Low income in Jersey

Policy Centre Jersey
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Policy
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About this report

This discussion paper brings together available statistics and research in a form designed to facilitate an informed discussion about the nature of low income in Jersey and policy options for addressing the issue. The paper draws heavily on two documents –

- A House of Commons Briefing Paper Poverty in the UK: statistics, an excellent analysis not just of the statistics but also of the causes of poverty.
- A Statistics Jersey report Jersey Household Income Distribution 2021 - 2022, which has comprehensive relevant Jersey statistics and analysis.

The paper takes accounts of comments from a number of people and the discussion at a roundtable event held on 12 March 2024.

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- Undertaking authoritative research on policy issues.
- Publishing briefings on key policy issues with easy access to relevant papers and research.
- Providing a forum for discussion on policy issues.
- Building a Jersey Knowledge Centre comprising brief up-to-date papers on all aspects of Jersey (history, economy, constitution, geography etc) aimed particularly at schools.

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Introduction

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The paper draws heavily on two documents –

- A House of Commons Briefing Paper Poverty in the UK: statistics, an excellent analysis not just of the statistics but also of the causes of poverty. Like this paper it does not comprise original research but brings together in a coherent way a wide range of official statistics and other research. For clarity, this paper does not cite the original references.
- A Statistics Jersey report Jersey Household Income Distribution 2021 - 2022, which has comprehensive relevant Jersey statistics and analysis.

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Summary

- Low income can be analysed in absolute or relative terms. "Relatively low income" is generally defined as income below 60% of the median.
- Absolute low income has reduced sharply over time. In the UK, the proportion of people in absolute low income (60% of median income in 2010/11, adjusted for inflation) fell from 86% in 1961 to 12% in 2017/18.
- Over time the composition of those in relatively low income has changed from pensioners to children and working-age adults.

- Causes of relatively low income include poor education and skills, weak relationships, chaotic lives and inadequate tax and benefit systems. There are some issues specific to Jersey including housing and grocery costs and policy towards immigrants.
- In Jersey, 16% of households have relatively low income before housing costs, rising to 24% after housing costs. The proportions are slightly lower than in the UK and have fluctuated over the last few years in a fairly narrow range. However, the way housing costs are treated means that it is wrong to conclude that it is housing costs that push people into low income, as many of those in the lowest income groups have some or all of their housing costs met by the benefit system.
- Policies to reduce relatively low income need to address the causes.
- Policies are also needed to deal with the effects of relatively low income. These can seek to reduce the cost of those goods and services that low-income people buy or to increase their income.
- Raising tax thresholds and limiting rent increases do not benefit most of those in the lowest income groups as they do not pay tax and have their rent met by benefits.
- Tackling low income through the tax and benefit system seems most efficient – allowing people to choose how to spend their money and without benefitting those who do not need help.
- However, for a number of reasons, some historic, a number of policy measures aim to reduce the cost of certain goods and services.
- Jersey has a benefit system which, combined with the high tax thresholds, achieves a substantial redistribution of income from better-off people to lower-income people.
- Only 2% of workers are on the minimum wage but increases in the minimum wage can have a significant effect further up the income scale.
- The benefit system can never be fully comprehensive and the more that attempts are made to close any gaps the more complicated and expensive the system becomes.
- The Island would benefit from considering the issue of low income as a whole rather than in silos, with a view to developing a suite of joined-up policies in respect of taxation, income support and subsidies on specific goods and services that most effectively achieves the objective of helping those in relatively low income.

Different meanings of poverty and low income

There are many different ways of defining poverty and low income. None is right or wrong but all need to be considered in developing policy. Having a standard definition helps as it facilitates comparisons between jurisdictions and trends over time.

Absolute poverty is defined by the United Nations as –

> a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services.

The World Bank publishes a figure for the "international poverty line", which is the median of the national poverty lines of 28 of the world's poorest countries. With effect from September 2022 the figure is $2.15 per person a day. A person living on less that this amount is classed as being in extreme poverty.

A House of Commons Briefing Paper Poverty in the UK: statistics sets out generally accepted definitions –

> Two commonly used measures of poverty based on disposable income are:
> - Relative low income: This refers to people living in households with income below 60% of the median in that year.
> - Absolute low income: This refers to people living in households with income below 60% of median income in a base year, usually 2010/11. This measurement is adjusted for inflation.
>
> Median income is the point at which half of households have lower income and half have higher income.
>
> Income can be measured before or after housing costs are deducted.

