

POVERTY IN JERSEY REPORT

KEY FINDINGS AND RECOMMENDATIONS

**A REPORT BY JERSEY COMMUNITY RELATIONS TRUST
BASED ON RESEARCH BY PRAGMATIX ADVISORY**

2023



TABLE OF CONTENTS

03

Background &
Foreword

06

Key findings

06

Socio-economic
challenges in Jersey

10

Jersey's tax and benefits
systems today

13

Refreshing Jersey's
social contract

17

Recommendations

17

Socio-economic
challenges in Jersey

18

Jersey's tax and benefits
systems today

19

Refreshing Jersey's
social contract

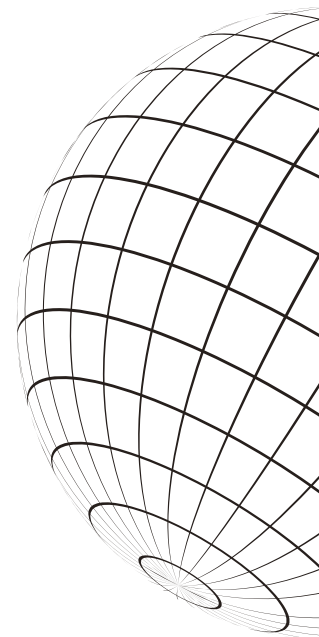
BACKGROUND

18 months ago we gave our research partners, Pragmatix Advisory, a very wide and unusual research brief - to explore the potential economic and social impact of 'Universal Basic Income' (UBI) in Jersey.

Our interest was driven by a desire to prompt debate and inspire new solutions to the growing income inequalities on the Island through the provision of insights into a very different welfare solution to Jersey's current welfare and benefits system. Although UBI could bring some advantages, it is perhaps unsurprising that our research concludes that it is far too costly (and the evidence of UBI's success in other jurisdictions too flimsy) to warrant any serious consideration in Jersey now and in the foreseeable future.

However, the research has also provided us with some important and timely insights into poverty in Jersey and it is these findings that we are pleased to summarise in this report. What started as a high level exploration of UBI has resulted in a broader understanding of what poverty looks like in Jersey, helping us to identify and articulate some key questions and priorities for reducing the growing inequalities and hardships experienced by the Island's poorest individuals and households.

We are pleased to share the original research findings, including the research into UBI, on our website: jerseycommunityrelations.org



FOREWORD

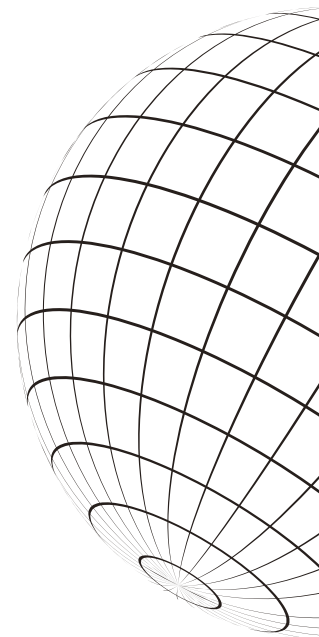
Equality and inclusion are strong themes running through the Ministerial Plans which form part of the Government Programme 2023-26. It is clear that reducing inequality and improving inclusion across the Island are set to be significant areas of focus for our Council of Ministers and the Jersey Community Relations Trust (JCRT) very much welcomes and supports this focus.

We know that an ageing population, rapidly rising costs of living and a housing affordability crisis are significant and challenging priorities for our Island – and that equity and inclusion must lie at the heart of our solutions to them. If ineffectively addressed, these issues will have a lasting and damaging impact on the economy and society.

In December 2022 and March 2023, the JCRT facilitated two workshops with leaders from across the public, business and third sectors, to engage around our research findings and to seek feedback and ideas on what can be done to reduce the financial hardships experienced by increasing numbers of Islanders and the growing poverty gap between its richest and poorest residents.

