

# STATES OF JERSEY



## INCOME SUPPORT: REINSTATEMENT OF SINGLE PARENT COMPONENT (P.113/2017) – COMMENTS

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Presented to the States on 15th January 2018  
by the Minister for Social Security

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STATES GREFFE

## COMMENTS

### Executive summary

- The Minister acknowledges the underlying aim of the Scrutiny proposal ([P.113/2017](#)), but the Panel has failed to take account of the philosophy or structure of Income Support, and the distribution of all households in relative low income.
- The proposal to reinstate the single parent component would be a retrograde step. The Income Support system is now fairly targeted across all household types, and the perverse incentives associated with the single parent component have been removed.
- A key element of Income Support is to help claimants move away from benefit dependence. The range of measures to support single parents into employment has been successful, with a 17% increase in earned income for this group over the last 2 years.
- The Scrutiny proposal does not include any positive actions to help single parents acquire new skills or employment and start to move away from benefit dependence.
- An increase in Income Support to single parent families would only cover one-third of the families below the relative low income (“RLI”) threshold.
- Two-thirds of families with children below the RLI threshold live in couple families. The Scrutiny proposal does not include any action to support two-parent families.
- As part of the planned uprate for Income Support in 2018, the Minister will include a £5 a week uplift for the first child in every Income Support household, in addition to the annual uprate for 2018, as allowed for in the MTFP proposals. This will provide extra support to single parent and couple families on a fair and equal basis.
- The Minister is also happy to enter into a constructive dialogue with the Scrutiny Panel and other States Members to identify additional areas where practical support can be provided to vulnerable children and their families.

### Members are strongly recommended to reject the Scrutiny proposal.

### Report

#### 1. Income Support principles and the single parent component

The Scrutiny Panel’s report quotes the underlying principle of Income Support –

*“The purpose of the new system is that it should help enable people to avoid poverty and to take appropriate actions and decisions to get out of poverty.”*

In 2015 the Social Security Department was asked to identify changes in benefits to allow an additional £10 million of investment to be made in health and education services by 2019 as part of the Medium Term Financial Plan (“MTFP”) 2016 – 2019.

To achieve this target, the initial design of Income Support was considered, and proposals put forward to improve the targeting of benefits and to simplify the system. In particular, the review provided an opportunity to address some of the anomalies of the original design of Income Support which had been included to ease the transition from the previous system. The changes were also chosen to promote financial independence and improve the targeting of benefits, in line with the principles of Income Support.

The changes affecting single parents included –

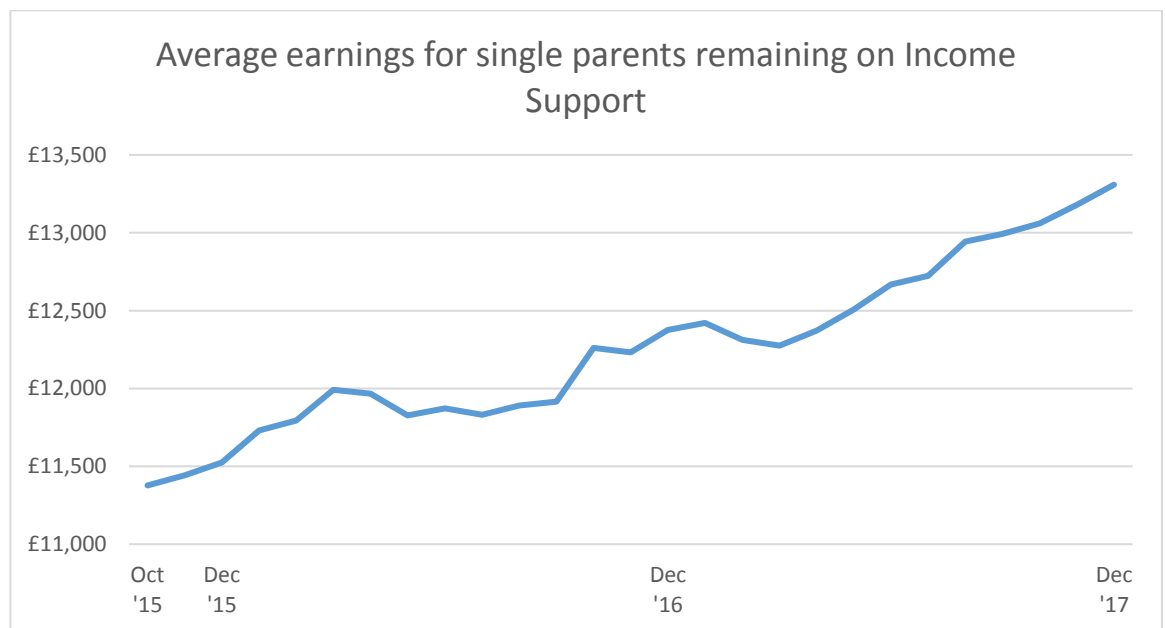
- phased removal of single parent component over nearly 3 years
- increased childcare allowances
- improved incentives on earned income
- targeted ‘Back to Work’ support
- improved incentives on maintenance income.