A number of points about this definition need to be noted -

- Simply changing the threshold can have a significant effect on the number of people deemed to be in relatively low income.
- There can be circumstances in which the median income falls significantly, for example in the Jersey case if there was a substantial contraction in the finance industry. This could lead to everybody being poorer, but the number of people deemed to be in relative low income actually falling. For example, if median income is £500 a week, then the relatively low-income threshold is £300 a week and someone earning £290 a week is classed as being in "relatively low income". If the median income falls to say £400 a week, the relatively low income threshold falls to £240 a week. The person previously on £290 a week might see their income fall to £250 so they would be poorer but no longer defined as being in relatively low income.

Statistics on income and expenditure ignore wealth. So, for example, a pensioner household owning their own home outright and holding substantial savings with a given income is in a far more comfortable financial position than a household with the same income with a large mortgage or paying a high rent. There are no statistics on the wealth of Jersey households, and in practice it is very difficult to compile meaningful statistics. The best attempt to look at income and wealth together was in a report by PwC on the Distributional impacts of Jersey's Carbon Neutral Roadmap. A key conclusion in this analysis was –

> The concentration of wealth in Jersey would suggest that a significant share of Jersey's population do not have the financial resilience to temper significant financial shocks. Further, Jersey's existing wealth inequality is likely to continue as the population ages and residential rights limit broader property ownership. This is expected to make disparities in wealth more pronounced as the share of older people who own property and have stored wealth in savings/pensions grows *(i.e. a process of 'cumulative' inequality)*. Further, a prolonged period of low interest rates and successive years of growth in equities over the past decade would likely have embedded existing wealth disparities further.

It is also necessary to look at the composition of households, not just of individuals. To address this, the concept of "equivalised" income has been developed. This is usefully explained in the House of Commons briefing paper -

> Equivalisation means that the income threshold below which someone is considered to be in poverty differs by household type. Suppose a family with children has the same (unequivalised) disposable income as a single person: it is possible for the family to be counted as being in poverty even if the single person is not, because they have to make their income stretch across all household members.

Through equivalisation, household income for people living alone is adjusted upwards while households with more than two adults would have their income adjusted downwards. The Statistic Jersey paper gives an example of an income of £40,000: two adults would have an equivalised income of the same amount; a single adult would have an equivalised income of £60,000 and two adults with two children £28,600.

However, with any such calculation there are always qualifications. For example, some people might have an income which means they fall outside the definition of relatively low income, but only because they have to work excessive hours or have more than one job in order to earn sufficient to meet essential living costs. There can also be immigrant workers who are defined as single person households but who have to meet the cost of supporting a family in their home country.

The value of a standard definition is that it enables trends over time and international comparisons to be made. However, it always needs to be recognised, particularly in developing policy, that broad-brush statistics can never take into account every circumstance.

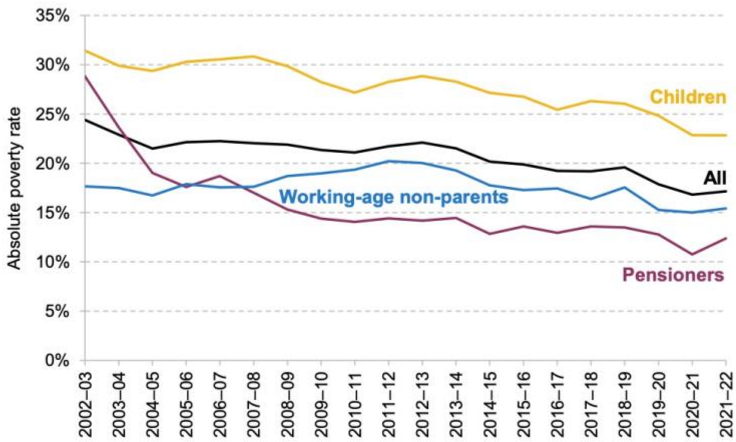
Trends in poverty and low income in the UK and globally

There has been a sharp decline globally since 1990 in the number of people living in absolute poverty. The organisation Development Initiatives provides a useful summary in its report Economic poverty trends: global, regional and national. The number of people living in absolute poverty (using the $2.15 figure) fell from 2 billion (38% of the world's population) in 1990 to 700 million (8.5%) in 2022. The reduction was largely explained by huge falls in absolute poverty in India and China. However, absolute poverty increased in Sub-Saharan Africa.

In the UK, the proportion of people in absolute poverty (60% of median income in 2010/11, adjusted for inflation) fell from 86% in 1961 to 14% before housing costs and 18% after housing costs in 2022/23.

