this impractical:

For example, if a person worked a 37 hour week, a carer would be required for at least an hour in the morning and three hours after school. In the 14 weeks of school holidays between 37 and 50 hours of care a week would be needed dependent on the level of need. Care costs would be about £20 an hour which amount to between £740 and £1,000 per week.

209. SNAP cited the example of some, highly skilled parents who had found part-time jobs which they could fit in with caring for their child but were struggling to keep them due to the restriction of only earning £149.54 per week. They often have to work nights or weekends when a higher rate of pay is given which will then take them over the disregard.
210. Another example given by SNAP was of a mother who was an experienced and well qualified Mental Health Nurse who was trying to juggle working day and night shifts as well as being up at night with her son who had complex needs. She was exhausted and it was affecting her health. Giving up her job completely would mean facing the loss of her nursing qualifications.
211. SNAP recommended that the Income Disregard should be raised to allow families to keep on working for a realistic wage. This would not only be good for the families at this moment in time but it would benefit them later in life. They would be able to remain in the workforce developing new skills. In the long term the Island would benefit with fewer people dependent on the States for financial support.

### KEY FINDING

212. Carers who wish to continue in employment find it difficult to find work that will keep them within the income disregard.

## RECOMMENDATION

213. The Panel recommends that the Minister for Social Security's review of contributory benefits should examine extending the range of the current Home Carer's Allowance and include caring for those on PC2 as well as PC3.



## 15. INCOME SUPPORT: LACK OF FLEXIBILITY IN THE SYSTEM

214. This section contains accounts of some experiences of people living on a low income in dealing with applications to the Social Security Department. The Scrutiny Panel has not yet had the opportunity to discuss all the issues raised in this section with the Minister for Social Security but will take them up in a forthcoming Quarterly Hearing. The issues here provide significant authentic feedback to the department from their clients and the Panel considers it appropriate to include this section in our report despite the fact that the Minister for Social Security has not yet had an opportunity to respond.

215. Impersonal treatment of applicants to Social Security and a lack of flexibility in the treatment of applicants was a common theme among our discussions with people living on a low income. The St Helier Methodist Centre, for example commented: *There is a variable response from advisors who are sometimes meeting individuals that are vulnerable and who may struggle to articulate their situation. Many find it difficult to speak to Social Security to explain their circumstances, especially when they have to deal with different advisors each time. Many claimants lack verbal confidence to express themselves and their needs adequately. There is inadequate privacy. Social Security advisers are themselves under pressure.*

The experience of many who go to Social Security is impersonal – it is difficult to explain their circumstances, especially when they have to deal with different advisors each time. (Rev T. Morley, St Helier Methodist Centre)

216. Strathmore, a hostel supporting young people who are struggling to find their way into the world of work, described how difficult it was for young people to engage with Social Security

- Strathmore support workers accompany residents to Social Security until they get to the point when they can operate independently. As there is no appointment system this can tie up a support worker all morning
- Some advisers give very little time to young people and little advice on where they should go for assistance
- Contact with an adviser may be minimal: young people are given application forms after a long period of waiting and told to return in two weeks with the completed form. Commonly there are gaps still to be filled when they return, thus causing further delays in their application
- It can take 6-8 weeks to process applications for benefits
- Letters to residents about their Income Support are commonly difficult to understand and give no explanation for changes in benefit status
- There is an absence of privacy at Social Security which can be intimidating for young people
- It would be helpful to have a quick drop system for letters and forms rather than having to wait just for a receipt
- If Strathmore was allowed to have benefit application forms to take away with them they could go through the forms in advance with the young people

It would be beneficial to have a dedicated officer for young people at Social Security who understood issues facing young people (*Strathmore*)

217. Headway, the Brain Injury Charity, also felt that people with head injuries would benefit from dedicated assistance with applications

- There is a tendency for individuals with brain injury to give an over-positive impression of their circumstances and their ability to cope which can be counter-productive in making applications for Social Security benefits
- It would be helpful if there was a single point of contact at Social Security instead of claimants having to go to various different contacts as part of their application
- Headway has recently appointed a new Advocacy Officer on a part time basis. 75% of her workload is in dealing with Social Security issues

People with head injuries commonly have difficulties with Social Security due to long waiting times, noise in the public areas, short-term memory loss and anxiety. It would be helpful if there was a single point of contact at Social Security (*Headway*)

218. Brighter Futures also described the disadvantage of the lack of an appointment system at Social Security. The Panel heard that people often struggled to find assistance when applying for benefits. Key workers from Brighter Futures could sometimes accompany applicants to assist them through the process but found this very time consuming due to the lack of an appointment system. The manager told us that this could be achieved sometimes with persuasion but it was the exception.

Key workers can sometimes accompany applicants to assist them through the process but this is very time consuming due to the lack of an appointment system at Social Security (*Brighter Futures*)

219. Another comment at Brighter Futures was that the advisors at Social Security appeared to be restricted to following a script rather than treating applicants as individuals in a personal way. For example, there was an insistence that applicants should be looking for full-time work whereas a 20 hour-a-week position would be more consistent with childcare.

220. Community Savings Ltd tries to get close to its customers to see what they really need. They can do this more flexibly than the government benefit system which is tied to strict criteria and guidelines. They gave an example of the over prescriptive nature of Social Security rules: *“We were approached by a single mother who was moving into new accommodation and needed assistance with floor coverings. She was advised by Social Security that a grant could be given to pay for carpets. The client asked whether they would pay for laminate flooring as an alternative (this was requested due to one of her children having various allergies and the option requested involved no extra cost) but was told that this was not possible. Social Security would only pay for carpet – laminate flooring was not covered by the benefit system.”*

Clearly, rules are needed to prevent the system being abused however we feel some of the ‘rules’ could more usefully be guidelines which allow some discretion (at a suitable level of authority) to more closely meet the needs of benefit recipients. (*Community Savings Bank*).

221. The Jersey Centre for Separated Families felt that claimants should be treated as individuals: *“People need support and case workers as no two situations are the same. Trying to fit people into a tick box system is failing people miserably as it just simply does not work. People feel undervalued and unworthy and simply fall into a downwards spiral.”*

Investment in case workers who are genuinely interested in improving the lives and well-being of people who can also work together with other agencies who are not constrained by quick fix time limits could help turn around families which could be beneficial to all concerned. *(Jersey Centre for Separated Families)*

## **KEY FINDINGS**

222. Key workers from organisations assisting people on a low income find the process time consuming due to the lack of an appointment system at Social Security and have difficulty in identifying a single and consistent point of contact.

## **RECOMMENDATION**

223. The Minister for Social Security should establish an appointment system for key workers supporting Income Support claimants.

## 16. CONCLUSION: IMPACT OF THE BENEFITS CHANGES IN 2016/17

224. The Social Security Department was tasked by the Council of Ministers to find £10 million savings in its budget by 2019 as part of its deficit reduction programme. As we shall see, the target for departmental savings was required to come from tax funded benefits and would necessarily be detrimental to the most vulnerable members of society in Jersey.
225. The Minister for Social Security told us that her Department was limited in its options for savings as staff or administration procedures was only 5% of her budget: 95% was benefit expenditure. *“We had to make those savings and we came up with a myriad of options and then narrowed it down to present to the Council of Ministers those that we felt were acceptable, that were distributed across the board and did not penalise one particular group at all...Yes, of course there have been some restrictions and some losses in what we have suggested, but you do not make £10 million worth of savings without doing that, and we felt that the ones we did make were possibly unfair in the first place and needed to be addressed.”*<sup>38</sup>
226. The Minister for Social Security and her officers maintained that careful, detailed calculations had been made internally by the department looking at composition of households. No direct engagement had been carried out with recipients of benefits as the responses were considered to be predictable. The Director of Policy and Strategy commented: *“It is difficult to imagine what kind of research would have given us meaningful results in a timescale of the M.T.F.P. and given the range of households that Income Support supports.”*
227. The Minister for Social Security told us that her department had undertaken the first review of the benefits system since 2008 when Income Support had replaced the Parish welfare system. In a public hearing on 5<sup>th</sup> May, the following exchange took place:

**“Deputy M. Tadier:**

*I accept that. I appreciate that, but in the context of the low income review, so we are looking at financial vulnerability. Do you accept that there is a tension between your job as the Minister for Social Security trying to look after that group of people who are the most vulnerable financially and not just financially but at the same time putting £10 million of cuts through over a period of 3 years also, which is going to necessarily have a detrimental effect on those vulnerable people?*

**The Minister for Social Security:**

*The difficulty is that each department has been asked by the Council of Ministers to make changes to their departmental expenditure to deal with this projected deficit of £145 million by 2019, so we are looking at a 4-year period. We looked across the benefit system, which had not been addressed since it took over from the welfare scheme in 2008, and at that stage in 2008 bearing in mind of course that is when the law came in the preceding 2 years was when the changes from the welfare system into Income Support were being looked at. During that time there was certainly a very significant amount of money around, so the benefits as they were brought into place at that time were very generous. They have now been looked at again over a period of a few years and have been looked at across the whole lot of all the benefits, and the ones that we have chosen to change are the ones that we felt were not within tune of the Social Security Department, which is fair and targeted.*

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<sup>38</sup> Public hearing dated 05.05.16 page 17

**Deputy M. Tadier:**

*Can we stop you there? Which benefits in particular do you think were too generous?*

**The Minister for Social Security:**

*I did not say too generous. I just said at the time they were quite generous.*<sup>39</sup>

## KEY FINDINGS

228. In our view the Minister for Social Security has undertaken a narrow review of benefits with the sole purpose of identifying savings in line with the requirements of the Council of Ministers that all departments must contribute to dealing with deficit reduction.
229. In narrowing the focus of her review the Minister for Social Security neglected to research properly the impact of these savings on the most vulnerable members of our society and to take into account the 2014/15 JHID Survey which revealed that the average income of the poorest in our society had worsened over the past five years.
230. Without waiting to consult this Survey, the Minister for Social Security chose to proceed with £10 million in savings to tax funded benefits which have increased the pressures on people reliant on these benefits.
231. The Panel questions the Minister for Social Security's assertion that the benefits brought into place in 2008 were 'very generous'. In any event the real value of benefits introduced in 2008 has steadily declined over the past 8 years. This decline has been exacerbated with the freezing of benefit levels until 2017.
232. We share the concerns expressed by organisations like Caritas in their written submissions: the benefits freeze will create further hardship for people living on a low income in contradiction of the Council of Ministers' stated priorities which include 'promoting social inclusion and tackling relative low income in the long term'.<sup>40</sup>
233. In view of the increasing pressures on a range of people living on a low income in Jersey who depend on the Income Support system to have an adequate standard of living as outlined in our report, there is a strong argument for the Social Security budget to receive the same protection in the next Medium Term Financial Plan as has been accorded to Health and Education in the current MTFP.