Since 2015, these changes have been successfully implemented and have led to –

- funding released to allow for investment in health and education
- phased reduction of extra single parent component, 4 reductions of £10 per week
- improved take-up of employment by single parents
- reduction in benefit dependency.

In particular, across all Income Support claims, the proportion of single parent claimants who are fully dependent on Income Support has decreased from 17% in 2014 to 12% at the end of 2016.

Looking in more detail at the 1,262 single parents who were receiving a single parent component in October 2015, 750 of these claimants were still receiving a (reduced) single parent component at the end of December 2017. Over this time, these claimants had increased their wages by an average of 17%, well above both the rate of inflation and the growth in average earnings.



These statistics confirm that the package of measures around single parents has been successful in helping single parents move away from benefit dependence and towards financial independence.

### **Scrutiny proposal**

The Scrutiny Panel proposes to reinstate the single parent component of Income Support. This would increase the benefits available to roughly 1,200 single parents by £40.39 per week, at a total cost of £2.3 million recurring per year.

The Panel puts forward 3 main arguments to support its case.

1. The single parent component is needed to give single parents extra help with household bills.
2. The high percentage of single parent households below the relative low income threshold means that single parents need more help than other household types.
3. The Income Support budget is underspent, so the single parent component can be reinstated.

These points are considered in turn.

### **Household bills**

The Scrutiny proposition quotes the 2005 report on Income Support as a justification for the need for a single parent component –

*“However, there was an additional cost attributed to being a single 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.”*

These additional costs were acknowledged and incorporated into the design of the main Income Support components following the 2005 report. This was achieved by including a household component as a basic component within Income Support. The household component was a new feature of Income Support which had not been included in parish welfare or any other previous benefit.

This household component was introduced in 2008 and is now worth £52.85 a week. It is paid in full to couples and single parents. In this way, the cost of running a home is covered, on top of the individual components provided to each adult and each child.

When the final details of Income Support were being agreed in 2007, an additional single parent component was added, on top of the other components. The extra component was included, together with a number of other design features, to help to smooth the transition from the various benefit systems previously in use to the new Income Support system.

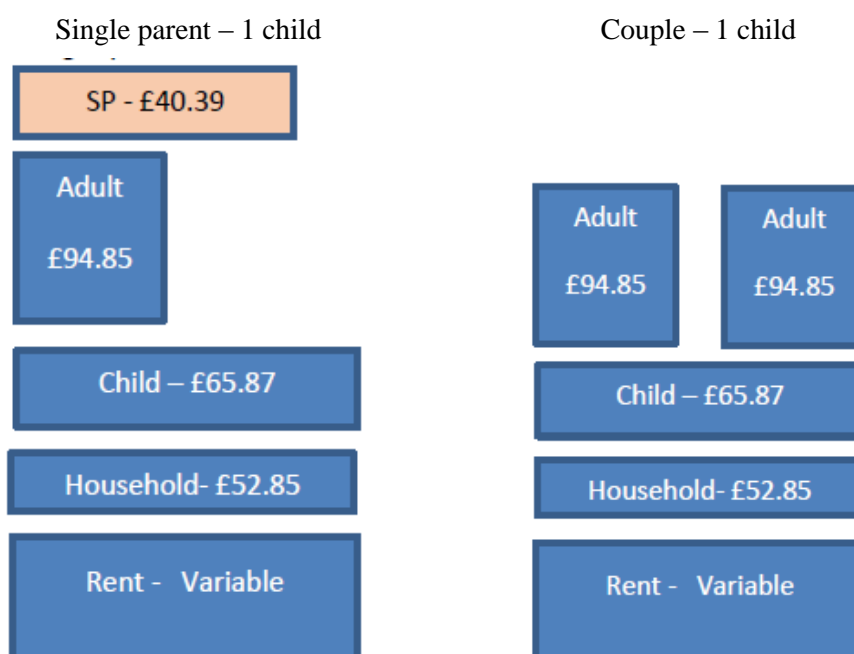
The introduction of Income Support was a major project, combining 14 separate benefits into a single system, achieved to a tight timetable in advance of the introduction of GST. A range of issues were negotiated leading up to the final decision, and the inclusion of the single parent component was agreed as part of the overall package. The value of the extra component was not directly related to any specific cost or additional need.