The proportion of people in relatively low income increased from 13% in 1961 to 21% before housing costs and 25% after housing costs in 1990 then falling to 16% before housing costs and 22% after housing costs in 2017/18 since when the proportions have been stable.

These overall trends mask differences between groups. The proportion of pensioners (people aged 65+) in relatively low income is much lower now than during the 1960s, but the rates for children and working-age adults are higher. An Institute for Fiscal Studies paper Living standards, poverty and inequality in the UK: 2023 includes a table showing trends since 2002-03 in absolute poverty for different groups. This shows a reduction in the proportion of pensioners classed as being in absolute low income after housing costs from 28% to 12% whiles the reductions for children and working-age non-parents were more modest.



It should be noted that while some people are permanently in the relatively low-income group, there is a significant turnover with many people moving into and out of the group in any one year. The House of Commons paper notes that –

> An individual is defined as being in persistent poverty if they have been in relative low poverty for at least three out of the past four years. Between 2017/18 and 2020/21, 9% of individuals were in persistent low income before housing costs and 12% were in persistent low income after housing costs, based on data from the Understanding Society survey.

The paper notes that 42% of the population in relative low income in 2019/20 were no longer in relative low income in 2020/21, and conversely of those people not in relative low income in 2019/20, around 7% were in relative low income in 2020/21.

The main factors associated with entering relatively low income were a change to a lone parent household (32%), fall in household earnings (23%) and change from a working to a workless household (22%). The most important factors preventing families from exiting poverty were long-term worklessness and low income of parents and parental qualification.

The causes of poverty

A Joseph Rowntree Foundation paper What is poverty (2019) suggested that some of the causes of poverty are -

- Unemployment and low-paid jobs lacking prospects and security (or a lack of jobs): too many jobs do not provide decent pay, prospects or security.
- Low levels of skills or education: young people and adults without the necessary skills and qualifications can find it difficult to get a job, especially one with security, prospects and decent pay.

- An ineffective benefit system: the level of welfare benefits for some people – either in work, seeking work or unable to work because of health or care issues – is not enough to avoid poverty, when combined with other resources and high costs. The benefit system is often confusing and hard to engage with, causing errors and delays. The system can also make it risky and difficult for some to move into jobs or increase their working hours. Low take-up of some benefits also increases poverty.
- High costs: the high cost of housing and essential goods and services (e.g. credit, gas, electricity, water, Council Tax, telephone or broadband) creates poverty. Some groups face particularly high costs related to where they live, increased needs (for example, personal care for disabled people) or because they are paying a 'poverty premium' – where people in poverty pay more for the same goods and services.
- Discrimination: discrimination against people because of their class, gender, ethnicity, disability, age, sexuality, religion or parental status (or even poverty itself) can prevent people from escaping poverty through good qualifications or jobs and can restrict access to services.
- Weak relationships: a child who does not receive warm and supportive parenting can be at higher risk of poverty in later life, because of the impact on their development, education and social and emotional skills. Family relationships breaking down can also lead to poverty.
- Abuse, trauma or chaotic lives: for small numbers of people, problematic or chaotic use of drugs and alcohol can deepen and prolong poverty. Neglect or abuse as a child or trauma in adult life can also cause poverty, as the impact on mental health can lead to unemployment, low earnings and links to homelessness and substance misuse. Being in prison and having a criminal record can also deepen poverty, by making it harder to get a job and weakening relationships.

The main factors influencing future poverty of children are educational attainment, parental qualifications, childhood poverty, home learning environment and non-cognitive development.

All of these points apply in Jersey, but there are also two specific issues in the Island –

- In Jersey groceries are significantly more expensive that in the UK. In September 2023 the Jersey Competition Regulatory Authority published a report by the consultants Frontier Economics Groceries Market Study. This reported that the cost of a shopping basket at the same retailer is about 12% lower in the UK than in Jersey. However, it added that "Jersey lacks the lower price grocery retailers – notably the 'Big Four' and the Discounters" and that as a result "the cheapest grocery retailers in the UK can be up to c.33% cheaper than retailers in Jersey." It noted that "the lack of lower price retailers and higher operating costs could have a disproportionate effect on some lower-income consumers".

It is important to note that this position does not result from "profiteering" but rather from the small size of the Jersey market, higher freight and labour costs and tax differences. The accompanying Groceries Market Study by the Competition Authority concluded that: "The Jersey grocery market is functioning well from a competition perspective, with a range of grocery retailers and no sign of excess profitability" and that "Profits for grocery retailers are in line with expectations and benchmarks."

