

4.3 Deputy M. Tadier of the Minister for Treasury and Resources regarding income inequality in Jersey since 2008:

Will the Minister confirm whether or not income inequality in Jersey has worsened since 2008 and, if so, what measures, fiscal or otherwise, will he be proposing to address the situation?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

As the Deputy knows, the Jersey Household Income Distribution Report from 2014/15 produced by the Statistics Unit concludes: "Income inequality worsened since 2009/10, particularly once housing costs were taken into account, a result of persistently low interest rates for mortgage holders but increasing rents for those in rental accommodation." Unfortunately, low interest rates are outside of our control and not something we can address, but obviously our housing policy is working to increase supply and, therefore, help to contain future rent increases. In addition, considerable funding is provided through Income Support to assist low income families with the cost of renting their homes. It is worth noting that the Statistics Unit point out that the benefits and tax system work to improve income inequality. The M.T.F.P. and M.T.F.P. Addition are framed against this backdrop, and the significant investment we are making in health and education will help to strengthen the impacts of the tax and benefit system by benefitting Islanders in a progressive way.

4.3.1 Deputy M. Tadier:

I do not know how long the Minister has been in office - I suspect it is for this term - but, of course, he was a Minister prior to that and it is effectively on his watch and on the Council of Ministers' watch that income distribution and income inequality has got worse, despite the fine words and the fine aims that the Minister comes out with today. Interestingly, he mentions housing and saying that there are safeguards built in, but the Income Distribution Survey highlights that, in fact, since 2009/10 the proportion of qualified rental households in relative low income has trebled from one in 10 to 3 in 10 and the proportion in social rented households in relative low income has gone from 27 per cent to a staggering 66 per cent of those households living in low income, many of them in St. Helier, which was another one of the promises of this Council of Ministers to address and invest in St. Helier. When will the Minister admit that he and his ministerial colleagues have this wrong and that they need a drastic change of direction when it comes to addressing these vast inequalities in socioeconomics in our Island?

Senator A.J.H. Maclean:

I think this Council of Ministers is addressing these matters and recognises very clearly that there is a problem that needs to be addressed. That is why, for example, investment of £250 million to Andium, into social and affordable housing, much of which is going into St. Helier, the very area that the Deputy is referring to, is so important. Increasing supply will help to constrain future rent increases and, therefore, deal with the matter of inequality to a certain extent. We have to bear in mind that before housing costs income inequality was similar to that in the U.K. (United Kingdom). I would say, therefore, that this suggests that the impact of lower interest rates on mortgage payments and increases in rent have had a much bigger impact in Jersey.

4.3.2 Deputy S.Y. Mézec of St. Helier:

What effect on income inequality does the Minister anticipate that his policies to cut £10 million of support from the poorest people in Jersey and exempt the wealthiest 3 per cent of Islanders from further tax rises will have on our income inequality statistics?

Senator A.J.H. Maclean:

As I have just said, I think the important point is to focus on what we are investing in, not the fact that ministerial colleagues are trying to ensure that the funding they have available is targeted to those most in need, which is exactly what my colleague at Social Security has been doing. What we are doing is we are putting considerable amounts of money into improving the housing stock, making it more available and, therefore, helping to constrain future increases in rents.

4.3.3 Deputy S.Y. Mézec:

On what planet does it constitute targeting support to people who need it when this Government has cut £10 million of support from disabled people, from single parent families and from pensioners, 3 groups which the Income Distribution Survey pointed out have shocking levels of poverty in the Island? How on earth does he say he is helping those people by saying somehow support is being targeted to those vulnerable groups in our society when he has cut £10 million of support from them? What planet is he living on?

Senator A.J.H. Maclean:

The same planet that the Deputy is living on and, quite frankly, we would like to focus on the fact that we are also investing money in key areas which are particularly relevant to the group that the Deputy is so concerned about, and rightly concerned about I should say, and that is the significant extra funding that is also going into the health service, the health service which members of the cohort that the Deputy is referring to use those services perhaps to a greater extent than many other areas of the community. That is the right thing to do to make sure that we invest in the areas that really matter and make a difference to our community.