## RECOMMENDATION

234. The Council of Ministers should exempt Social Security from any further savings cuts in the next MTFP and identify new funding streams to uprate appropriately current Income Support components.

<sup>39</sup> Transcript public hearing 05.05.16 page 10

<sup>40</sup> States Strategic Plan 2015-18

# **Low income and Income Support in Jersey**

Report to Scrutiny Panel: Living on a Low Income

Susan Harkness, May 2016

## 1 Introduction

The introduction of Income Support in Jersey coincided with the entry of the global economy into recession. This has placed pressure on families with wages and employment being squeezed and median incomes falling (in real terms). At the same time austerity measures have led to cuts in public spending, including social security provision. The latest figures from the JHIDS show widening inequality across the Island and a growing number of families living in relative low income. Concerns about those living in low income have been echoed by service providers, with Food Banks, Community Savings and Citizens Advice who have all reported increased demand for their services. While similar economic pressures have been seen across the vast majority of OECD countries, in many countries, including the UK, recession has been associated with declining median incomes. As to date benefits have fallen at a slower rate than income, the rate of relative income poverty has fallen in spite of increasing financial pressure on those with low incomes.

This report looks at relative low income and Income Support in Jersey. Its remit is to:

1. Provide an analysis of low-income households in Jersey with reference to the information contained in the Jersey Household Income Distribution Survey 2014/15, identifying trends in the incidence of low income and their associated risks in order to inform future short and long-term policy.
2. Obtaining statistical information on Income Support from the Social Security Department.
3. Provide a comparison between the low income figures contained within the Jersey Household Income Distribution Survey and the number of people claiming Income Support.
4. To assess the prevalence of low income households and how this might be addressed in the future.

The report is divided into two parts. First it assesses the evidence from the JHIDS to assess changes in the incidence of relative low income in Jersey. Second it examines levels of Income Support and claimant numbers, and looks at how these interact with the other sources of income to influence the risk of relative low income and the chance of benefit receipt. The information in this report draws on two main sources: the Jersey Household Income Distribution Survey (JHIDS) provides figures on Relative Low

Income and the Minister's Report and Financial Statements 2014, Social Security Department provide key statistics on Income Support claims in 2014.



## 2 Low income in Jersey: Evidence from the JHIDS

### 2.1 Changes in the incidence of relative low income, 2009/10 to 2014/15

The JHIDS shows an increase in the incidence of Relative Low Income (RLI) between 2009/10 and 2014/15. Summary figures are reported in Table 1. Using net income adjusted for family size the 'Before Housing Cost' (BHC) measure of low relative income (defined as 60% of median income) grew from 12% to 13%. The After Housing Costs (AHC) measure shows a much bigger increase, from 19% to 23%. These aggregate shares disguise large differences across demographic groups, with pensioners at much greater risk of RLI BHC and children and pensioners facing similarly high risks of RLI AHC. Since 2009/10 there has been a particularly large increase in the number of children in RLI.

**TABLE 1: Estimated number of individuals in RLI**

	2009/10				2014/15			
	BHC		AHC		BHC		AHC	
	%	Number	%	Number	%	Number	%	Number
Children	10	n.a	22	n.a	13	2,100	29	4,900
Working-age	8	n.a	16	n.a	10	6,400	19	12,700
Pensioners	28	n.a	27	n.a	24	4,200	28	4,900
All	12		19		13	13,100	23	23,000

Source: JHIDS 2014/15 (Table 3.1) and JHIDS 2009/10 (Table 15). Note numbers are based on a population of 100,800 and age distribution from the census. The total number in RLI does not equate to the sum of children, working age and pensioners in RLI in the JHIDS.

## 2.2 Relative and absolute low income

There are good reasons not to look exclusively at relative poverty during periods of recession as, when median incomes are falling, relative low income often falls too. This is because the threshold used to define RLI declines. The Institute for Fiscal Studies and UNICEF, among others, suggest that in periods of falling average income it is a good idea to monitor both absolute and relative low income. This is typically done by anchoring the RLI standard to that of the pre-recession period (2008 is the anchor point most commonly used for the current recession, see for example the INNOCENTI Report Card 12 on Children during the Recession).

In Jersey, for all households median income *fell* in real terms between 2009/10 and 2014/15. This means that the threshold at which RLI is defined in 2014/15 is *lower* than that in 2009/10. RLI thresholds, after equivalisation, in *current* prices are:

- BHC: £390 in 2009/10 and £408 in 2014/15 (5% rise).
- AHC: £312 in 2009/10 and £336 in 2014/15 (8% rise).

However these thresholds do not account for inflation. Between December 2009 and 2014 prices rose by 13.2%. Adjusting for inflation, the thresholds in *constant* (2014) prices are:

- BHC: £441 in 2009/10 and £408 in 2014/15 (7% fall).
- AHC: £380 in 2009/10 and £336 in 2014/15 (12% fall).

Had RLI thresholds been held constant at the 2009 /10 level, *numbers living in low income would have shown a sharper rise than shown in the JHIDS* (so, the numbers living in absolute low income have risen faster than those in RLI). Similarly, it should be noted that *those defined as living in RLI in 2014/15 had lower average incomes than those in RLI in 2009/10*. The JHIDS unfortunately does not report changes in absolute low income and, while it is important to bear in mind that the RLI threshold has fallen, it is not possible to further analyze changes here.

### **2.3 Group differences in poverty risks and the impact of housing costs**

Table 2 below shows changes in *households'* income and RLI over time. Income changes are in current prices. Over this period prices rose by 13%. For all demographic groups income grew by less than inflation, and real income fell (both before and after housing costs). Looking at AHC median income, which goes the best indicator of economic well-being, single parents saw the largest falls in income (3% in current prices, or roughly 15% in real terms). Pensioners and couples with children saw far smaller falls (income in current prices grew by 12% and 10% respectively, which after inflation is equivalent to a fall in real income of 1 and 3 per cent respectively).

The numbers in RLI reported in Table 2 differ from those in Table 1 because of differences in the unit analysis. The share of households in RLI is smaller than the share of individuals because the number of people in households in RLI is lower than average (a large number of RLI households are pensioner or single adult households). Nonetheless, patterns and trends in RLI show a consistent pattern across households and over time. The table shows that rising housing costs have hit single adults, with or without children, hard and there have been large increases in RLI AHC. Increased housing costs have also had a large impact on RLI among couples with children. As expected, pensioners have largely been protected from these changes.

Table 2: Relative Low Income Risk (Households): 2009/10 and 2014/15

	% Income change (current prices): 2009/10 to 2014/15		% in BHC RLI		Percentage point change	% in AHC RLI		Percentage point change
	BHC	AHC	2009/10	2014/15		2009/10	2014/15	
Pensioner	10	12	33	28	-5	31	34	3
Single Parent	6	-3	29	19	-10	47	56	9
Couple with children	4	10	8	11	3	17	22	5
Couple no children	-2	0	5	5	0	9	9	0
Single, working age	-3	0	12	17	5	28	35	7
All	4	9	15	16	1	21	26	5

Source: JHIDS 2014/15 Figure 3.3 and 2009/10 (Computed from Table 12)

In summary, Table 2 shows:

Before Housing Costs:

- For all groups, BHC income has increased by less than inflation, so real incomes have fallen. Falls have been largest for those of working age without children.
- BHC pensioners have a higher risk of RLI than all other demographic groups.

- For single parents and pensioners BHC RLI has fallen over the last five years. For other groups BHC measures of RLI have been stable or shown a small increase.
- Declines in BHC RLI are likely to be driven by the fall in the RLI threshold, with those in RLI being on average worse off than in 2009/10.

#### After Housing Costs:

- Once housing costs are accounted for any 'improvement' in RLI on BHC measures is reversed.
- AHC measures of RLI have increased across the board. This is in spite of 12% fall in the RLI threshold, in real terms.
- For single adults, with or without children, high housing costs dramatically increase the risk of RLI. Couples with children also see big increases in RLI after housing costs.
- AHC RLI shows single parents are at much greater risk of RLI than pensioners. Single adults also face a high risk of RLI.
- Over the last 5 years *increases* in RLI have been greatest for single working age adults, with or without children.
- For pensioners there is little difference in the risk of BHC and AHC RLI. Lack of income, rather than high housing costs, drive their high risk of low income.

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## 2.4 Housing Tenure

Changes in housing costs have been a critical factor driving changes in AHC RLI risk for working-age families. Table 3 summarizes changes in income and RLI, before and after housing costs, between 2009/10 and 2014/15.

Table 3: RLI by Tenure and Change in Income, 2009/10 and 2014/15

	% Income change 2009/10 to 2014/15		BHC RLI %		Percentage point change	AHC RLI %		Percentage point change
	BHC	AHC	2009/10	2014/15	2009/10 to 2014/15	2009/10	2014/15	2009/10 to 2014/15
Owner occupied, with mortgage	11	18	2	3	1	3	5	2

Owner occupied, no mortgage	7	6	22	21	1	14	17	3
Qualified rental	12	12	16	10	-6	31	31	0
Social rental	0	-8	29	27	-2	50	66	16
Non-qualified accommodation	-5	-2	11	22	11	29	39	10
All	4	9	15	16	1	21	26	5

Source: Table 2.3 JHIDS

Overall the picture shows:

### Owner occupiers

- Those with mortgages have very low rates of AHC and BHC poverty. They are also the only group to have seen an improvement in their real income AHC (income rising 18%, compared to a 13% rise in prices). This rise most likely reflecting falling interest rates and mortgage payments.
- Owner-occupiers without mortgages, who are likely to be older, have higher rates of BHC and AHC RLI.