However, the fact remains that Jersey' special circumstances mean that those who shop in, for example, Waitrose or M&S are paying 14% more for their food than they would in the UK. Low income families could be paying as much as 49% more than their UK counterparts because they do not have access to a Lidl or Costco or street markets. Low income families are therefore disproportionately impacted by grocery prices in the Island.

- Jersey is heavily reliant on immigrant labour particularly in those sectors that are the least well paid – agriculture, hospitality and care. Immigrants are discriminated against in respect of access to healthcare, income support and housing. Some immigrants are also supporting a family in their home country. It follows that immigrants are disproportionately represented in the relatively low income group because they are paying more for their housing (unless this is provided by their employer) and healthcare and are less able to obtain income support. In addition some immigrants find that they are less able to follow the practice in their home countries of cooking with raw materials as fresh food is not as readily available and also they do not have the support network that they would have in their home countries.

Low income in Jersey today

The Statistics Jersey paper has a section on relative low income, defined as household income below 60% of median equivalised income: in 2021/22 £520 a week before housing costs, and £430 a week after housing costs. 16% of households had relatively low income before housing costs, rising to

24% after housing costs. The proportion of households in relatively low income before housing costs was 26% for one parent families, 26% for pensioner households, 18% for working age adults living alone, 9% for couples with children and 9% for couples without children.

The following table, reproduced from the report, shows key statistics for individuals rather than households.

Proportion of people in relatively low income, Jersey, 2021/22

	Before housing costs		After housing costs	
	%	persons	%	persons
Children	15	2,500	24	4,000
Working-age adults	10	7,000	18	12,200
Pensioners	23	4,200	28	5,200
All individuals	**14**	**14,000**	**21**	**21,600**

It is appropriate to qualify the housing costs issue. In Jersey, as in the UK and many other jurisdictions, low income people are entitled to income support which pays some or all of their housing costs. For the purposes of defining relatively low income the income support is added to their income for the "before housing costs" figure. For example, someone earning £420 a week before housing costs and receiving income support to pay a rent of £120 a week would be deemed to be earning £540 a week before housing costs and therefore not classed as "relatively low income". After the rent payment of £120 a week their income is the original £420 a week, below the relatively low-income threshold. So it is not housing costs that caused the person to be classed as "relatively low income" whereas previously they were not. The position is different where a person receives no support to meet housing costs – where high costs can push someone into relatively low income after housing costs. This point needs to be borne in mind in considering the issue.

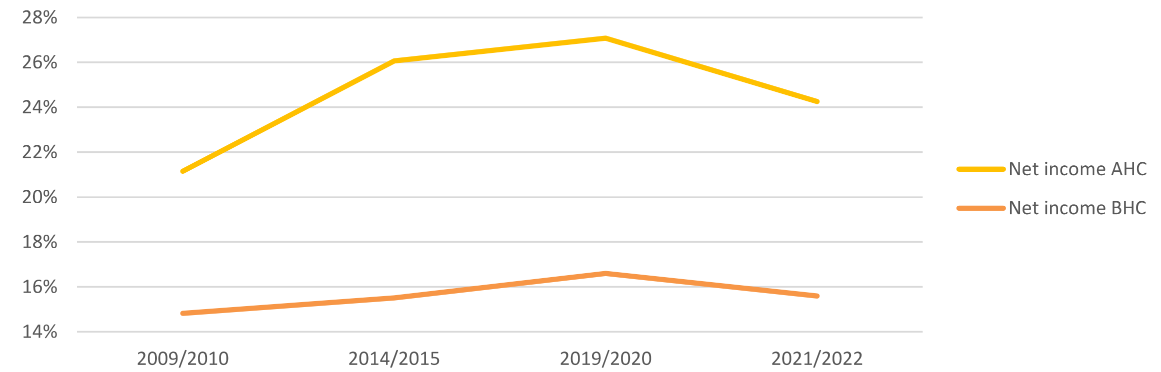
In the UK it is recognised that there is substantial under-reporting of benefit income. It is not known if this is also the position in Jersey. However, Statistics Jersey goes to considerable lengths to ensure that the data are accurate by using other information, for example on rents, to supplement data from the household survey.

The Statistics Jersey report includes an analysis of trends over time. No data are available on trends in absolute low income. UK data, quoted earlier in this report showed that the proportion of people in absolute low income (60% of median income in 2010/11, adjusted for inflation) fell from

86% in 1961 to 13% before housing costs and 17% after housing costs in 2021/22. It is reasonable to assume that a similar trend has applied in Jersey, although perhaps not to the same extent.

In respect of relatively low income the graph from the Statistics Jersey report is reproduced below.