The delegates' feedback made clear that, in order to address these issues for the long term, we need to understand how inequality is experienced in Jersey, especially by those on the lowest incomes – and, importantly, what we aspire for an 'equitable and inclusive' Jersey to look and feel like. Our research indicates that there is a lack of data available to provide a good understanding of this experience in parts of the community, particularly in middle to lower income migrant communities with less than 5 years' residency in Jersey. It is the JCRT's intention to carry out further research to support an improved understanding of the quality of life in Jersey, particularly in the context of our migrant communities' experiences of inclusion and to understand where the most significant and potentially harmful inequalities may exist.

There was also significant interest in our workshops to explore the question of how fit for purpose the 'social contract' is between Jersey's major industries and the Island. We would welcome the opportunity to engage with employers to define and explore this further.



FOREWORD

Based on our research, as set out in this report along with the findings contained in our [Social Mobility and Education report](#) published in 2022, the JCRT believes that the Government's priorities for reducing disadvantage among our population should be:

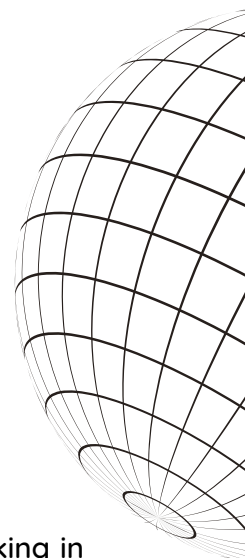
- Reducing pensioner poverty in an ageing population;
- Improving living standards and ensuring a humane experience of living and working in Jersey for our middle to lowest earning migrant workers, including temporary and seasonal workers on whom much of our economy is dependent; and
- Improving equality of opportunity for all children and young people in our education system, in a world in which future skills requirements look very different.

We also have three questions for the Government:

1. How will the Government ensure that it has the resources (people, data and funding) to define a **realistic vision and evidenced-based strategy for improving equality and inclusion** in Jersey in the long term; and ensure that Government Ministries and civil service departments are taking a holistic, joined up approach to defining, implementing and engaging the community around its strategy?
2. How will the Government **determine if the current tax and welfare system is fit for purpose for those individuals and households of our community on the lowest incomes**, when it comes to supporting a more progressive system that limits disadvantage and in terms of creating operational efficiencies?
3. **Is the social contract with Jersey's finance and other professional services sectors balanced and fit for purpose** both in terms of corporate taxation and the fairness, and in some cases humaneness, of its employment practices? If not, what would we need to do to engage and ready the sector for a shift in this social contract towards a more equitable approach?

We would like to express our sincere thanks to our research partners, Mark Pragnell and Clare Leckie at Pragmatix Advisory, for their expertise and time in the research they carried out, and to all local stakeholders who participated in this report's compilation.