4.3.4 Deputy A.D. Lewis:

Surely key to this is the levels of pay for the low paid. Can the Minister explain whether any serious consideration will be given to significantly raising the minimum wage, perhaps closer to a living wage? The gap between the highest paid and the lowest is clearly part of the problem with regards to income inequality, so what plans does the Government have to seriously raise the minimum wage to something more akin to a living wage that will close the income gap?

Senator A.J.H. Maclean:

I know this is a popular topic for the Deputy. This is really more of a focus and more of a matter for the Minister for Social Security in many respects, but what I would comment on is the fact that there is an independent group that assesses income and average earnings and wages in that area and that is updated on a regular basis. As the Deputy knows, there are no plans to look at a living wage beyond what has already been stated by this Council of Ministers in the past.

4.3.5 Deputy G.P. Southern:

I believe the Minister is mistaken on that last answer, but never mind. Can we focus instead on the real nature of what is going on in our society and not just blame it on housing costs, as the Minister has been doing? Is it not the case that the proportion of members of our society living in relative low income is due primarily to a 30 per cent reduction in their wages in the economy that we are running? Is it not time to address this low wage, low tax economy that he is talking about? When he talks about progressive measures, what progressive measures does he have in mind in order to correct this under-functioning in our economy?

Senator A.J.H. Maclean:

I think some facts would be perhaps helpful to the Deputy and I would quote, for example, that mean and median household incomes are still 50 per cent higher in Jersey than they are in the

U.K. We have to also look at the recent average earnings data that has been published, which has shown for the last 4 years now we are seeing average earnings increasing at a rate above inflation.

[10:15]

That is positive not just for this cohort but for all income earners across all cohorts in the Island because it means there is slightly more disposable income available than would otherwise have been the case. In previous years, we have very much seen inflation outstrip average earnings. That is not a position we wish to be in so it is much better from that respect what we have seen in the last 4 years.

4.3.6 Deputy G.P. Southern:

Does the Minister accept that that is far from the case for public sector workers who have been meeting restrictions on their cost of living rises?

Senator A.J.H. Maclean:

Well, from an increase perspective that is correct, but you have to look at the base level of salary to make a fair comparison as to what the relative values of earnings happen to be.

4.3.7 Deputy A.D. Lewis:

With respect, the issue here is the gap between the rich and the poor and that can be closed by increased wages. Can the Minister explain exactly what discussions are going on between the Employment Forum at the moment? Because it is within the gift of the Government to, yes, listen to what the Employment Forum say but also make a policy decision to override some of what they say in the interests of the betterment of the community.

Senator A.J.H. Maclean:

There has been no intention to seek to override a decision of the Employment Forum. There is little point in setting up an organisation of that nature with the remit that it has and then to override its decisions, which are arrived at through a process of collaboration and discussion and surveying businesses and individuals. That is absolutely the right way that it should operate as an independent body. There is no discussion currently about the area that the Deputy is particularly interested in, which is with regard to a living wage in Jersey.

4.3.8 Deputy M. Tadier:

The Minister likes to make comparisons with the U.K. but the Income Distribution Survey says quite clearly that income inequality was worse in Jersey in 2014/15 than in the U.K. despite the Minister's attempted spin. Can the Minister explain on the one hand how he can seemingly be in support of reducing income inequality in our Island but yet singularly be introducing a stealth tax to this Assembly which deliberately lets the most wealthy in our Island off paying the full proposed 1 per cent charge on that, but everyone else who is a lower earner paying up to the full 1 per cent? Can he reconcile that with that previous belief of reducing income inequality and, if not, what will he do to change that?

Senator A.J.H. Maclean:

I assume the Deputy is referring to a proposed or potential health charge and on that basis I would simply say to the Deputy, and this is applicable more broadly and I have made this point before, that 30 per cent of the population, due to our generous levels of allowances and reliefs, do not pay income tax. That would include the long-term care charge and it would include also the proposed health charge. That is 30 per cent of the lowest earners in our community will

not be impacted by the health charge and are not currently impacted by the long-term care charge either due to the generous level of our reliefs and allowances.