Figure 4.5 Proportion of households in relative low income, 2009/2010 to 2021/2022



It will be seen that the proportion of households in relative low income after housing costs rose quite sharply from 21% in 2009/10 to 27% in 2019/20 before falling back to 24% in 2021/2022. The same trend, albeit more muted, applied to relatively low income before housing costs.

The report compares relatively low income in Jersey with the position in the UK and other jurisdictions. Before housing costs, 17% of individuals in the UK were in relatively low income households compared with 14% in Jersey; after housing costs the figures were much closer – 21% in Jersey and 22% in the UK. However, in making the comparison it is important to note that incomes are much higher in Jersey than the UK; the median equivalised household income before housing costs was £860 in Jersey, 52% higher than the UK figure of £565. After housing costs the differential was 42%. If the UK figure for relatively low income was used then about 5% of individuals in Jersey would be in relatively low income before housing costs (compared with 17% in the UK) and 15% after housing costs (22% in the UK).

International comparisons are possible only for income before housing costs. The Statistics Jersey paper includes the following table.

Relatively low income before housing costs, Jersey, UK and EU, 2022

Category	Jersey	UK	EU average
Individuals	14%	17%	16.5%
Children	15%	20%	19.0%
Working age adults	10%	15%	15.6%

Pensioners	23%	18%	17.3%

It will be seen that with the exception of pensioners the Jersey proportions were significantly below the UK and EU figures.

The section of the report on trends in low income noted that the proportion of pensioners (people aged 65+) in relatively low income is much lower now than during the 1960s, but the rates for children and working-age adults are higher. The same is true in Jersey. The Jersey Opinions and Lifestyle Survey Report 2023 has some relevant analysis. The proportion of households who found it difficult to cope financially for different groups was -

Pensioners	17%
Couples with no child	28%
Working age person alone	34%
Couple with children	46%
Single parent	77%

It will be noted that pensioners were the group who had least difficulty in coping financially.

Policies to reduce the causes of low income

It is helpful to look separately at policies aimed at reducing the causes of poverty and relatively low income and policies aimed at reducing the effects.

In most jurisdictions there are both sets of policies, although the former are typically part of more wide-ranging policies and often not considered as immediately relevant to low income.

In the Jersey context the following areas are where policy measures can best reduce low income, however defined, in the longer term –

- Improvements in support for early years. Schools report that increasingly children start at nurseries or primary schools without basic skills. This applies not only to children from families who are struggling financially but also to children from better-off families – the concept of "affluent neglect".
- Improvement in educational standards, particularly for those from disadvantaged backgrounds. There is certainly scope for improvement. Educational attainment levels at GCSE and A level are well below the levels of comparable areas in England. The *Independent School Funding Review* commented that "children on Jersey achieve academic outcomes broadly in line with England, though disadvantaged children do not currently achieve well". The *Independent Review of Inclusive Education and early years* noted

that students whose first language was not English or were eligible for the pupil premium performed significantly less well than other students.

- Policies that help equip people for the world of work, particularly for those with limited educational qualifications. The *Further Education and Skills Actionable Agenda* commented that –
  - There is an urgent need to develop an 'actionable agenda' to ensure that Jersey has a robust, adaptable and effective further education and skills system for the future.
  - The emphasis should be upon making Jersey's existing provision more systematic and coordinated. The current system has a multiplicity of actors and undue complexity generated by a requirement for one-off business cases for funding and a related tendency toward incremental regulation.
- Policies that promote competition so as to keep prices down, particularly for goods and services on which relatively low-income people spend a high proportion of their income – housing, groceries and utilities in particular. Jersey has a comprehensive competition law, but against that the small size and Island nature of Jersey mean that costs are high – a point noted earlier in respect of grocery prices. The high cost of housing is caused by planning policy and practice. However, the cost of housing for those low-income tenants with entitled status is largely met by the taxpayer generally through income support rather than by the tenants. By contrast, immigrants generally have to pay the full cost for their housing.
- Policies that address the issues of weak relationships and chaotic lives.
- Educational programmes in schools and for adults that help those on low incomes, in particular to make better use of fresh food for cooking, which also has beneficial health effects.

Each of these areas is a major policy area in its own right and where policies have much wider objectives than addressing the issue of low income. However, these are the key areas that must be addressed to reduce low income.

In respect of relatively low income the point must always be borne in mind that the higher the overall level of income the higher the income of those classed as being in relatively low income. If there is an objective to reduce the proportion of the population in relatively low income then this can best be achieved by the tax and benefit system, which is also very relevant to policies designed to address the impact of low income.

