

2018.03.06

3 Deputy M. Tadier of the Minister for Social Security regarding what work, if any, is being done further to the recommendation in paragraph 110 of ‘Living on Low Income’ (S.R.4/20165): [OQ.44/2018]

Will the Minister update the Assembly on what work, if any, is being done further to the recommendation in paragraph 110 of *Living on Low Income* (S.R.4/2016), namely to examine the benefits of a higher level of disregard for earnings income; a separate disregard for second earners; and an annual earnings allowance, which would not affect income support entitlement?

Deputy S.J. Pinel of St. Clement (The Minister for Social Security):

My response to the Scrutiny review was published in October 2016. It noted that actions were already planned in this area. I will quote a short section from my response: “The cash limits available for 2017 for income support does allow for some improvements in component levels and all work incentives. Previous Ministers have increased the work incentives from the original 6 per cent to the current level of 23 per cent. This level will be considered again during 2017 and the suggestions provided by the panel will be included in those deliberations.” I am happy to confirm then that in 2017 I considered the benefits of a higher level of disregard and increased it from 23 per cent to 25 per cent. This is the highest it has ever been in Jersey. I can also confirm that this higher disregard is applied to both earners in a household, which makes the system fair and easy to understand. I do not intend to introduce an annual earnings allowance. This would be costly, complicated to administer, and would discourage people from increasing their earnings above that allowance. The current system helps people understand that increasing their earnings will increase the amount of money they have available. Income support now has the highest percentage of adult claimants in work since it began. This shows the incentives are working. I am currently reviewing the uplift for 2018 and can confirm that I will again be considering an increase in the level of the disregard.

3.3.1 Deputy M. Tadier:

Specifically on the issue of a fixed sum disregard, does the Minister not agree that there are benefits in incentivising people to do some work rather than no work or some work legally rather than some work on the black market? That if casual work is available, where people can earn a fixed sum per year without having to worry about being found out or informed upon to Social Security, it could be a vital way to get people back into work and cut some of the red tape rather than increasing it?

Deputy S.J. Pinel:

Yes, I do agree with the Deputy, and that is why we have increased the income disregard in a lot of areas, but certainly in the earned income and looking at - as I mentioned earlier - increasing it again. Of course on top of the 25 per cent disregard that is already available, there is the additional 6 per cent of earnings contributions, which is disregarded for people who are eligible to pay them.

3.3.2 Deputy G.P. Southern:

Is it not the case that the level of the earnings disregard is still very much lower than that which applies in the U.K. (United Kingdom) and does she not consider that upgrading this marker would be of benefit to recipients and help people get into some work?

Deputy S.J. Pinel:

Yes, and as I mentioned in my opening remarks, this is why it has been increased from 6 per cent to the current rate of 25 per cent, and we are looking at it again to be increased in the coming year.

3.3.3 The Deputy of St. Ouen:

Does the Minister consider it important that all members of a household who are capable of work should be in work and therefore why is she not considering or will she consider seriously a separate disregard for second earners in a household?

Deputy S.J. Pinel:

Yes, the higher disregard for a second earner would increase the income in households where there are 2 adults, who are both able to work. This would not help families where a parent is at home looking after a very young child. It would not help families where one parent has a long-term condition or disability and is unable to work and it would not help families where one parent is a carer for another member of the family of the long-term care needs.

3.3.4 The Deputy of St. Ouen:

Granted those exceptions that the Minister has just said, but does she not accept that it would incentivise persons in a household who are not in those sorts of situations outlined but who are capable of working, 2 or more persons, would she incentivise them by giving a separate disregard for those additional persons?

Deputy S.J. Pinel:

The idea of a second earner is based on the assumption that one partner works full time and the other looks after the children and only works part time. Although income support recognises households who do this many Jersey householders prefer to divide the care of children so that they can both work, and we help by supporting the cost of childcare and the income support for adults.

3.3.5 Deputy G.P. Southern:

It is really a point of clarification. I understood the Minister to say that the income disregard was applied to both sets of earnings, separately, and therefore a second earner was catered for with their own disregard. But in the answers that she followed up that with it seems to me that she is denying that there is a second income disregard for the second earner and that the income disregard applies across the board to the total earnings of the couple.

Deputy S.J. Pinel:

The earnings disregard applies to both adults in the household earning.

3.3.6 Deputy G.P. Southern:

Separately, so that each earner has their own income disregard set at whatever level it is, 25 per cent, and not the collective income of the household at 25 per cent?

Deputy S.J. Pinel:

Yes, although a second earner can sometimes be working part time if they have got children to look after. The new introduction which will be discussed on the next sitting on 20th March will hopefully include, if it is approved, that the parental leave will include the father or partner being able to share the care of the child and so both parents can work in an alternative situation.

3.3.7 Deputy G.P. Southern:

Final supplementary from me. Will the Minister return to the House with costings of how much the last raise by 2 per cent in income disregard cost in terms of delivery of income support and if she could also, what would be the cost of having a fixed income disregard in comparison with the

percentage disregard? So what would be the cost of £1,000, £2,000, perhaps £5,000 as an income disregard rather than a percentage?

Deputy S.J. Pinel:

That would have been in the last Social Security annual report and when we do consider the uplift in 2018 we will then decide how much the disregard will be increased, which will also produce the cost. But it is a fluctuating situation with people moving in and out of work, people in full-time or part-time work, so it is very difficult to put a complete figure on it because there are not necessarily a standard number of people at any one time.

Deputy G.P. Southern:

Could the Minister ...

The Bailiff:

You said that was your final one, Deputy.

Deputy G.P. Southern:

Possibly, I said, Sir.

The Bailiff:

Go on then.

3.3.8 Deputy G.P. Southern:

Could the Minister point me - because I am an avid reader of the annual reports - to the pages that give this detail because I have read the report and I have not been able to work out what that figure is?

The Bailiff:

Why do you not send the Minister an email? I am sure she will reply.

3.3.9 Deputy M. Tadier:

Does the Minister believe that there are sufficient incentives to get people back to work specifically when it comes to the income disregards and can more be done?

Deputy S.J. Pinel:

Always more can be done but at the moment the working adults claiming income support has increased considerably from 42 per cent to 52 per cent, which is a great illustration of how much the incentives from the department and the encouragement to get back into work have been successful.