### Renters

- The most worrying trends are seen among those in rental accommodation, particularly those in the social rental sector.
- For those in **social rental** housing real incomes have fallen substantially over the period (by almost 12% BHC and 20% AHC, once inflation of 13% is accounted for). This group has fared far worse than any other group, and housing costs appear to be an important reason for them falling behind. However their income BHC has also failed to keep pace with all other groups, with the exception of those in non-qualified accommodation. Those in social rental accommodation face the highest risk of RLI, both BHC and AHC.
- The incomes of those in **qualified rental** accommodation have broadly kept pace with inflation. BHC RLI has fallen for this group, most likely as a result of a fall in the real value of the RLI threshold, while AHC RLI is unchanged.

- Those in non-qualified accommodation have seen their income fall, and face a high RLI risk. For this group, however, BHC income has fallen sharply and BHC RLI has risen rapidly. Changes in this group’s ability to command income, rather than housing costs, have been the main driver of increased RLI among this group.

To further disentangle whether low income or high housing costs drive differences in the risk of low income, below we report differences in income and housing costs by tenure (Table 4). Owner occupier with mortgages have high BHC and AHC incomes relative to all other groups, while those in rented accommodation not only having lower incomes but paying substantially more for housing, widening the gap in economic resources.

*Table 4: Income by Tenure, 2014/15*

	BHC	% average	AHC	% average	HOUSING COST (EQ)
Owner occupied with mortgage	1010	149%	890	159%	120
Owned, no mortgage	680	100%	670	120%	10
Qualified rental	650	96%	440	<b>79%</b>	<b>210</b>
Social rental	470	69%	280	<b>50%</b>	<b>210</b>
Non-qualified accommodation	560	82%	420	75%	140
All HH	680		560		120

- Source: Table 2.3 JHIDS

Housing tenure and costs also vary by family type. This is illustrated in the Table 5 below. Differences between BHC and AHC illustrate marked differences between groups in housing costs, with lone parents and single working-age adults facing substantially higher costs than pensioners or couples.

*Table 5: Median Income by Family Type and Housing Costs*

	BHC Income (£/week)	AHC Income (£/week)	Equivalised housing costs (£/week)
Pensioner	540	490	50
One parent	530	310	220
Couple with children	720	600	120
Couple no children	850	710	140
Single adult	640	450	190
Other	800	750	50
<i>All Households</i>	<i>680</i>	<i>560</i>	<i>120</i>

Source Table 2.2 JHIDS

## **2.5 Who lives in relative low income?**

While different demographic groups face very different risks of poverty, this does not tell us who is poor. Lone parents, for example, make up a small share of the Jersey population and therefore, in spite of their high risk of RLI, comprise a relatively small share of those in RLI.



*Table 6: Composition of Households in RLI*

	BHC %	AHC %	Jersey households %
Pensioner	45	33	21
Single working age	18	23	18
Couple with children	17	20	19
One parent	6	11	4
Couple, no children	9	9	16
Other	5	5	22
Total	100	100	100

Source: Figure 3.1

While it is notable that lone parent families make up just 1-in-10 poor households, they *account for over 1-in-3 poor families with children.*

Unsurprisingly, by tenure, those with no mortgage (primarily the elderly) and in social rented accommodation account for a large share of those in RLI (see Fig 3.2 JHIDS). Those in non-qualified accommodation account for one-in-five of those in RLI BHC and AHC. This group are unlikely to qualify for Income Support.

### **3 Income Support and Social Security in Jersey**

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#### **3.1 Background to IS**

In January 2008 Jersey introduced a new system of Income Support (IS), replacing a

range of previously provided benefits. IS provides means tested support to qualifying individuals on low incomes. At the end of 2014, 6,486 households claimed IS, or *15% of Jersey households*. Note, IS is not available to those resident in Jersey for less than 5 years and the share of qualified households reliant on IS will therefore be slightly higher.

To qualify for IS individuals must be:

- resident in Jersey for 5 years or more,
- meet the work test if under 65, if not in an exempt category.

Those with capital assets over a fixed threshold, of between approximately £9k and £23k, dependent on household circumstances, are entitled to a reduced level of benefits, the value of which decreases as the value of assets increases.

For those not able to command other income – because they are unable to find a job, or are not be expected to work, for example because they are single parents with young children, IS guarantees a minimum income. Of IS claimants, *15% are solely reliant on IS*.

For the other 85% of claimants IS tops-up low income, the most common other income sources being earnings, pensions and maintenance. Income from each of these sources is disregarded against IS at a rate of 23%. Other sources of income such as benefit income (e.g. LTIC) or income from lodgers attract no disregard. Some other sources of income, including payments from charities and interests from assets, is completely disregarded in IS calculations. The system of disregards is intended to incentivize and reward particular behaviours (in particular, employment, savings and the payment of child support) and encourage self-sufficiency.

For *all households* in Jersey, IS accounts for 4% of gross household income. However there are wide variations both between and within household types. Table 7 shows the share of income derived from IS for five different family types. Only lone parents are heavily dependent on IS, deriving 37% of their total income from IS. Pensioners, who are also at risk of low income, receive on average 3% of income from IS.

*Table7: Income Support as a Share of Household Income by Household Type (All Jersey Households)*

Pensioners	3%
Single parents	37%
Couple kids	3%
Couples, no children	0%
Single adults, no kids:	5%
All	4%

Source: JHIDS Section 1.

### **3.2 Income Support: Rates of Support**

The level at which IS entitlement is set is dependent on household composition. Additional entitlements may be payable where household have additional care needs. The amount payable for housing depends on the households assessed housing needs. Those in social housing have their rent paid in full (if the property is of ‘appropriate size’). Private tenants have rent paid to their landlord up to a maximum weekly amount, which varies by property size. Those in owner-occupied accommodation receive a fixed contribution towards housing of between £6.02 and £12.11 a week. Note, not all households will have their full rental costs covered. Separate payments are also made for childcare and healthcare.

Current (May 2016) rates of Income Support, for those without additional needs, are shown in Table 8 alongside rates shortly after IS’s introduction in 2008. These amounts provide a ‘safety net’ for Jersey residents with no alternative income source (15% of IS claimants). Amounts are reported in both current and real prices (prices increased by 15.5% between Sept 2009 and March 2016, Statistics Jersey calculator). Housing

entitlements are not reported here, as changes in housing payments reflect changes in housing costs, rather than reflecting changes in the economic well-being of families.

*Table 8: Main IS Rates 2009 and 2016 (excluding housing)*

	Oct 2009	May 2016	Change	Oct 2009	May 2016	Change
	<i>Current prices</i>			<i>Real (2016) prices</i>		
Adult rate	£92.12	£92.12	0	£106.40	£92.12	-£14.28
Child rate	£62.09	£63.98	£1.89	£71.71	£63.98	-£7.83
Household (if own or rent own home)	£47.11	£51.31	£4.20	£54.41	£51.31	-£3.10
Lone parent allowance	£40.39	0	-£40.39	£46.65	0.00	-£46.65

While the Income Support system has changed since introduction in 2008 (with changes in particular to the rates at which other sources of income are disregarded – with disregards typically becoming more generous). Nonetheless, we are able to calculate and compare the incomes of different model family types, reliant on IS and with no additional sources of income, in 2009 and 2016. The five ‘model families’ we look at are single adults; couples with no children; single parents with one child or two children; and couples with two children. Current IS rates for our ‘model families’ are reported in Table 9. We assume no alternative source of income, that individuals run their own household, IS fully covers housing costs and that households have no additional care related needs. We exclude housing entitlements as increases in IS payments resulting from higher rents do not lead to any improvement in families

economic position; indeed such changes make it harder for families to escape from Income Support and high marginal tax rates. Similarly, extra entitlements for those with disability or care related needs receive payments in compensation for additional needs (and do not see their economic well-being improved).

Table 9 shows that nominal benefit levels have shown little change for all groups except lone parents, for whom the removal of the lone parent element has substantially reduced the value of the safety net in current prices. In real terms, static or falling nominal incomes mean alongside rising prices means that the real value of benefits has fallen by between 11% and 26%.

*Table 9: Income Support Entitlements by Family Type, 2009 and 2016*

Family type	Income Support entitlement (excluding housing)				
	Current prices		Constant prices (April 2016)		
	2009	2016	2009	2016	% change Constant prices
Single, no children	• £139.23	• £143.43	£160.81	• £143.43	• -11%
Single parent, 1 child <14	• £241.71	• £207.41	£279.18	• £207.41	• -26%
Single parent, 2 children <14	• £303.80	• £271.39	£350.89	• £271.39	• -23%
Couple, no children	£231.35	£235.55	£267.21	£235.55	-12%
Couple, 2 children <14	• £355.53	• £363.51	£410.64	• £363.51	• -11%

Note: the family is assumed to have no additional entitlement to care or mobility allowances or other additional payments.

### 3.3 Income Support as safety net and relative low income

Here we look at how well IS supports claimants. In the first instance we look at how current IS rates for those with no other sources of income compare with RLI thresholds, AHC and after equivalisation. In *current* prices there were:

- £312 in 2009/10
- £336 in 2014/15.

In order to compare the safety net provided by Income Support with the relative low income thresholds in the JHIDS it is first necessary to adjust income for household size. This is done using the same AHC equivalisation scale as used in the JHIDS, the OECD modified scale (which is widely used to measure low income and inequality in developed countries). The equivalised scale adjusts income using the following weights per household member: 0.58 first adult, 0.42 additional adult or child 14 or over and 0.2 per child under 14. The base case is a couple with no children, for whom the scale is 1. Other households' income are adjusted with reference to this base. Table 10 reports IS entitlements for the five model family types described in the previous section of this report. In both 2009 and 2016 benefit levels for most family types sit at between 70% and 80% of the RLI threshold (the one exception is lone parents, for whom IS levels were just sufficient to meet the RLI threshold in 2009/10).