-The Trustees of the Jersey Community Relations Trust



KEY FINDINGS

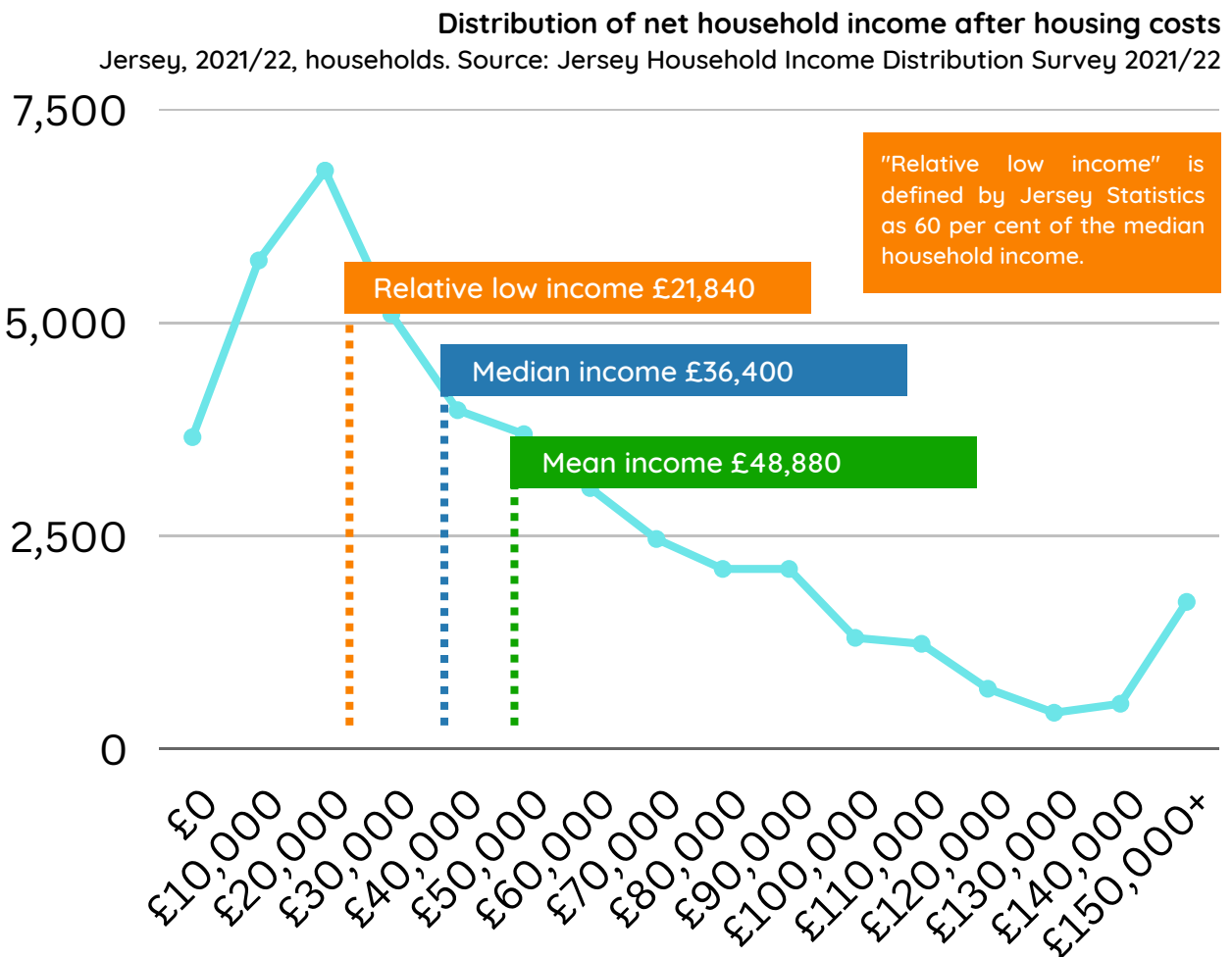
Key findings in relation to socio-economic challenges in Jersey

1

KEY FINDING

Almost a quarter of all households had an income below 60% of the median equivalised household

In 2021/22, after taxes, benefits and housing costs, 24% of all households had an income below 60% of the median equivalised household income. This threshold is defined in official statistics as 'relative low income', and is widely used in European economies including Jersey as a measure of poverty.



KEY FINDINGS

Housing costs - which include mortgage interest payments, gross rent, service charges, buildings insurance and parish rates - almost remove the improvement in equality provided by the welfare system in Jersey. Spending on energy and utilities are additional to this.

2

KEY FINDING

Housing costs almost remove the improvement in equality provided by the welfare system in Jersey.

3

KEY FINDING

Benefits provide more than half of the earnings received by households with incomes in the lowest decile.*



4

KEY FINDING

Some low income households spend more than half* of their income on housing costs.

*DATA IS FROM 2014/15 AND UPDATED DECILE DATA IS YET TO BE RELEASED FOR 2021/22.

KEY FINDINGS

5

KEY FINDING

21% of Jersey's population are in households living in relative low income, once housing costs are factored in.

21% of Jersey's population are in households living in relative low income, once housing costs are factored in. The cost of housing plays a big role in pushing households towards poverty in Jersey.