The diagram below shows how Income Support components are used to support the costs associated with different family sizes.

- Each household receives a component to cover their rental costs.
- Each adult and child in the household receives their own component to reflect the number of people in the household.
- Each household receives a standard household component to cover household bills. The same value of household component is paid to single parents and to couples.

The single parent component was not associated with any specific costs.

This diagram shows how the Income Support components are provided, and the extra component that was previously provided to single parents.

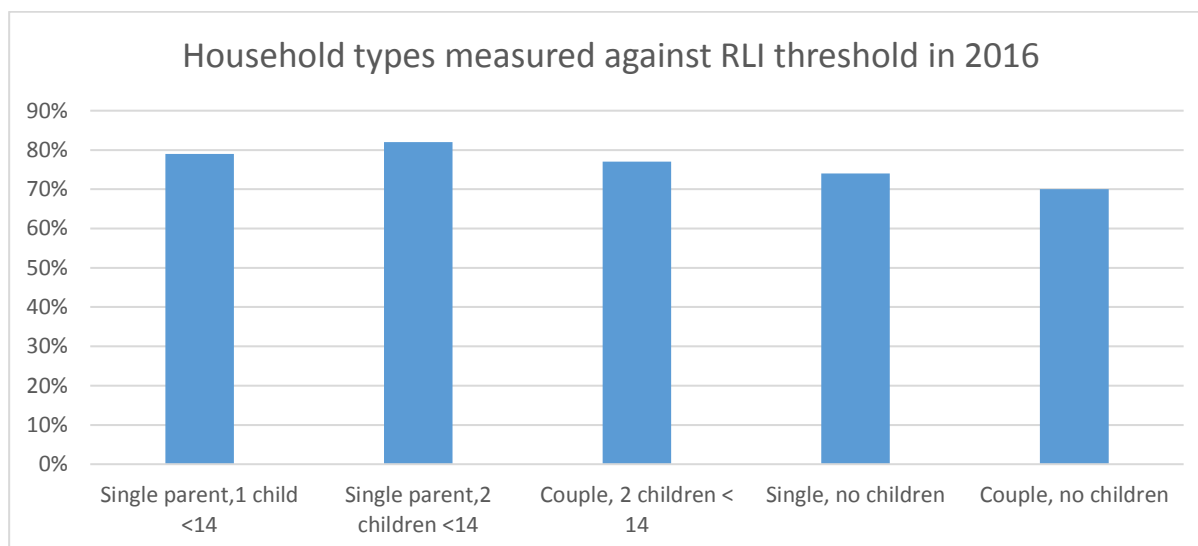


- With a rental component of £250 per week, a single parent with one child is entitled to £463.57 in weekly components. Adding back the single parent component would increase the total to £503.96.
- With a rental component of £250 per week, a couple with one child is entitled to £558.42 in weekly components.

Whilst the single parent component provided a useful element in the package of measures to help to make the transition into the new benefit system, it also created an imbalance in the value of benefits provided through Income Support.

In some situations, it could be seen to reward single parent households, and it could also act as a barrier to another adult joining the household as a partner. Overall, the extra component was not well targeted, and did not support households fairly across different family types and sizes.

A Scrutiny adviser undertook an analysis of the support available to various household types as part of the Scrutiny Review – [Living on Low Income \(S.R.4/2016\)](#). The diagram below is based on pages 83 and 84 of S.R.4/2016, and measures the support available from the basic components of Income Support against the relative low income threshold for each family type.



This clearly demonstrates that, following the phasing-out of the single parent component, there is now a fair level of support available to all family types, when compared against the relative low income threshold.