*Table 10: Income Support Entitlements and RLI thresholds by Family Type*

*Current prices*

Family type	Income Support entitlement (excl housing)	AHC equivalisation scale	AHC equivalised income	% of RLI threshold
<b>2016</b> (RLI threshold 2014/15 - £336)				
Single, no children	• £143	• 0.58	• £247	• 74%

Single parent, 1 child <14	• £207	• 0.78	• £266	• 79%
Single parent, 2 children <14	• £271	• 0.98	• £277	• 82%
Couple, no children	£236	1.00	£236	70%
Couple, 2 children <14	• £364	• 1.40	• £260	• 77%
<b>2009</b> (RLI threshold 2009/10 - £312)				
Single, no children	• £139	• 0.58	£240	77%
Single parent, 1 child <14	• £242	• 0.78	£310	99%
Single parent, 2 children <14	• £304	• 0.98	£310.	99%
Couple, no children	£231	1.00	£231	74%
Couple, 2 children <14	• £356	• 1.40	£254	81%

Note:

1. In the absence of other income IS AHC income will be lower than that reported as rates, service charges and insurance have not been deducted. Where housing costs exceed the maximum allowance Income is also overestimated.
2. AHC equivalisation scale: 0.58 first adult, 0.42 additional adult or child 14 or over and 0.2 per child under 14.
3. Note JHIDS are household income while benefits are calculated for families.

As in the JHIDS, current prices are reported here. To understand changes in economic well-being it is however important to adjust for inflation. This is done in Table 11 below. Unsurprisingly, once again we see that the value of the safety net has fallen, sometimes considerably, in real terms. Table 11 also shows how the IS safety net has changed when anchored to 2009/10 median income (constant prices).

*Table 11: AHC equivalised income, **constant prices**, and share of 2009/10 RLI thresholds*

Family type	AHC equivalised income: 2016 price			
	2009	2016	% 2009/10 RLI threshold (2016 prices = £360)	
Single, no children	• £277.20	• £247	• 77%	• 69%
Single parent, 1 child <14	• £358.05	• £266	• 99%	• 74%
Single parent, 2 children <14	• £358.05	• £277	• 99%	• 77%
Couple, no children	£266.81	£236	74%	65%
Couple, 2 children <14	• £293.37	• £260	• 81%	• 72%

Note: as Table 10. Inflation is estimated as above, at 15.5%.

The RLI threshold and level of support provided by IS may be sensitive to choice of equivalence scale. This choice is based on normative assumptions about household sharing and needs. This choice falls between two extremes: no sharing (in which case the appropriate measure is per capita income / household member) or complete sharing (with each individual assigned the household income). Typically a midway position is assumed. The OECD modified scale takes such a position and its use conforms to international best practice. This scale was adopted for the measurement of low income in the UK in the mid-2000s (in the publication *Households Below Average Income* which is used to measure income inequality and low income). Sensitivity tests carried out then showed that the adoption of the OECD modified scale led to very small changes in poverty measures compared to the previously used McLements scale (DWP, 2008).

### **3.4 Income Support, other income sources and total income**

*Eighty-five percent of IS claimants have other income.* This means that the incomes of



many IS claimants are in excess of the safety net. However, before looking at the influence of other income sources on RLI among IS claimants, it is worth noting that there are large variations in the shares of IS claimants solely dependent on IS by household type. Among pensioners, just 1% of IS claimants have IS as their sole source of income; the share of IS couples with children solely while dependent on IS is 4%; while 17% of single parents and 29% of adults without children claiming IS rely on it as their sole income source.

For households with other income sources a common disregard of 23% is applied to income from earnings, pensions and maintenance in IS calculations. LT incapacity claimants have a 6% disregard against IS. For other benefits, including STIA and other income (e.g. from lodgers), no disregard is applied. These levels of disregard have increased over time, which may have helped offset falls in income resulting from the declining real value of IS benefits, for those with earnings, pensions or maintenance. The average income of those claiming IS, by household type *before housing costs*, is reported below. For all household types except lone parents income from other sources exceeds that from IS.

*Table 12: Average Income Support Payments and total Household Income (before housing costs), 2014*

Household type	Income Support benefit	Other Income	Total Income
65+	£176	£218	£395
Adults, no children	£177	£150	£327
Adults with +children	£296	£430	£726
Single adult	£359	£204	£563

with children			
Total	£225	£219	£444

Note: Tables 30, Social Security Annual Report 2014.

The composition of income varies by household type. This is shown in table 13. Single parents derive the largest share of income from IS (64%). However, even among couples with children IS comprises 41% of household income (among those receiving IS).

*Table 13: Income Composition of IS households*

	Income Support	Earnings	Pension	Maintenance	Inv / LTIA	Other
65+	45%	1%	52%	0%	1%	1%
Adults, no children	54%	26%	2%	0%	15%	2%
Adults with children	41%	54%	0%	1%	2%	2%
Single adults with children	64%	28%	0%	5%	2%	1%

The 2014 Social Security Annual Report also provides information on earnings, maintenance and pensions payments among IS households. The share of households in receipt of income from these sources, and the average value of income from these sources is reported below in Table 14. The share of households solely reliant on IS is also reported. Earned income is the most important additional income source for claimants. The SS Annual reports aggregate earnings, so on average working age households are assumed to receive £346 a week in earnings *if* they work. Among the working age, claimants with children have higher rates of employment than those

without (87% of claimant couples with children and 53% of single parents work). The vast majority of over 65s have pension income (99%), with an average value of £208 per week. the majority of families with children work. Finally, maintenance is collected for 13% of couples with children and 48% of single parents, with average awards of £55 per week for single parents and £61 for couples with children. These other income sources substantially boost incomes for some of those receiving IS.

Table 14: Earnings, Pensions and Maintenance Income among IS recipients

		Earnings			Pensions			Maintenance		
	% reliant solely on IS	% HH with earnings	Average, all earnings >0	Average, all	% HH with pensions	Average, all pensions >0	Average, all	% HH with maintenance	Average, all maintenance >0	Average, all
Adults 65+	1%	-	-		99%	£208	£205	1%	£56	£0
Adults without children	29%	31%	£346	£167	6%	£114	£7	2%	£57	£1
Adults with children	4%	87%			1%	£71	£1	13%	£61	£8
Single adults with children	17%	53%			2%	£130	£3	48%	£55	£26
All	15%	48%	£346	£122	30%	£198	£60	11%	£56	£6

Source: calculated from Table 31 to 33 Social Security Annual Report.

Using the information above, along with information on household composition, it is possible to estimate equivalised income for IS claimants, and to compare average income with the BHC RLI threshold. This is done in table 15.

*Table 15: Estimated mean equivalised income of IS claimants, BHC (by household type)*

Household type	Av. Adults / claim	Av. No. kids / claim	Mean BHC eq scale	Eq Income Support benefit	Eq Other Income	<i>Eq HH income</i>
65+	1.2	0	0.74	£238	£295	<i>£534</i>
Adults, no children	1.2	0	0.74	£239	£203	<i>£442</i>
Adults with children	2.1	1.8	1.39	£213	£309	<i>£522</i>
Single adult with children	1.0	1.5	0.97	£370	£210	<i>£580</i>
Total	1.3	0.5	0.87	£259	£252	<i>£510</i>

Note: Table 27 and 30, SS. BHC scale 0.67 for the first adult, .33 for additional adults and 0.2 per child.

*For each of the demographic groups, on average, IS households have BHC equivalised income above the BHC RLI threshold of £410 per week. For those with other sources of income the IS system therefore appears to help reduce RLI on BHC measures.*

While this appears to be good news, it is important to note that IS claimants typically live in rental accommodation and have higher than average housing costs (in 2014, owner occupiers accounted for just 3% of IS claims.). Figures from the JHIDS, for example,

suggest equivalised income costs of £140 for those with mortgages compared to £250 of those in qualified rented accommodation and £180 for those in social rental housing. They may therefore fare less well on AHC measures of RLI. In addition, high costs of rent may mean that those in rented housing find it harder to leave IS (discussed further below).

While we do not know the average housing costs for this group, we can estimate AHC income based on the average costs of rental accommodation in the JHIDS. Taking the lower estimate of rental housing costs, *of £180 per week (equivalised) in the social rental sector*. As income is equivalised, this amount is already adjusted to account for family size. Note that the estimate of £180 housing costs is similar to the current SS housing allowances for a one-bedroom flat (of £181.30). *Estimates of AHC income among IS claimants are reported in Table 16.*

Table 16: IS claimants estimated mean equivalised BHC and AHC income by household type

Household type	<i>Eq BHC HH income</i>	<i>Eq AHC income</i>
65+	£534	£354
Adults, no children	£442	£262
Adults with children	£522	£372
Single adult with children	£580	£400
Total	£510	£339

Note: Table 13 and JHIDS.

The AHC RLI threshold of 2014/15 was £336. Income comes close to this threshold on average, although those without children fare relatively poorly while families with children have incomes which sit, on average, above the RLI threshold. Of course, this disguises wide variations within household types as those with higher pensions or earnings will have substantially higher incomes than those without. We now turn to modelling the effect of increasing earnings (or other sources of income) on household income.

### **3.4 Low income and benefit traps**

Here we model the interaction between the benefit system and household income under varying sets of assumptions. As the working age comprise the largest share of claimants households, and as earned income is most responsive to incentives in the short-run we focus on earned income. However as common disregards of 23% are applied to pension and maintenance income the results can be similarly interpreted with respect to these alternative income sources.

Our analysis looks at three things:



- (i) how household income changes as earnings rise;
- (ii) the level of earnings required to escape from IS.
- (iii) the level of earnings required allow claimants to escape low income;

Again, we estimate (i) to (iii) for different model family types. We assume that households without children rent a one bed-room flat at the current SS rate (£181.30 / week) while those with children rent a two bedroom flat (at £235.48 / week). Earnings required to be move off IS are also calculated for owner occupiers (who are entitled to a housing allowance of £6.02/week). We also assume no childcare costs or additional care needs. Where childcare is paid, or individuals have care needs, earnings required to move off IS would be considerably.