For households in the bottom quintile of earnings in Jersey, nearly fifteen per cent* of household income goes towards food, nearly a third* towards housing and energy and more than five per cent* towards health related goods and services. Together, these three categories of spending account for over half* of their average weekly expenditure.

6

KEY FINDING

Lower earning households spend relatively more on food and energy.

7

KEY FINDING

Prices faced by households with low incomes have increased by 59% since 2008.

In Jersey, inflation is measured for all households as well as for low-income households in isolation. Since the 2008 global financial crisis, prices faced by households with low incomes have increased by 59%, compared with 53% for all households.

*DATA IS FROM 2014/15 AND UPDATED DATA IS YET TO BE RELEASED FOR 2021/22.

KEY FINDINGS

Seasonal tourism workers have high accommodation costs, poor job security and often work multiple jobs. Similarly, seasonal agricultural workers are often required to live in substandard accommodation with multiple occupancy. Despite often being on the lowest incomes, these households have limited access to state-sponsored support and are at risk of being taken advantage of by employers.

In general, these workers are economic migrants who choose to work in Jersey because the opportunity offered is greater than that offered elsewhere. However, some argue that since Jersey's economy relies on their labour for prosperity, more should be done to protect new migrant workers while on the Island from a humanitarian perspective.

8

KEY FINDING

Migrant workers are often ineligible for income support due to 5-year residence requirement.



9

KEY FINDING

More than a third (38%) of all households in relative low income after housing costs were pensioner households.

Almost one in five pensioner households live on less than half the median equivalised income after housing costs even with the help of income support. Some pensioners benefit from property wealth that has increased in value over the course of decades, but many do not have access to this and have limited ways to increase their income.

KEY FINDINGS

Key findings in relation to Jersey's tax and benefits system today.

1

KEY FINDING

Despite a simple maximum taxation rate of 20%, just over 5,000 people pay tax at this rate.

For the remainder of the population, allowances in Jersey tax system create an additional layer of complexity not often seen in personal income tax systems.

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.

2

KEY FINDING

There is little to no financial benefit for a family to earn more than £35,000 until their earnings exceed £55,000.

3

KEY FINDING

For some households, the combination of tax, contributions and benefits deliver poor incentives to work.

The combination of personal income tax, contributions and income support deliver poor incentives to work for low-middle income households. This is because the ratio of take-home pay to earned income increases sharply at around £30,000 per year.

KEY FINDINGS

The current tax system in Jersey is heavily regressive for the lowest incomes when sales taxes are included.

Goods and Services Tax (GST) is relatively low at 5% and charged on the majority of goods and services supplied in Jersey for local use, including imports. However, its impact disproportionately affects lowest earners who have higher propensity to spend their money rather than save it or spend it abroad.

4

KEY FINDING

The current tax system in Jersey is heavily regressive for the lowest incomes when sales taxes are included.



5

KEY FINDING

There is a disincentive for some households to earn at low income levels, even excluding sales tax.

A model produced by Statistics Jersey suggests that in a single-person household eligible for income support with an income of £17,000, none of the additional money earned is retained until this income exceeds £28,000. This is because within this range, more than £1 is lost for every pound earned.

It is not until this household earns £90,000 that they retain more than three quarters of every additional pound earned.



KEY FINDINGS

The work and family hub within the Customer and Local Services Department (previously Social Security Department) is responsible for administering the social security contributory schemes. This includes Income Support and some other working age benefits. In any given year, Customer and Local Services staffing costs for the work and family hub are around £5 million. Of this about £1.8 million is for the Back to Work teams who support job-seekers into employment.

This does not factor in the costs associated with administering the personal tax system complete with allowances and reliefs, as well as additional contributions that need to be assessed separately.

7

KEY FINDING

The system can be confusing and at times unpredictable.

6

KEY FINDING

There are costs to complexity in a small jurisdiction.

In 2021, Jersey's Citizens Advice Bureau received nearly 500 enquiries regarding the income tax system or income support alone. A common issue faced by those households with queries regarding their income support were requests from government to return payments made to them in error. This issue generally arose where a claimant's circumstances changed in a way that affected their Income Support eligibility, but this change was only identified after it had already been paid out and spent.