#### What is Relative Low Income (RLI)?

Relative low income is a measure of how individual household incomes compare with each other within a community. The most commonly used definition is that the RLI threshold is at 60% of the equivalised median household income. This figure can be quoted before or after housing costs are taken into account (BHC or AHC). It is not a direct measure of low income, as there will always be some households with lower incomes and some households with higher incomes, even in a community made up exclusively of high income households. Very approximately, the level at which the RLI boundary is set in Jersey is 50% higher than the equivalent UK figure.

The [2015 Income Distribution Survey](#) identifies equivalised incomes, median incomes and the relative low income level for Jersey. The report from the Statistics Unit gives full details of all these calculations.

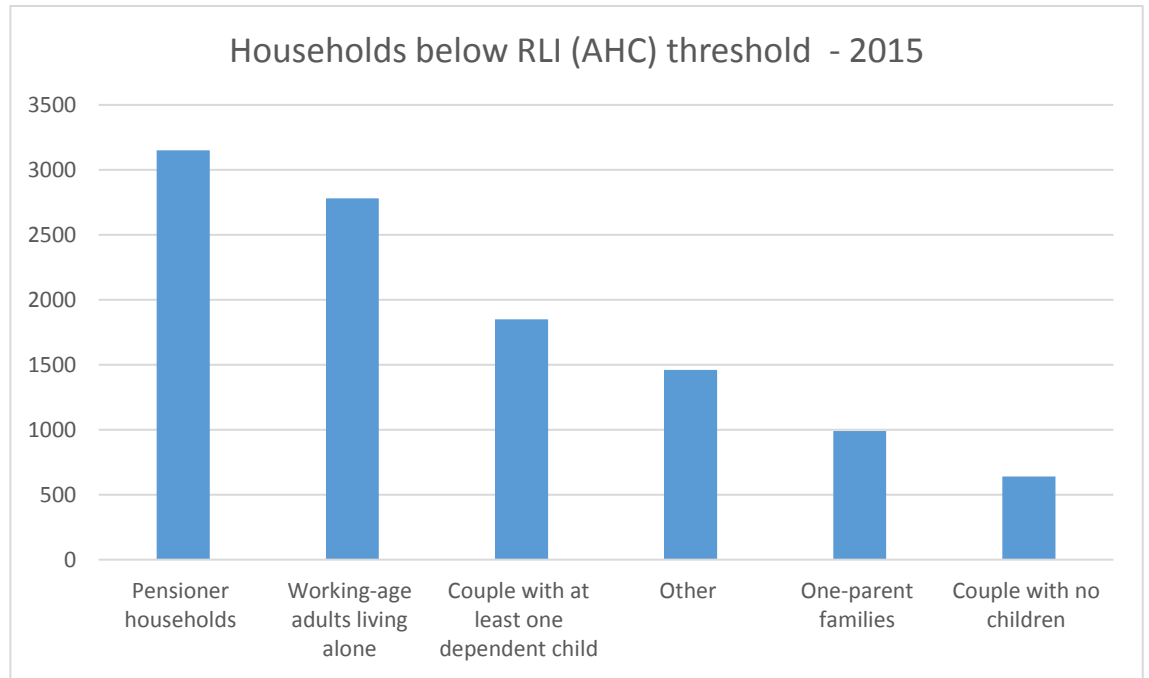
#### Relative low income and single parents

The Scrutiny Panel’s report argues that the high percentage of single parent households below the RLI threshold means that single parents need more support than other household types.