The number of hours individuals need to work to leave RLI is described below in Table 17. While IS levels for most exceed BHC RLI, high housing costs in the rental sector mean that single adult households need to work between 32 and 36 hours at the minimum wage to avoid AHC RLI, while couples need to work 63 to 66 hours.

Table 17: IS and Hours of Work Required to meet BHC and AHC RLI (Renters)

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	Income Support entitlement		AHC			BHC		
Family type	Excluding housing	Including housing	RLI threshold income	Earnings needed to exceed RLI Threshold	Hours of work at minimum wage to leave RLI	RLI threshold income	Earnings needed to exceed RLI threshold	Hours of work at minimum wage to leave RLI
Single, no children	£143	£325	£195	£223	32	£273	0	0
Single parent, 1 child <14	£207	£443	£262	£237	34	£355	0	0
Single parent, 2 children <14	£271	£507	£329	£250	36	£437	0	0
Couple, no children	£236	£417	£336	£436	63	£408	£39	0
Couple, 2 children	£364	£599	£470	£463	66	£490	0	6

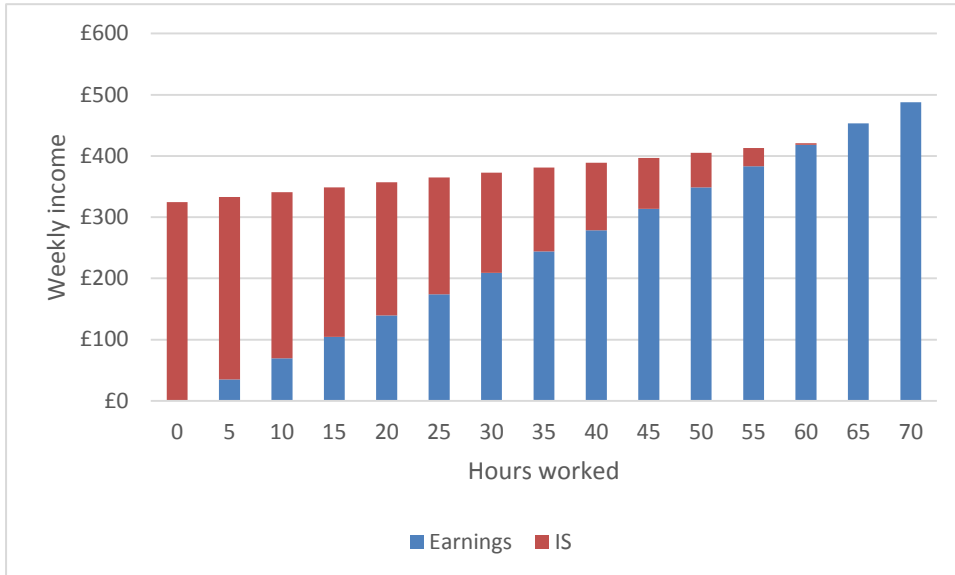
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Note: the family is assumed to have no additional entitlement to care or mobility allowances or other additional payments and no childcare costs.

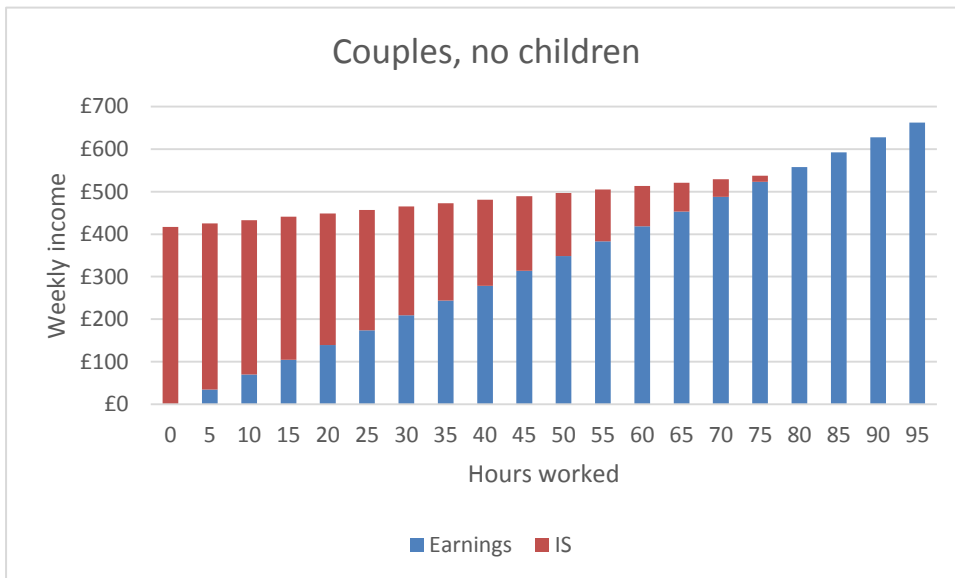
Budget constraints for four household types are shown in Figure 1. Individuals are assumed to work at the minimum wage of £6.97/hour. For single adults, IS is still payable when individuals work 55 hours/week (individuals gaining £1.60 in income for each hour worked). Among childless couples, IS stops being payable at 80 hours a week (or when both work a 40 hour week). Single parents would need to work over 80 hours a week to leave IS, while couples with children both parents would need to work over 50 hours/week each.

- Figure 1: Budget Constraints for Different Family Types Working at Minimum Wage

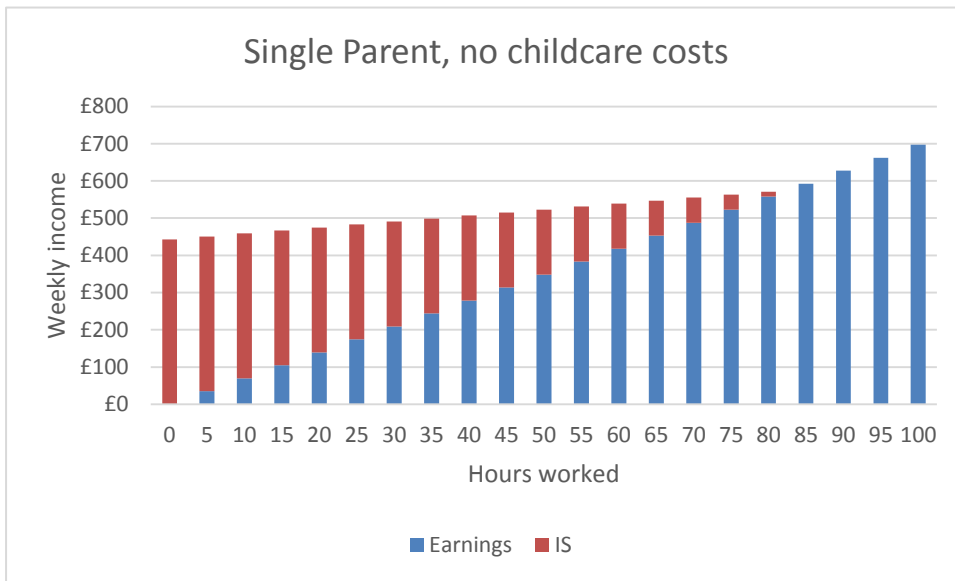
(a) Single No Children



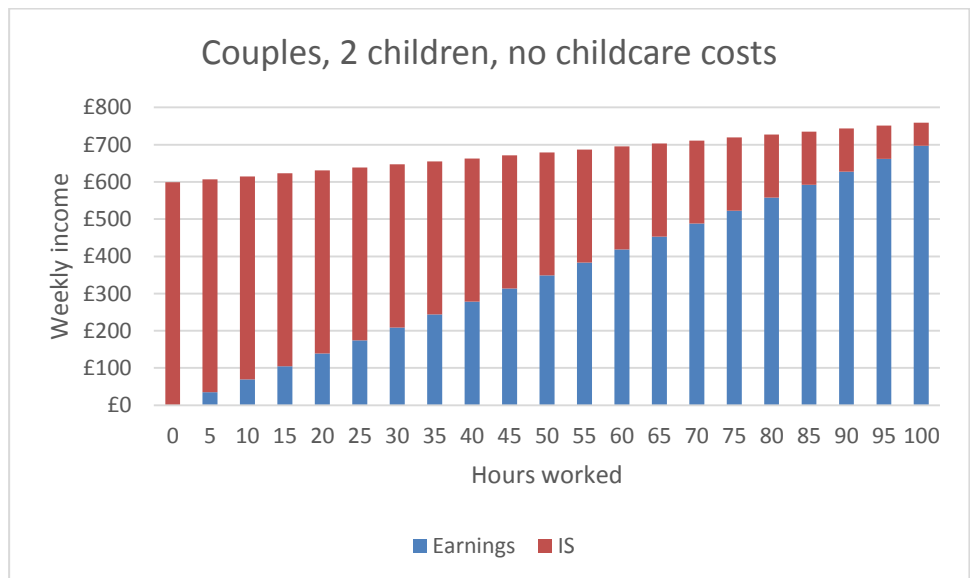
(b) Couples no children



(c) Single Parents, 1 child – no childcare



(d) Couples, 2 children



Note: Assumes housing costs of £181.30 for those with no children and £235.48 for couples with children.

Table 18 shows that the income required to escape from IS: *for a single parent with one child in rental accommodation weekly earnings of £575 a week, or annual earnings of £30,000, are required to leave IS* (assuming no childcare costs, if these were included earnings would need to be considerably higher). At the minimum wage, this would require a working week of 82 hours. *For couples with two children in rental accommodation earning of £778 a week are required, or an annual income of £40,000* (111 hours of work at the minimum wage). Those in owner occupied accommodation, as they attract little housing support, leave IS at much lower earnings.

Note that the *mean earnings in Jersey are £680 per week, or £35,000 a year* and the median will be lower. Those on IS are required to work 35 hours a work unless they are exempt from work (for example, because they have young children or are carers).