Policies to reduce the effects of low income

Policies aimed at reducing the causes of low income are inevitably long term in operation and accordingly policies are also needed to deal with the effects of low income in the short term. There are two general approaches to this –

- Reducing the cost of those goods and services that low-income people buy.
- Increasing the income of low-income people, thereby giving them choices as to how they spend their income.

These two approaches can be illustrated by a simple example. Assume a household has a low income of £1,000 a week. Policies can aim to reduce the cost of the goods and services that the household buys by say £100 a week, or they can increase the income of the household by £100 a week. If the policies could be implemented precisely then the overall effect is similar – goods and services with a market value of £1,100 can be purchased. However, the effect is identical only if the range of subsidised goods and services coincides exactly with the goods and services that the low-income person would prefer to purchase.

Jersey, like most jurisdictions, actually uses both approaches and it is fair to say that this has been done in a piecemeal way with an overall effect that is difficult to assess and probably not fully effective.

It is helpful first to deal with two specific areas that are often raised in any discussion on tackling low income.

The first is the question of tax thresholds. Treasury ministers in many countries love to announce that tax thresholds have been increased and that this will "put money into the pockets of the poorest people". This is invariably untrue as the only people who do not benefit from increasing tax thresholds are the poorest people; they do not pay any income tax. In the current year the tax threshold in Jersey for a single person is £20,000 and for a married couple with two children it is £39,450. Accordingly, any increase in the tax thresholds in future years will not benefit any of the people currently earning below these levels; conversely, it would actually benefit all households earning above these levels. It should be noted that the tax thresholds in Jersey are exceptionally high. The single person threshold of £20,000 compares with £13,025 in Guernsey and £12,570 in the UK.

The second specific area is housing. Jersey, like the UK and other jurisdictions, has a policy of subsidising the rents of low-income people to the extent of paying most or all of the rent for those in the lowest income groups. In addition, tenants of the social housing providers not eligible to have a rent subsidy pay significantly below market rents. The situation is similar to tax thresholds. Charging rents below market levels benefits all tenants except those in the lowest income groups because they in effect pay no rent. The effect of this is to distort the figures for relatively low income as explained earlier in this paper. In Jersey, high housing costs are a major problem for those not eligible for income support to meet rent payments, but less of a problem for those whose rental payments are met largely by income support.

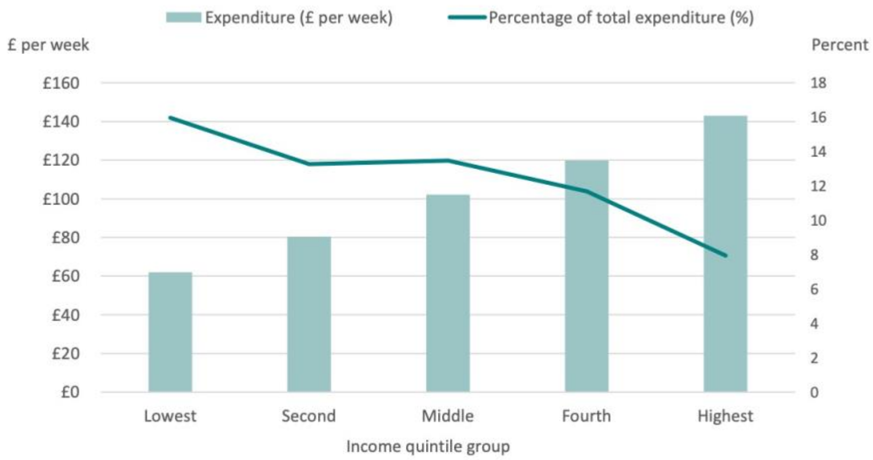
Policies that aim to reduce the price of those goods and services bought by lower income people have a political attraction because they are clearly visible and at first sight address the problem. The difficulty is that goods and services bought by low-income people are the same as those bought by high-income people and differentiating between the two is very difficult. It is easy to talk about food and basic necessities but even bread can range from what might be considered basic to luxury, and what is a basic necessity for one low-income family is not for another. For example, bus travel is essential for some low-income people but irrelevant for others.

It is the case that low-income families inevitably spend a higher proportion of their income on what might be called necessities but they spend a lower absolute amount, so any policy that seeks to reduce the price artificially of some goods and services gives the greatest absolute benefit to better-off people.

The Statistics Jersey report Household Spending 2021/22 has relevant data. Households in the lowest income quintile, that is the 20% with the lowest incomes, spent 16% of their total expenditure on food and non-alcoholic drinks, amounting to £62 a week. Those in the highest quintile spent 8% of their income, but this amounted to £143 a week. It follows that if, for example, GST on food was removed then those in the highest quintile would benefit by £7 a week whereas those in the lowest quintile would benefit by £3 a week.

