

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G. P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON MONDAY 14th DECEMBER 2015**

Question

Given that the latest Income Distribution Survey points to a growing income inequality gap in Jersey to the extent that the Island has now overtaken the United Kingdom in terms of inequality, what specific targets in relation to pensioners, children in relative low income or 90/10 ratios does the Chief Minister have for the rest of his time in office and, if none, why?

Answer

We all share the goal of reducing the number of Islanders living in relative low income and we need to use all the available data to develop policies that are best suited to achieving this goal.

The 2009/10 and 2014/15 Income Distribution Surveys provide a snapshot of two moments in time. Focussing on change between these two surveys reflects the impact of a global financial crisis on Jersey's economy. Real socio-economic change tends to evolve over a longer period so it is important to refer to all the available information to inform our judgement.

The 2002 Income Distribution Survey, for example, provides a different perspective.¹

Table 1: % of individuals living in household below relative low income threshold, before/after housing costs, 2002-15

	Before Housing Costs			After Housing Costs		
	2002	2009/10	2014/15	2002	2009/10	2014/15
Children	22	12	13	33	22	29
Working Age Adults	11	9	10	19	16	19
Pensioners	31	28	24	33	25	28
All	16	13	13	24	19	23

Table 1 shows that Jersey was reducing income inequality up to 2009/10 but then lost some of this ground during the global economic downturn.

The next step is to use the data provided by the 2015 Income Distribution Survey to develop our understanding of what has happened, who has been affected and why. Initial analysis of the 2015 Income Distribution Survey provides some key insights -

- Before housing costs the trends on 3 measures of inequality (90-10 ratios and shares and Gini coefficient) in Jersey have been stable. The widening in inequality shown by the after housing costs measures seems to be a result of persistently low interest rates for mortgage holders and increasing rents for those in rental accommodation.
- The suggested rise in inequality relative to the UK is only shown by the measures after housing costs. Before housing costs, the picture was similar to that in the UK. This suggests that the impact of lower interest rates on mortgage payments and increases in rent have had a bigger impact in Jersey than in the UK. This could be due to different home ownership rates/mortgage sizes and trends in rental sectors.

¹ The 2009/10 figures in the 2015 Income Distribution Survey were reviewed to take into account updated methodology. The 2002 figures have not been reanalysed but the adjustments are minor and the broad picture is comparable

It is also important to acknowledge that increasing GVA in 2014, real earnings growth for the last three years, record employment and reducing numbers of people actively seeking work are all positive economic indicators that should trigger an improvement in the income inequality indicators.

Realistic Targets to reduce Income Inequality

States Members were briefed on the proposed development of a 2035 Island Vision for Jersey at a meeting on 19th November. The new approach is designed to –

- facilitate a dialogue about our aspirations, as a community, for Jersey’s future;
- define the level of change required across a set of Strategic Goals, and;
- monitor progress over time.

The new framework is based on three ‘strategic themes’ of Community, Economy and Environment. These are broken down into a set of enduring Strategic Goals.

‘Affordable Living’ is one of these Strategic Goals. Embedding an ‘Affordable Living’ Goal into our strategic planning process means we can define what we hope to achieve and monitor progress over time. The headline performance indicators designed for this purpose already include the number of Islanders living in relative low income households.

The Council intends that the proposed Island Vision should comprise a set of realistic, long term stretch targets across the Strategic Goals which will identify the scale of change we hope to achieve by 2035. This provides the opportunity to set a meaningful target to reduce the number of Islanders living in relative low income households.

Income Distribution Surveys at regular intervals, supported by other measures such as material deprivation indicators in Jersey Annual Social Surveys, will enable future Councils to review progress. They will be able to take into account whether strategies are working as intended, whether factors outside of Jersey’s control have changed the situation, and recalibrate the targets as they see fit.

In this way the Council of Ministers is already proposing to set a long term target for the number of Islanders who are living in relative low income. Such a target will need to take into account the number of children and pensioners affected and will require a rational assessment of the strategies and resources required to deliver the proposed level of change.

Focusing on outcomes, which has been widely adopted in other jurisdictions, will require a change in our approach to strategic planning. Taking the example of relative low income, it is important to recognise that

-

- Sustainable socio-economic change takes time. Arbitrary outcome targets to match a political election cycle make no sense.
- Each Income Distribution Survey carries an element of statistical uncertainty because it is based on a representative sample and not the entire population. The methodology is explicit on this point and identifies the margin of error which must be taken into account. A change target must, therefore, be of sufficient magnitude to sit outside this margin of statistical uncertainty if it is to be meaningful. Again, this points to the necessity of setting targets with a realistic timescale.

- Outcome targets are not directly deliverable. Governments can put interventions in place to try to achieve a desired outcome but cannot control all the variable factors (eg; global recession, mortgage rates) that determine the result.

In summary, the Council believes there is merit in setting long term targets as part of the new Island Vision. Such targets will measure the impact of government policy on social, economic and environmental goals.

At the same time, the Council considers that the notion of setting outcome targets with an unrealistic timescale is fundamentally flawed. Furthermore, the next Income Distribution Survey will probably not be published until 2021. Even if there were any value in setting outcome targets for 2018, there would be no means of measuring progress.

In the meantime Ministers are implementing changes designed to improve the profile of relative low income in Jersey. The direction set in the 2015-18 Strategic Plan is now being translated into concrete delivery.² These interventions include, for example -

- Planned investment of more than £7 million over the next four years in a targeted ‘Jersey Premium’ programme to support the needs of individual children who are at risk of under-achieving due to their socio-economic circumstances.
- Investment in the development of nearly a thousand new affordable homes by 2020.
- Ongoing investment in ensuring that social rental accommodation meets the Decent Homes Standard. By 2018, 90% of Andium Homes’ housing stock will have achieved this standard.
- Significant investment in the transformation of health and social care. New Mental Health and Primary Care Strategies have been published. Poor health and relative low income are inextricably linked.

Strategic planning is not about delivering instant results. It is about making long term investments designed to create sustainable change. Economic growth, improved productivity, growth in real earnings and investment in education are key to improving the profile of relative low income in Jersey.

Putting Jersey on a sound path to fiscal balance ensures that we can continue to invest in social protection in the future and also sustain the quality services, infrastructure and amenities that help improve people’s lives.

² Page 19 of the Plan, as approved by the Assembly, illustrates the alignment between the Council’s priorities and social inclusion.