*In summary, those that are low skilled, who have children, and live in rental accommodation are likely to find it hard to leave IS. For those unable to leave IS, the high taper on IS means that returns to work are relatively low. For example, those on the minimum wage who increase their hours from 30 to 40 keep £16 of their additional £70 earnings (£1.60 an hour).*

Pensions and maintenance are disregarded at the same rate as earnings. As a result, the same pensions requirements are needed to escape IS/RLI as earnings. At present, the full pension for a husband and wife is £331, where the wife has not paid contributions and uses her husband's record. For a single pensioner the entitlement is £199. For homeowners, these levels just disqualify them for IS (in the absence of additional needs). Those in rental accommodation would qualify for IS and receive an income of £493 and £417 respectively (with accommodation costs of £181.30). This places them just above the BHC and AHC RLI threshold.

Table 18: IS Entitlements, Hours of Work Required to Leave IS, and Hours need to meet BHC and AHC RLI

	Income Support entitlement	Rental housing			Mortgage Allowance (£6.02)		
Family type	Excluding housing	Including rental housing allowance	Earnings required to leave IS	Equivalent hours at minimum wage / week (£6.97)	Including rental housing allowance	Earnings required to leave IS	Equivalent hours at minimum wage / week (£6.97)
Single, no children	£143	£325	£422	61	£149	£194	28
Single parent, 1 child <14	£207	£443	£575	82	£213	£277	40
Single parent, 2 children <14	£271	£507	£658	94	£277	£360	52
Couple, no children	£236	£417	£542	78	£242	£314	45
Couple, 2 children	£364	£599	£778	111	£370	£481	69



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Note: the family is assumed to have no additional entitlement to care or mobility allowances or other additional payments.

### 3.5 IS claimant numbers and numbers in RLI

In this section we look at the composition of IS claimants, and compare the number of IS claims with the numbers in RLI.

In Table 19 the distribution of claims made, by household type and for individuals, are reported. While 18% of adults are in pensioner household, children account for 29% of individuals supported by IS. Taking population estimates from the Jersey census, while roughly 10% of adults in Jersey receive IS, *21% of all children in Jersey live in families supported by IS, 10% of whom are in lone parent families.*

*Table 19: Number of Income Support Claims (31 December 2014)*

Household type	No claims	No Adults	No. adults / claim	No. Children	No. Children / claim
65+	1,767	2,142	1.2	9	0
Adult/s, no children	2,664	3,065	1.2	0	0
Adults, with children	957	1,995	2.1	1,722	1.8
Single adult, with children	1,098	1,098	1.0	1,634	1.5
Total	6,486	8,300	1.3	3,365	0.5

Source: SS report Table 27 (page 50)

Comparing the number of IS claimants with the number in RLI, in Table 20, gives a rough indication of the shares in low income who are supported by IS.

*Table 20: IS claimants and numbers in RLI*

	BHC	AHC	IS HH individuals
Children	2,100	4,900	3365
Working age	6,400	12,700	6158
Pensioners	4,200	4,900	2142
All	13,100	23,000	11665

Source: Table 3.1 JHIDS and SS Ministers Report 2014

Comparing BHC RLI numbers with the number of IS claimants, we can see from Table 20 that the numbers that the numbers of IS claimants and BHC RLI are similar. As we saw before (Table 17), most IS claimants are mostly able to escape from BHC RLI if they have other earnings or pension income. For children, the number claiming IS is actually greater than the number in RLI, while numbers of working age BHC RLI are similar to the number of IS claims. Pensioners, on the other hand, are more likely to have RLI on the BHC measure because, as they often have low housing costs, many do not qualify for IS if they also receive a pension. After housing costs, many more households live in RLI than claim Income Support.

For adults and children, the higher number in RLI than claim IS is likely to reflect two things: housing tenure and residence requirements. First, those resident for less than five years are not entitled to claim IS. This group may be at higher risk of RLI. A second reason for the difference between IS claims and RLI is likely to be housing tenure as those in owner-occupied receive minimal support for housing in the IS system, which means that they are also much less likely to qualify for IS even at relatively low income levels (as noted above just 3% of IS claims are from households in owner occupied accommodation).

Unpicking these differences further, Table 21 below shows the distribution of those in AHC RLI by housing tenure. Of the 26% in AHC RLI, 15% are in social rental or qualified rental accommodation and likely to receive IS. A further 11% are either owner occupiers or in non-qualified accommodation, and =less likely to qualify for IS (as only those with more than 5 years residence are entitled to claim IS). The share of the Jersey population who are in RLI AHC, and who are neither homeowners or non-residentially qualified, is 15% (or 58% of those in low income). This 15% is likely to approximate the share of the Jersey population who are AHC poor and qualify for IS, and is close to the number of IS claimants reported in Table 20.

In summary, a large minority of those in AHC low income therefore appear to be inadequately support through IS. Perhaps of particular concern are owner occupiers with mortgages, who comprise 5% of the 26% those in RLI AHC.

*Table 21: Distribution of AHC RLI by tenure*

	AHC poor by tenure
Owner, no mortgage	1%
Owner, mortgage	5%
Qualified rent	6%
Social rent	9%
Non-qualified	5%
All	26%

Note: Computed from Table 4.11 JHIDS.

## 4 Income Support Spending

Weekly benefits paid by the State in Income Support amounted to £74 million in 2014. The breakdown of spending is reported below. 40% of the total benefits bill is spent on accommodation costs, with 52% spent on living costs. Adults without children account for the largest number of claims, and attract the largest share of spending, Pensioners are the second largest claimant group, but have lower levels of spending, most likely because many have pensions and household sizes are smaller.

*Table 22: Income Support Expenditure by Components, £'000s*

	Living costs £'000s	Accommodation £'000s	Other £'000s	Total £'000s	%	No. of HH Claims
65+	7,059	6,298	1,979	15,336	21%	1,767
Adults, no children	12,379	9,779	2,273	24,431	33%	2,664
Adults with children	8,203	5,360	803	14,366	19%	957
Single with children	10,792	8,135	784	19,711	27%	1,098
Total	38,433 (52%)	29,572 (40%)	5,839 (8%)	73,844		6,486

Source: Table 42, SS.

## 5 Conclusions

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There has been a rise in the incidence of low income in Jersey since 2009/10, with rising housing costs leading to particularly marked increases in RLI AHC and growing pressure of single adult families of working age, particularly single parents. This is in spite of a decline in the RLI thresholds – which implies that those defined as being in RLI today are worse off than families in RLI 5 years ago.

The current system of IS provides support for low income families resident in Jersey for over five years. The vast majority of claims that IS supports are for those living in rental accommodation (97%). 15% of IS claimants are solely reliant on IS for income. For this group the safety net provided by IS is not adequate to lift them out of relative low income. Those particularly likely to be solely dependent on IS for income single working age adults and single parents. Those with alternative income sources fare better, including the 99% of pensioners in receipt of IS who are also in receipt of a pension. Earnings and pensions are particularly important additional income sources for IS claimants, and those in receipt of either typically have incomes that are sufficient to exceed the RLI threshold. However, most need to work full-time to meet this threshold – for example, a single parent with 1 child living in rental accommodation would need to work 34 hours a week at the minimum wage need to reach RLI AHC threshold, while couples with 2 children would need to work 66 hours. However, far higher earnings are needed if families are to leave IS – at the minimum wage, a single parent would need to work 82 hours a week at the minimums wage, or earn £575 a week to escape from IS. For couples with 2 children, 111 hours work at the minimum wage, or £778 a week is needed (with even higher earnings required for those receiving help with childcare costs or for additional care needs). As a result those on IS are likely to struggle to become financially independent while, as income is withdrawn at a rate of 77p in the pound, work is poorly incentivized. As rents have increased, the ability of claimants to become financially independent will have weakened further, and driven up States spending on IS.

While those in rental accommodation find it hard to leave IS, for those in owner occupied accommodation the much lower level of housing support available means that IS largely fails to support the 5% of the Jersey population in RLI AHC (on one-fifth of RLI AHC households) in owner occupied accommodation.

The labour market is a key influence on low income and IS dependence. Current trends are worrying, with average earnings stagnant since 2001 (in real terms) and large falls in the earnings of those under age 40 (which have declined both in nominal and real terms) in recent years. 6% of Jersey workers are on the minimum wage. At the same time there has been a rapid growth in the number of zero hour contracts which now account for 11% of all jobs, while 1-in-3 low-paid workers are on temporary contracts. Unemployment is also high compared to historic levels. While overall incomes in Jersey are around 50% higher than median UK incomes, the minimum wage is actually lower (at £6.97 compared to £7.20 in the UK in April 2016 for those over 25) while the UK has considerably fewer workers on zero hours contracts. While we have not compared benefits levels here, it is notable that the UK tax credit taper rate is 41% and applied only to income over £3850. In Jersey, the taper rate is much higher, at 77%, which while limiting spending considerably limits work incentives and the rewards to work. Jersey's system of IS is similar in design to Universal Credit, which is currently been rolled out in the UK with its full introduction scheduled for 2022, which has a taper rate of 65%.

In summary, while Jersey's IS system helps many low-wage residents avoid low income, there are gaps and work incentives are weak. In the context of stagnant earnings (with no rise in average earnings since 2001) and increasing job insecurity, alongside rising housing costs, the share living in RLI and dependent on IS is likely to grow in the future. Falling levels of support (with the exception of that for housing, which will continue to take-up a larger share of the IS budget if rents continue to rise) mean that those in RLI are likely to see their standard of living continue to fall. In the last 5 years falling median incomes have prevented the numbers in RLI from growing further. While median income may return to growth over the next five years, the trends for those at the lower end of the labour market are less optimistic and a rise in RLI seems likely in future years

## Recommendations

### Monitoring Low Income and Social Security

1. In order to ensure the position of those in low income is monitored adequately over time RLI statistics should be reported with regard to an absolute RLI thresholds in periods of declining median income.
2. In order to adequately monitor the changing position of those in RLI and in receipt of IS, statistics should be routinely reported in real (price adjusted) terms.
3. Changes in housing costs, particularly rental housing, should be closely monitored and the implications for IS expenditure and RLI assessed.
4. IS payments include those for childcare and additional care related needs. These payments do not reflect improvements in the households' economic position and may lead to the economic position of families with children, or care needs, being overstated.