Though potentially rare, these problems, when faced by those already struggling financially, cause undue stress and risk undermining the far-reaching benefits of the system.

KEY FINDINGS

Key findings in relation to refreshing the social contract in Jersey.

1

KEY FINDING

A more intentional, nuanced and Jersey-relevant approach to income distribution is needed.



Considering disadvantage only in the context of ‘relative low income’ can miss the point. While these statistics can be useful for the purpose of a high-level comparison between countries, they are of little use when it comes to understanding or addressing the disadvantages and poverty faced by some members of Jersey’s population.

The appropriateness of Jersey’s income distribution, and the levels and nature of poverty experienced, shouldn’t be determined by reference to other countries – but by what the Jersey polity wants, is willing and is able to support. A Jersey-specific debate is needed, and a bailiwick-relevant approach developed.

“

An internationally recognised threshold of relative low income is 60% of the median equivalised income for a jurisdiction. It should be noted that this provides a relative measure of low income, within the context of a particular jurisdiction, and relative to all household types, rather than an absolute measure of low income for a particular household. In addition, this measure does not take into account spending patterns, which are likely to vary between household types.

This measure of relative low income does not therefore indicate which households have an income level below that which is necessary to maintain a certain standard of living for that household type.

-Statistics Jersey, 2022

”

KEY FINDINGS

2

KEY FINDING

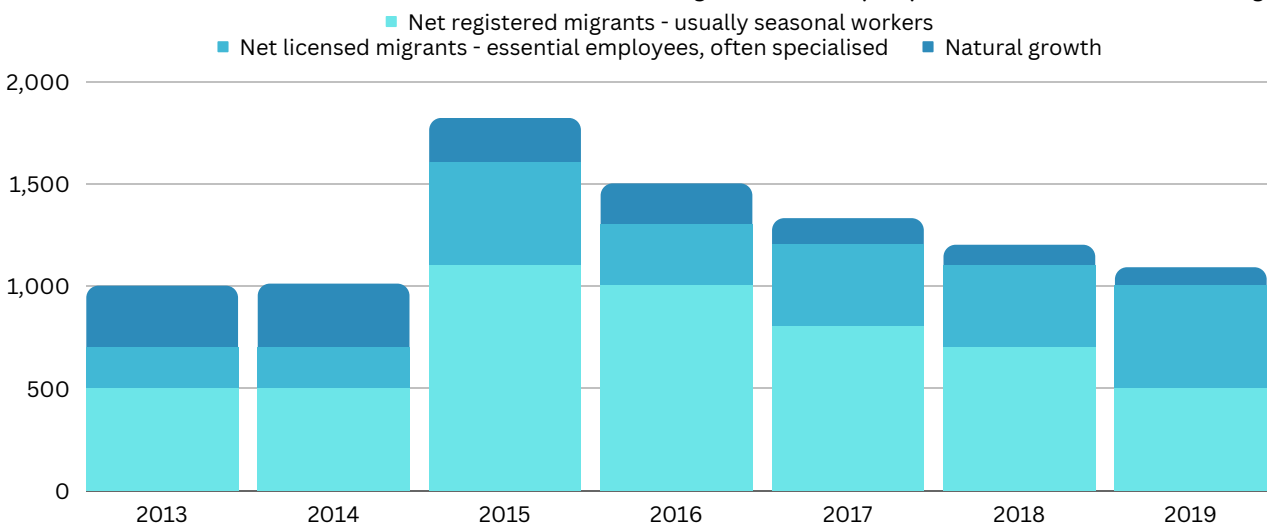
Jersey's economic growth has depended on migrants who are among the Island's poorest families.

Jersey, like many other economies, relies on migrant labour to bolster its workforce, particularly in traditionally lower-paid and seasonal industries such as hospitality and agriculture – as well as for higher income roles in the international finance centre. While these tend to be economic migrants who choose to come to Jersey to work in return for wages that are higher and conditions that are potentially better than they would be eligible for elsewhere, they account for a disproportionately high share of the Island's in-work low-income households. They also have limited or no access to benefits, and poor employment security. Any review of Jersey's welfare system should consider whether this has struck an appropriate and sustainable balance.