This point is well illustrated in a graph in the report which demonstrates that as income increases so expenditure on food and non-alcoholic drinks increases but it declines as a percentage of total expenditure.

Figure 2.1 – Average weekly expenditure on Food and non-alcoholic drinks by income quintile – absolute expenditure and as a percentage of total expenditure



This general point is discussed in detail in the Policy Centre Think Piece Principles for tax policy which draws heavily on the analysis by Paul Johnson, Director of the Institute for Fiscal Studies, in his book *Follow the Money*. The following quote from Paul Johnson's book is relevant –

> If you treat similar things differently for tax purposes – whether it be different foodstuffs, different clothes or different forms of income or employment – then you create complexity, inefficiency and unfairness. In the context of VAT, that leads most economists to a deeply unpopular conclusion. It should be charged at the full rate on everything we buy – food, books, children's clothes, household gas and electricity. The lot.
>
> Obviously, if you moved from where we are to that system you would make a whole lot of people a lot worse off. And because food and household fuel make up an especially large part of the spending of poorer people, you would have a particularly big impact on the poor. But in practice you could raise so much money you could easily more than compensate the poor on average by cutting other taxes and raising benefits. Don't forget that while poorer people spend a larger fraction of their budgets on these currently zero-rated goods, it's the rich who spend more in total. In cash terms, VAT zero rating is a bigger benefit to the rich than to the poor. Especially if they happen to like Jaffa Cakes [deemed to be food therefore not vatable as opposed to cakes which are vattable].
>
> The obvious objection is that you couldn't compensate everyone who is poor. If there are people on low incomes spending especially large amounts of money on food or, more likely, heating, then some would be worse off than they are today. But we should ask ourselves why we might want to subsidise them at the expense of others on

low incomes with different spending patterns and preferences? One person's tax break is another person's bigger tax bill, after all.

It might seem obvious from this analysis that the best approach to addressing low income is not to seek to subsidise some goods and services - unless it is considered that people on low incomes cannot be trusted to manage their expenditure appropriately. Rather, the solution should be to increase the income of low-income households through the benefit system. However, there are a number of reasons why policy measures address the expenditure issue –

- A number of items of expenditure have been subsidised for many years for particular groups of people and it is very difficult to remove subsidies once established. The most obvious are the many benefits available to pensioners because the assumption in the past was that, almost by definition, pensioners were poor and therefore deserved help. There is now a wealth of data in the UK and Jersey that shows that over the last 40 or so years the low-income problem has moved away from pensioners and towards people in work, yet it is still the case that pensioners have free bus travel to enjoy their leisure pursuits and to visit restaurants whereas low-income working people have to pay to get to work. Attempting to change the situation would be met with objections from people who have "paid tax all their lives" and would run into political reality – 53% of the 65+ age group voted in the 2022 election but only 17% of the under 35 age group.
- Rents have been subsidised for many years and attempting to change this would be politically difficult and would also cause significant winners and losers. Politically, the losers make much more noise than the winners.
- It is easy to produce evidence of poor people struggling to meet utility bills or to pay for food or to meet housing costs and it naturally follows that some will assume that these issues can best be addressed directly.
- There are wider public policy issues in seeking to ensure that all households can benefit from certain goods and services. This explains why there is free access to education and heavily subsidised access to health services.
- Those seeking to address the issue of poverty understandably use all means at their disposal and these include seeking to reduce the price of particular goods and services as well as seeking a tax and benefit system to secure the necessary redistribution of income.

It is also the case that the benefit system can never be fully comprehensive and there are undoubtedly some people who need support but who do not fit into categories eligible for help. While it is appropriate to seek ways of closing such gaps it needs to be recognised that the more that attempts are made to close any gaps the more complicated and expensive the system becomes. The complexity of the benefit system is already seen as a problem in itself. It is important that changes are not made in response to individual cases on a piecemeal basis but rather looking at the whole system and the wider context including the interaction with the tax system.

In Jersey, one group of households is deliberately discriminated against through government policy which has a materially adverse effect on many low-income families. The Island is heavily dependent on immigrant labour in all sectors of the economy, but particularly those where pay is relatively low. However, recent arrivals to the Island are not entitled to income support until they have been resident for five years and are discriminated against in the housing market for even longer, being able to have "entitled" status only after 10 years and only those classed as "entitled" have access to social housing. Some are forced to live in unregistered accommodation. While there are no available statistics to show the position it is probable that a significant proportion of those in relatively low income are in that position because they do not have access to income support. This is an area where population policy has been given priority over policy in respect to poverty and low income.