### Design of the Benefit System

1. For those in rental accommodation unrealistically long working hours are required to leave IS for those on low, or even moderate, wages. At the 35 hour work requirement most workers continue to face very high marginal tax rates.
2. Lower skilled families with childcare costs or additional care needs the income required to leave IS is even higher.
3. While the simplicity of the IS design is attractive, the current system of provision limits work incentives.
4. To improve work incentives and reduce the benefits trap the Department could consider whether additional payments – such as those for childcare or care related needs – could be removed from the IS calculation. An alternative mechanism of provision may be, for example, to pay for childcare for those with incomes below a fixed threshold.
5. How housing costs are treated in the IS calculation should be reviewed as high rents lead to the benefits trap extending to high weekly incomes for many family types.
6. To adequately reward work the SS department should consider applying an income disregard. This may be set at the household or individual level. For couples with children, a separate disregard for second earners would better incentivize work.
7. The IS system currently provides little support for the quarter of low income, residentially qualified, families (AHC measure) who own their own home with a mortgage. This group make up a negligible share of IS claimants. If and how these families may be better supported should be reviewed. Alternative mechanisms for supporting housing costs, such as delaying payment for those on IS for a fixed period (e.g. 6 months) would help to support those in owner occupied accommodation with persistent low income.



8. The safety net for those with no alternative source of income is inadequate for families to escape from RLI. While for some this may be a transitory position, for others the implications may be much more serious. In particular, for those for whom there is no expectation of work – including single parents with children under 5 or those with care needs. How these groups should be financially supported should be reviewed.
9. Children in single parent families, while a small share of the Jersey population, account for one in three children in RLI and half of children in IS households. They also face particular difficulties in escaping from IS, needing to earn £575 a week to leave Income Support (equivalent to 82 hours a week at the minimum wage). How this group are supported and incentivized through IS should be monitored.

### **Appendix A1: Remit of the Review on Low Income**

1. To investigate the impact of the incidence in Jersey of relative low income households as referred to in the Household Income Distribution Survey report 2014/15
2. To assess the evidence of relative low income in comparison with previous years
3. To determine whether the incidence of relative low income in Jersey has increased and, if so, the reasons for such increase
4. To assess the effectiveness of States of Jersey policy with regard to tackling relative low income
5. To assess the effectiveness of methods used to monitor the implementation of policies that aim to reduce the incidence of relative low income
6. To assess the delivery of support and help available to those on low income
7. To determine the effects of the changes to the benefits system contained in the Medium Term Financial Plan affecting those on relative low income

## APPENDIX 2: SELECTED CASE STUDIES

### Confidential personal details have been amended

During the course of this review the Panel invited members of the public to tell them about their experience of living on a low income. Some came to two drop-in sessions at St Helier Town Hall in April where they could meet the members of the Panel in a face to face interview; some wrote to the Panel and others met the Panel in sessions organised by organisations dealing with people living on a low income, including the Grace Trust, Strathmore Shelter, Headway and Brighter Futures.

The following edited notes were taken during these sessions. The notes have been redacted to avoid any identifying details and names have been altered. The figures given by witnesses have not been verified by the Panel.

The Panel received valuable insight into the difficulties of living on a low income through this evidence and is grateful to all those who took time to talk to them and share their experiences

1. Jim, aged 56, lives in social rented accommodation, single, 27 years in Jersey,
  - Income £216 + LTIA at 30% £122 every four weeks. Income Support pay rent, £186pw, leaves him with £75.15 to live on.
  - He finds it difficult to manage on the funds available to him
  - He has an outstanding doctor's bill of £80 which CAB is helping him with.
  - Social Security gave him a loan of £3,000 but he doesn't know why. He spent the money and was then informed that he had to return the money which he is doing at a rate of £122 every four weeks. It will be paid back by June 2017
  
2. Terry, suffers from Asperger's syndrome,
  - £254.73 pw Income Support + £68.75 LTIA pw = £323.48 pw. Rent £98.48pw in private sector rental.
  - He hasn't worked for approx. 10 years and suffers from stress.
  - He was assessed by the Medical Board and received 65% LTIA. Last June the Medical Board reduced the LTIA to 35% and he had to go to Workwise. He had mentioned to the Board that he assisted at the Inclusion Project and suspects that this was the reason for the LTIA reduction. He has been referred to JET.
  
3. Scott, aged 65, rented accommodation, 44 years in Jersey, married
  - His wife earns £1425pm as shop manageress, pension £386, Income Support £285 = total £2,096; Rent £916pm
  - 13 years on LTIA, ceased when he became 65. He hasn't worked for 45 years so he will only get £96.50. He has Income Support supplement but ends up £1,500pa worse off
  - He believes that Income Support should be assessed only on his circumstances and not on household income. He believes it is wrong that he should receive £1,500 less than when he was on LTIA.
  - He could pay for regular visits to the doctor and the dentist previously but now he has to go and ask for additional help when treatment is needed.
  - Social Security would only pay for a tooth to be extracted, not to be filled, as this was classed as cosmetic.

4. Fred, aged 51, lives with his mother, born in Jersey.
  - Income Support £92.16pw, no rent as he lives with his mother
  - He runs out of money before the end of the week. He can't meet unexpected costs, eg doctor or dentist
  - Basic insecurity – he wants to work but prevented by shoulder injury. He has applied for jobs but has been refused, eg forecourts and bar. Unemployed for 6 years
  - He holds a HGV licence – would like to drive coaches but needs to pay £40 per lesson.
  
5. Mike, aged 57, rented accommodation, married, 38 years in Jersey
  - Both Mike and his wife receive Income Support + LTIA. Recently £86pw was reduced to £70pw – told that there was no appeal because of a change to the law
  - Worked on the buses for 18 years but then became ill with mini strokes
  - Sometimes has to borrow money from his son when he has insufficient money to get to the end of the week.
  - Down heartening – he can't afford treats for his grandson; he doesn't starve; he describes life as 'liveable but not comfortable'
  - In a month where his wife goes before a Medical Board, Income Support does not pay 4 weeks in advance, only pays up to the date of the Medical Board. No notice of this was given. When he phoned them to enquire why a smaller sum had been paid in they told him a letter would come
  - Social Services are hitting people who are already down on their luck
  - Some years ago he received Income Support of £116pw. Then he was offered a loan of £3,500 by Social Security. He took it and went to see his family in Scotland. He didn't realise he would have to repay, though no doubt he says he signed forms. A repayment of £30 pw was imposed, so 2 years+ spent on £86pw – now reduced
  
6. Mary, 51, social rented accommodation, 32 years in Jersey, daughter 20
  - £179 pw Income Support, rent paid. Now £124. Widow pension £796pm
  - Had to borrow money from the bank. Debts following Income Support stopped.
  - Assisted by CAB and Methodist Food Banks
  
7. Fran, 43, rented accommodation, 7 years in Jersey, single parent + 2 children,
  - total household income £27Kpa £120pw Income Support.
  - Rent is reduced due to workplace £1,000 for 3 bedroom, otherwise expensive for non-quals
  - Due to the fact that she was under 5 years in Jersey when her husband threw them out, she did not qualify for Income Support so she had to use savings and got into debt to survive.
  - If she had quals accommodation would be much cheaper, difference 27%
  - Her son has dyspraxia, short term memory and autism spectrum
  - Dental work is expensive. Her son could have had tooth extraction for free but had to pay for root canal work
  - Her children don't have a great social life. No holidays for a long time. Second hand uniforms. She looks for discount food.

8. Rob, 74, social rented accommodation £127pw, married, £1,500 + Income Support,
- Reluctant to go to the doctor. Call out fees expensive
  - Buys cheap food – not starving but they should have a better standard of living in old age
  - He prioritises the bills and has no debt
  - Mental stress of worrying
  - Social Security a ‘shambles’ – not fit for purpose. He had difficulty fighting for help with medical expenses
  - An oxygen machine for his wife uses lots of electricity.
  - Wife suffers from Alzheimer’s – 2 hours Family Nursing pw
  - Can’t receive carer’s allowance and a pension. There is not enough financial support for carers – ‘we save money for the States’
9. Anne, 40, rented accommodation, single income £337pw
- Buys outside of Jersey due to high costs on island
  - Dental problems. Lost weight. Teeth falling out/rotting – offered a loan but would have to repay at £21 pw so would not have enough, so did not have teeth done. Appearance/self-esteem affected
  - Doctor only charges £15
  - Social Security stopped a payment because they thought she had been on holiday when in fact she had just bought from a catalogue
  - LTIA 55% - £439.96 for 4 weeks; £51.34 Income Support; rent paid at £176
  - Poor communication from Social Security – no regular point of contact. Payments could go in on Thursday but letter on Friday
  - LTIA will underpay and Income Support overpay
  - Rents have gone up; Income Support gone down. Lost £12pw because of disregard
  - Health deteriorated. Pressure put on her to go out to work even though on LTIA
  - ‘Give with one hand and take away even more with the other’
  - Late payments are very significant when we live hand to mouth
10. Derek, 46, rented accommodation, born in Jersey, 2 in household
- Personal income currently £7.76ph retail - £4-500pm from work; £100 pw from Education grant
  - Can’t spend locally. Shops online
  - Redundant in 2011 from FT contract £17,000pa. Previously he was a manager in retail on £23k. The £6k was the difference between having a social life and occasional holiday
  - Issue with partner’s income taken into account
  - Approached Income Support in 2006 to enquire about assistance but did not claim
  - Aggrieved that there is no contributory unemployment benefit. He has paid in for 21 years, never been reliant on the States. Shame there is no safety net for some people
11. Paul, 58, rented accommodation, 36 years in Jersey, single, Income Support and LTIA for 6 years.
- Dental treatment 12 months ago - £1400. Had a loan to repay at £3 per day
  - Needs to visit doctor for leg and heart condition – goes as a last resort
  - Needs to use savings to live off – cost of living is a problem