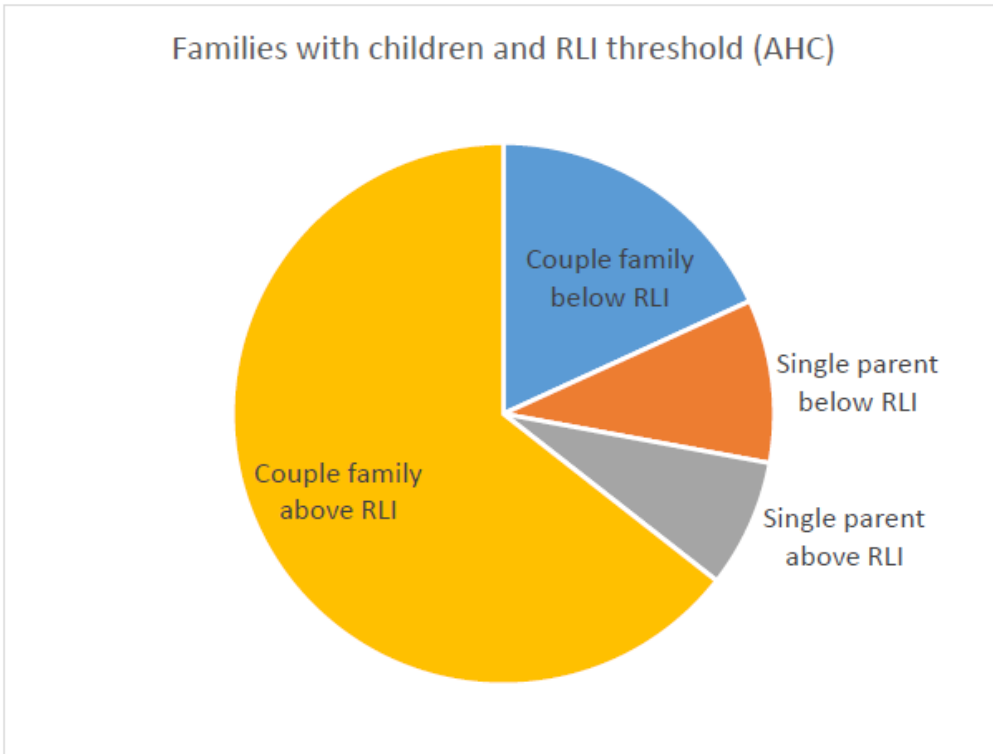
Whilst the statistics quoted by the Panel are correct in relation to single parents, they fail to acknowledge the large number of other households with incomes below the RLI threshold as measured by the Income Distribution Survey of 2015.

Single parents make up a small proportion of all households in Jersey below the RLI threshold.

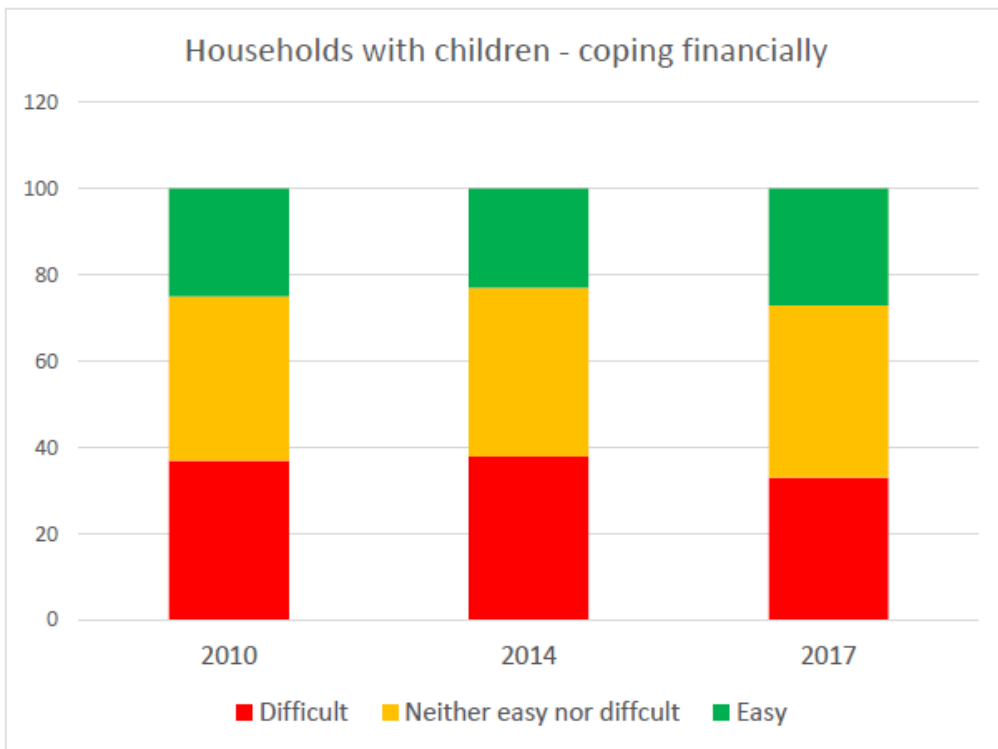
This chart shows all household types and the number below the RLI threshold after housing costs have been taken into account. Single parents make up 11% of the total.



In terms of families with children, single parents only make up one-third of the families with children below the RLI threshold after housing costs have been taken into account. In total, there were about 10,200 families with children in Jersey in 2015. Using the same income distribution survey, approximately 2,800 families had a household income below the relative low income threshold. As the chart below shows, these are mainly couples with children (1,850 families) with single parents making up the remaining 990 families.