Annual population growth

Jersey, number of people. Source: Statistics Jersey



KEY FINDINGS



The new minimum wage figure of £10.50 per hour remains 16% below the £12.19 per hour Living wage calculated for 2023 based on a 2% uplift on London's living costs.

In today's climate, a focused study of the true costs of life in Jersey is needed to allow the Government to set a minimum wage that allows employees to live, employers to uphold their end of the social contract, and the benefits system to focus where it is most needed.

3

KEY FINDING

All jobs must guarantee a meaningful minimum wage sufficient to secure a decent life on the Island.



4

KEY FINDING

House prices underpin many of the pressures placed on household incomes and the public benefits system.



Households in Jersey spend more than a quarter of their net disposable income on housing—a greater proportion than all but one of the OECD countries. This places additional burdens on the benefits system as households on already lower incomes find it even harder to make ends meet, and the state finds it necessary to support a greater number of households that—if it weren't for unaffordable housing costs—might otherwise be able to support themselves.

These high costs stem from inadequate housing density and rates of building that have not been high enough to keep pace with rising demands propelled by a growing population.

KEY FINDINGS

5

KEY FINDING

Landowners benefit from increased demand for space tied with population growth.



In 2008, the benefits system was significantly simplified with the replacement of fourteen benefits by the Income Support scheme. This has certainly gone a long way towards simplifying the scheme. However, the strict eligibility criteria and often relatively low value of the remaining benefits means that even where households are helped to meet a variety of important needs, many of the advantages of a basic income are lost.

Operational efficiencies will be gained if the benefits system is focussed less on identifying eligibility and distributing relatively small pots of money, and more on providing a holistic safety net for those in the population who are unable to work, whether for short or long stretches of time.

Those who own land benefit financially as Jersey's property values rise, whilst their housing costs tend to remain relatively constant or even decrease as a proportion of their income. As a result, there may be scope to generate additional government revenues through second home and other property taxes.

6

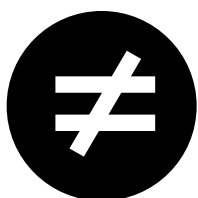
KEY FINDING

The benefits system should be made simpler, easier to access and wider in its coverage.



RECOMMENDATIONS

— The JCRT's recommendations set out below are in relation to resolving key socio-economic challenges in Jersey.



PRIORITY 1

Decide whether reducing income inequality remains a priority for this Government, and quantify the level of inequality that is deemed acceptable. Ideally this should make reference to a particular coefficient.



PRIORITY 2

Explore ways to support pensioner households, and in particular those without access to property income.



PRIORITY 3

Invite debate regarding what obligation (if any) the States of Jersey has to recent migrants—including temporary and seasonal workers—currently ineligible for income support and other welfare benefits.

RECOMMENDATIONS

— The below recommendations are in relation to Jersey's current taxation and benefits systems.



PRIORITY 1

Examine the role of tax allowances and reliefs and identify what behaviour they are trying to incentivise and whether these values are still relevant today.



PRIORITY 2

Calculate the current combined costs of administering the tax and benefits system where this applies to households.



PRIORITY 3

Collect data on the incidence of repayments required from those on income support, and cases where the loss of payments was a disincentive to participate in the labour market.

RECOMMENDATIONS

— The below recommendations are in relation to refreshing the social contract in Jersey.



PRIORITY 1

Encourage pragmatic deliberation and conduct research to identify the optimal balance between growth and distribution for the jurisdiction.



PRIORITY 2

Carefully review the minimum wage in Jersey with reference to local costs of living and not simply in relation to other places or historic rates.



PRIORITY 3

Explore a variety of innovative policy options to encourage the development of an adequate long-term housing supply and tackle affordability issues.



PRIORITY 4

Review the tax and benefits system in the round to identify areas where these can be streamlined and/or simplified.