12. Harry, 59, rented accommodation, born in Jersey, LTIA £199pw, £54 – rent/Income Support
- ‘Barely existing’. Electric and shopping are expensive. Most of the money goes on utilities and food. Can’t save. Difficult to pay his bills
  - Small dog for company – would not be able to afford now but it’s good for his health
  - Grace Trust gave him food but he didn’t feel comfortable
  - Housing has gone up – from £200pw (25% of income) to £262 (30%) £12 pw worse off this year
  - Cuts have affected his mental health
13. Sarah, 59, rented accommodation, Jersey born, single.
- £199.99pw income, rent deducted at £64.84 leaving £135 to live on.
  - Chronic fatigue syndrome. Personal Care level 0, clinical cost level 1. Lost mobility component in Dec 2015 – tribunal decision
  - No HMA, no additional income, only invalidity benefit
  - Lifelines – computer £40pw Broadband and phone line + small car
  - Weekly Income Support payments since Oct 2010: Oct 2010 - £11.67; Jan 2011 - £12.70 June 2011 - £13.40; Oct 2011 - £9.37; May 2012 - £9.07; Oct 2012 - £8.41; May 2013 - £8.32; Oct 2013: £4.47; Oct 2014: -0.41; May 2015: -£46.33; July 2015:-£49.48; Oct 2015: - £52.87; Jan 2016: -£64.84
  - Rental Jan 2016: £177.26 - £112.42 = £64.84
  - Invalidity Benefit Jan 2016: £199.99- 64.84 = £135.15
14. Tim, 57, rented accommodation, 46 years in Jersey, single
- Social Security pays rent
  - Invalidity benefit (long term) now £12.60pw less since the changes = £620pa approx.
  - Now living on £110 pw for heating, phone, food etc
  - He is a smoker and is trying to quit at present
  - Benefit changes have made life much more difficult. He has suffered mental health issues in the past
  - Now doing voluntary work with Acorn Industries (£4 there and back on the bus) but very therapeutic
15. Sergio, 51, social rented accommodation, Jersey born, £320 income. 2 in household  
Rent £189pw, been there for 2 years.
- He used worked full time but after a fall at work he was off for 4 weeks. He was promised that the job would still be there but that didn’t happen. Unemployed ever since
  - Managed to find 2 weeks work but had to leave by virtue of injury again
  - Social paying rent for the flat
  - £92pw but deduction for dental injury paid for my Social who claw back £40pw
  - Most of the money is used to pay off debts
  - ‘Collect’ want £80 for a JT bill of £1600ish
  - Andium debts of circa £4500
  - Cashback £2000 for rent in private sector. Total £8,000 approx
  - Changes have made life even harder
  - CAB assisting with debt problems
  - Hoping for (i) new law on debt write off (ii) possible job as personal shopper with CU Groceries – being formed soon all being well

16. Susan, 60, rented accommodation, Jersey born, 2 in household (grandson aged 15),
- income £463.68 Income Support: Adult £92.12; lone parent (grandson) £40.39; child: £63.98; household: £51.31; medical: £3.15; Accommodation (paid direct) £212.73 = total £463.68 less pension £70.70 less rent 212.73 so receives £180.88pw
  - Bus to school: £8pw; School lunch: £3per day; Food: £80pw minimum; JEC: £20pw
  - Difficulty affording clothing, school uniform for 15 year old; football club £30 per quarter + cost of kit; haircut for grandson every 6 weeks: £10; vehicle expenses; doctors' bills
  - Adult, lone parent and child components unchanged since 2010
  - Household component increase from £48.58 to £51.31
  - Letter 25.02.16 requires her to actively seek work – even though she is receiving a pension and previously LTIA – but health issues - doctor addressing
  - Community Savings and CAB help
  - Sometimes need to choose – they will have a cheap week if her grandson needs things for school, eg books for exams
  - Uses charity shops and buys online
17. Charlie, aged 60, social housing, 35 years in Jersey, single, £200pw income
- Diagnosed 20 years ago with arthritis
  - From £200 pw rent £70, electric £25pm, phone/broadband £45pm, HMA covers doctors' bills
  - In March 2010 rent = £44pw, benefit £178pw. Now it's £200 – basically £4 less per week due to reduction in Income Support as it was circa £126 now down to approx. £108
  - Changes are making life more difficult as prices have gone up over 5 years (eg bus fare up 100%) but his money has gone down.
18. Jane, 64, rented accommodation, 39 years in jersey, single, income £20pw
- Not working due to health problems – arthritis in hips, diabetes, and blood pressure
  - Receives LTIA and Income Support. £121 rent to Andium, £80 to top up rent (in some arrears) because she is in a two bed flat. Daughter moved out in 2013. Arrears are growing because some weeks she can't afford. Social won't give more help with rent (she suspects overpayment in the past and now being reclaimed)
  - CAB has done an assessment – they think she needs £150pm more to live on.
  - Seen doctor 5 times this year – no additional IS component for this
  - Grace Trust food parcels
  - Recently placed on Housing Gateway but rent will be higher even though she moves to a one bed flat, at £210 pw. SS will not provide additional help so she will need to pay more
  - Expenditure: £50pw food; £80pw rent + arrears; £49pm JEC including heating; £68pm Life Insurance savings Plan SS has told her to give this up); £30 every 6 weeks for chiropodist
  - Reduced income because of LTIA disregards
  - 'Fed up with buying out of date bread and food at reduced prices which I do not want
  - 'Can't afford a cup of tea and cake in town' 'Basically just existing'
19. Leah, 44, Jersey born, rented accommodation, single,
- Income £140pw LTIA, pays £38pw rent. Part of rent paid by Income Support
  - Spends a lot of time in hospitals in Jersey and UK
  - £40pm to JT to pay phone bill; £80 for electricity, including heating – house is cold, bedroom not heated

- Parents help out with food
  - £35pw deducted from Income Support to pay for doctors
  - Paying back for overpayment relating to maintenance receipts
  - Currently living in a four bedroom house. Two sons and daughter used to live at home
  - Extra area required for her health – sterile equipment
  - Eviction has been threatened but no alternative accommodation available
  - 2 bedroom accommodation offered but at higher rent than current accommodation
  - She needs (i) removal of rent overpayment claim (ii) to hear what I'm saying (iii) a basic living allowance
  - Psychological battering
20. Malcolm, 62, rented accommodation, 42 years in Jersey,
- His partner is the highest earner in the household so this affects his entitlement
  - He receives LTIA component at a low level. Income goes on bills
  - He has concerns about how the Health Tribunal is run and does not have confidence in doctors – they are not impartial – employs his own doctors
  - He has to source low value food
  - Income reduced by £25-£30 pw
  - This affects his independence
  - The system is not user friendly
21. Sam, 64, private rented accommodation, 49 years in Jersey, single,
- income through pension and Income Support = £250pw
  - Living on your own is hard. Costs are much higher. Electricity has gone up.
  - Now retired so he spends more time at home. He can't afford to go out. So electric bills are higher
  - Pensions go up but Income Support goes down. On 1<sup>st</sup> Feb Income Support was reduced by £10pw
  - Previously grants were given for emergencies. Now there are loans but it is difficult to pay back at £25pw
22. Sally, 78, rented accommodation, Jersey born, single.
- Income £799.96 pm, rent £55pm
  - She pays rates, home insurance, rent, JT, Electricity by direct debit every month. She pays funeral costs separately every month. She can't afford to run a car
  - She visited the doctor a month ago, charged £38 plus £15 for a blood test. She visited again last week; because she didn't have the money to pay she requested the bill be sent to her.
  - She needs new glasses but has to put the money up front and then would be refunded part of the cost.
  - She has concerns about how she will pay the Waste tax and income tax if the limits are changed
  - She has significant concerns about paying for accommodation in the UK when she attends hospital appointments there.
23. Charlie, 44, rented accommodation, 44 years in Jersey, single,
- Income £250pw. In receipt of Income Support and LTIA for 15 years

- Four years ago he was just about able to live. He had £2pw from Income Support plus LTIA
- He gave up smoking and doesn't drink. Then rent went up and Income Support went down. His Income Support goes on rent.
- Since Christmas he is paying £105 pm from his LTIA which has been reduced by £10 pw and receives no Income Support as it all goes on rent – so he is £45pw worse off. He has to pay for doctor's visits and is required to pay back Social Security for carpets and cooker etc at a rate of £30pw
- I cannot live! I can barely afford food

24. Kellie, 44, private rental accommodation, Jersey born, 4 in household,

- income £22,000 pa
- Three children (aged 11, 13 and 15) mother is sole carer
- Rent £1600pm – maximum covered by Social Security is £1400. Family lives off the balance. They use the Community Bank - all Income Support and her wages are paid into that. Rent paid by Standing Order. £350 put onto a pre-paid credit card. She used to put £140 for bills into her mother's account for gas/electricity/phone/TV licence/water as the Community Bank doesn't do Direct Debits. Her mother pays bus passes for the children (£30pw). Her bus pass is £20pw. She also pays car and house insurance
- She has a car but only uses it at weekends for shopping etc.
- She has approached the father for maintenance which he pays now and then but very little, circa £20/£30 pw. She has tried to take him to court but ended up with a bill of £800 (25% of the costs and in the end she received child benefit part of Income Support. As a single parent it was £40pw but that's now down to £20 and will be reduced further.
- She is not in debt in any way. The house is virtually unfurnished by them (just the TV is theirs) – it all belongs to the landlady
- Two of the children require dental treatment costing £800. Community Bank has offered a loan but it will have to be repaid.
- The youngest child has a kitten – money saved for her birthday had to be used to pay a vet's bill of £150. As it was an emergency over a bank holiday and the Animal Shelter were unable to help there was no choice – no money left for her birthday
- Andium offered them a place but it was totally unsuitable. As a result she has been de-banded down to band 2 (as previously she was a priority) for refusing to take the offer.
- No holidays, clothes (school uniforms, PE kit, shoes etc) are a massive problem
- Summer is a nightmare. Winter even worse. All now at secondary school – really good school.
- Truth is life is really struggle every day/balancing act all the time. Not frightened of hard work. She makes sacrifices for the children.
- £40pw is a hell of a lot to lose