Other statistics provided by the Statistics Unit indicate that families with children find it harder to cope financially compared to families without children. These questions have been asked in JASS and JOLS in 2010, 2014 and 2017, and the results are consistent over this period.





Many families in Jersey have household incomes below the relative low income threshold and find it difficult to cope financially.

**Government support for families should be targeted at ALL low income families rather than just single parent families.**

### **Supporting low income parents towards financial independence**

Income Support was designed to provide a “hand up, not a hand-out”.

Successive Ministers for Social Security have worked hard to improve the original Income Support system so that it now provides meaningful incentives for claimants to move into work and to take steps towards financial independence. Providing an extra cash sum as proposed by the Scrutiny Panel, which is not linked to any action on the part of the claimant to take up employment or training, will do nothing to support single parents towards independence. It may even delay these positive steps, with the result that they remain dependent on benefits for longer.

- Income Support claimants in employment now retain 25% of their wages, compared to the original 6% retention in 2008.
- Unemployment has reduced from a high of over 2,000 down to 950.
- The proportion of claimants fully dependent on Income Support has reduced from 18% to 12% since 2011.

The Scrutiny proposal does nothing to support these moves.

### **Income Support budget and uprating**

[P.103/2015](#) (Draft Income Support (Miscellaneous Provisions No. 2) (Jersey) Regulations 201-) described in detail the measures proposed to achieve the MTFP targets identified for the Department, including the phased removal of the single parent component. The report also included a section on possible actions from 2017 onwards. This is reproduced below –

*The overall plan currently allows for improvements in Income Support components and/or incentives from 2017 onwards, subject to economic conditions. If conditions are less favourable than anticipated, these improvements can be delayed, ensuring that the full savings target is still achieved.*

*These proposals also include one amendment to Income Support to allow for future changes in the child component. Income Support currently allocates a single basic component to each child, currently £63.98 per week, which is the same regardless of the number of children. This contrasts with comparable benefit systems in other jurisdictions which generally pay a slightly higher amount for the first child compared to the second (and subsequent children), acknowledging that there are some economies of scale for households that include more than one child – via the sharing of items, recycling of clothing, etc.*

*The Minister proposes to amend the Income Support components to allow for the possibility of distinct rates for children in the future. Both rates will initially be set at the current amount of £63.98 per week and this change will **not** affect the amount of benefit received by families claiming Income Support in 2016.*

Economic conditions have improved since 2015, and last year all Income Support claimants saw an uplift in both the level of components and the generosity of the income disregards. All components were increased by 2.9%, reflecting the RPI figure for March 2017 and income incentives (disregards) were improved from 23% to 25%.

The actions taken last year emphasize the importance of balancing the rates at which components are set, and the incentives provided within the system for claimants to retain their own income. To help claimants move towards financial independence, both aspects of the scheme must be kept in balance.

Recent statistics show that these policies continue to be successful, with ongoing reductions in the number of adults registered as actively seeking work, and the Department is currently preparing a package of measures for the 2018 uprate. As with 2017, this will include improvements in both the level of components and the amount of income that claimants can retain.

In 2015, the States agreed to provide for differential child rates within Income Support, to allow for the first child in a family to receive a higher amount. Whilst the other details of the uprate for 2018 are still to be finalised, and will then be brought to the Assembly for approval, the Minister for Social Security can confirm in advance that the uprate will include a proposal for an additional sum of £5 for the first child in each family, over and above the agreed general uplift.

This will create a fair increase in the support available to ALL low income families.

### **Practical support for families**

Following the publication of the Independent Jersey Care Inquiry Report ([R.59/2017](#)) and the initial response from government, significant actions are being taken across a wide range of public services to support vulnerable children.

Whereas Income Support helps families financially, there are many other areas where practical support can help families take their own positive steps towards independent living.

The Minister for Social Security is keen to enter into a constructive dialogue with the Scrutiny Panel and other States Members to identify specific areas where extra support could be targeted to low income families, to help both the children and their parents in areas such as education and training, health and life skills.

### **Conclusion**

- The Minister acknowledges the underlying aim of the Scrutiny proposal, but the Panel has failed to take account of the philosophy or structure of Income Support and the distribution of all households in relative low income.

- The proposal to reinstate the single parent component would be a retrograde step. The Income Support system is now fairly targeted across all household types, and the perverse incentives associated with the single parent component have been removed.
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