The JCRT Report *Poverty in Jersey* identified another specific problem –

> For a single-income household with two adults and two children where one adult is employed, there is little to no financial benefit for them to take on more when they earn £35,000 per year until their annual earnings exceed £55,000. If the second adult normally has caring duties but wants to start work, even on a part- time basis, they could lose more money than they earn from this additional work.

At some level of income a means tested benefit has to be withdrawn and sometimes this can coincide with coming within the scope of income tax. Policy makers try to address this issue but the reality is that it is an inevitable consequence of policies targeted at the poor. In the UK for example, child benefit is tapered down if one parent earns more than £50,000. A recent report by the Tax Law Review Committee of the Institute for Fiscal Studies calculated that parents affected by the charge face effective tax rates of 54% for one child, 63% for two children and 71% for three children. In the most recent Budget the Chancellor announced an increase in the threshold to £60,000 to address this problem. At a higher level of income, between incomes of £100,000 and £125,210 a year the withdrawal of the personal allowance results in a 60% tax rate.

Jersey generally has a generous benefit system which combined with the very high tax thresholds achieves a substantial redistribution of income from better-off people to lower-income people. Unfortunately, detailed statistics on social security expenditure are not published. However, one published statistic is that income support totalled £73 million in 2022 of which £30 million was in respect of rents for tenants in social housing.

A specific policy to increase the income of low-income people is the minimum wage. The Jersey minimum wage is currently £11.64 an hour, broadly speaking £400 a week for a 35-hour week. This applies to all staff including trainees, for which there were previously significant lower rates - £7.87 and £9.19 an hour. There is also a voluntary "living wage", set by the charity Caritas. This is currently £13.41 an hour, broadly speaking £470 a week. In the UK from April 2024 the minimum wage is £11.44 for workers over 21, £6.40 for those under 18 and apprentices and £8.60 for those between 18 and 20.

Most wealthy countries have minimum wage legislation. Normally, the minimum wage is set on the recommendation of an independent group which carefully considers all the available evidence and takes account of evidence from representatives of workers and business. In Jersey this function is performed by the Employment Forum. Its annual report, most recently Employment forum: minimum wage and offsets report 2023, provides an excellent analysis of all of the issues relating to the minimum wage. A key point made in the report is that only 2% of workers are paid the minimum wage. It might seem that increasing the minimum wage would have only a very small direct effect. However, there is an effect through the underpinning of salaries further up the salary range. It is significant that the proportion of workers on a "low wage" (minimum wage + 5%) fell from 11% in June 2019 to 4% in June 2022. The report Earnings statistics and gender pay gap, published in 2023, commented –

> While overall there has been a decrease in real-term earnings, some sectors have seen increases in real terms earnings. The largest increase was seen in the agriculture and fishing sector, which saw a 25% real-term increase between June 2016 and June 2023. It should be noted that this sector has a high proportion of employees on the minimum wage, which has increased 10% in real terms over the same period."

Carefully devised, a minimum wage can help some of those in low income and this has been the effect in Jersey. However, if not carefully devised, taking account of the wider effects of any change, it can reduce employment opportunities and conflict with other policies to help those on low incomes.

Conclusions

The analysis in this paper is designed to promote an informed debate about the nature of poverty and low income in Jersey and the way that the issue can best be addressed. The following facts are clear –

- In Jersey, as in the UK and the rest of the world generally, absolute poverty, however defined, has declined sharply.
- The proportion of households in relatively low income has fluctuated in a fairly narrow band.
- Over the past 20 or so years there has been a significant change in the composition of those in relatively low income away from pensioners and towards working people. Pensioners are now the group that finds it most easy to cope financially.
- Increasing tax thresholds and seeking to limit rents give no benefit to those on the lowest incomes but rather benefits other income groups.

Leading on from these facts the following issues arise –

- While the symptoms of low income must be treated it is equally important to tackle the causes, in particular in respect of education, skills and family life.
- It is a policy matter as to whether those with a low income are best helped by increasing their income, allowing them to choose how to spend it, or by subsidising items that they are thought likely to buy. In practice, both approaches are used but in a disjointed and piecemeal way that is complex, expensive and probably not fully effective.
- The Island would benefit from considering the issue of low income as a whole rather than in bits with a view to developing a suite of coherent policies in respect of taxation, income support, minimum wage and subsidies on specific goods and services that most effectively achieves objectives in respect of helping those in relatively low income.

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