

**THE STATES OF DELIBERATION**

**of the**

**ISLAND OF GUERNSEY**

**SCRUTINY MANAGEMENT COMMITTEE**

**IN-WORK POVERTY REVIEW**

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'In-work Poverty Review', dated 23<sup>rd</sup> November 2018, they are of the opinion:

1. To direct the Committee *for* Health & Social Care to investigate improving equity of access to primary health care and to report back to the States no later than the end of 2019 with any proposals.
2. To direct the Committee *for* Health & Social Care to investigate improving equity of access to emergency health care and to report back to the States no later than the end of 2019 with any proposals.
3. To direct the Policy & Resources Committee and the Committee *for* Employment & Social Security to consider the implementation of additional options within the benefit/tax system and to report back to the States no later than the end of 2019 with any proposals.
4. To direct the Policy & Resources Committee to investigate improving data collection relating to in-work poverty and to report back to the States no later than the end of June 2019 with any proposals.
5. To direct the Committee *for* Employment & Social Security, the Committee *for the* Environment & Infrastructure and the Policy & Resources Committee to investigate housing policy proposals, to support people experiencing in-work poverty and to report back to the States no later than the end of this term with any proposals.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

**THE STATES OF DELIBERATION**  
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**ISLAND OF GUERNSEY**

**SCRUTINY MANAGEMENT COMMITTEE**

**IN-WORK POVERTY REVIEW**

The Presiding Officer  
States of Guernsey  
Royal Court House  
St Peter Port

23 November, 2018

Dear Sir,

**1 Executive Summary**

- 1.1 This Policy Letter commissioned by the Scrutiny Management Committee sets out to review the current policies and strategies of the States of Guernsey (“the States”) regarding ‘in-work poverty’ and the effectiveness of their implementation. Our aim is to make recommendations leading to a meaningful reduction in the number of Islanders experiencing in-work poverty in a timely manner. This review process was conducted throughout 2017 and 2018 in two main phases which are explained in Section 3.
- 1.2 The Scrutiny Management Committee has made a number of recommendations for future action to reduce in-work poverty. These include a proposed review of the relevant elements within the current benefit and tax system, recommendations to improve data collection relevant to in-work poverty, a review of aspects of existing housing policy and a review of possible measures to improve equity of access to both primary and emergency care.

**2 Introduction**

- 2.1 This policy letter reviews the current policies of the States regarding ‘in-work poverty’ and includes an analysis of the issues related to the collection of appropriate data, the minimum wage, the provision of appropriate and affordable housing, equitable access to healthcare, and supplementary-benefits. The full terms of reference are detailed in Appendix 1.

### **3 The approach taken to the Review**

- 3.1 The Committee formed a 'Review Panel' (the Panel) which included representation from elected members of the States and those independent of the Government. The Panel was intended to provide relevant representation and experience from within government, the third sector and the private sector. The Panel members were Deputy Peter Roffey (Chair), Deputy Laurie Queripel, Deputy Rhian Tooley, Mr Wayne Bulpitt CBE, Dr Sue Fleming and Mr Paul Ingrouille. The project was supported by the Office of the Scrutiny Management Committee.
- 3.2 This review process was conducted throughout 2017 and 2018 in two main phases. The first or interim stage was undertaken in 2017 following an initial desktop exercise to assess the current available information. Subsequently the Panel launched a formal consultation involving relevant elements of government, the public and other interested parties both within and outside Guernsey.
- 3.3 The Panel's open public consultation was followed by a series of targeted interviews and other research to address any gaps in the initial response where evidence had not been collected. The process has identified a number of issues, some of which were expected, but additionally a number of unexpected areas emerged requiring further consideration.
- 3.4 The first phase of the process ended with a consultation report published in October 2017<sup>1</sup> (Appendix 2). For that report the Panel considered the following areas:
- the adequacy of Guernsey's minimum wage;
  - the impact of Guernsey's taxation and social security system on low income households;
  - the current and future provision of in-work benefits;
  - the issues related to access to affordable healthcare provision;
  - the issues related to access to affordable housing; and
  - the impact of other States' charges on low-income households.
- 3.5 The Panel sought to analyse in-work poverty in the context of the current policy framework with the intention of commenting on the suitability of existing

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<sup>1</sup> [Scrutiny Management Committee - In-work Poverty Review - Consultation Document](#)

policies and making recommendations where appropriate for further consideration by relevant Principal Committees.

3.6 The second phase of the investigation into in-work poverty locally followed the release of the interim report in October 2017. This second phase has sought to build on, further test and develop the conclusions of the interim report. It has focussed on the main areas:

- In-work benefit options within the benefit /tax system;
- Improving data collection on in-work poverty;
- Housing policy to support people experiencing in-work poverty; and
- Improving access to primary and emergency care for people in in-work poverty.

3.7 This stage of the work followed a second period of open public consultation and a series of targeted interviews alongside other research to enhance and test the evidence collected. This evidence has been further developed and analysed through discussion with relevant public servants, staff in the third sector and also with those who have significant expertise in the area of in-work poverty locally and in the UK.

3.8 The recommendations are based on the evidence and data available, some of which is necessarily anecdotal and some of which is based on a reappraisal of material collected for other purposes (such as the KPMG Housing Review), as well as wider consultation on policies in place elsewhere. The recommendations in both the interim and the final reports are intended to ensure that Islanders' needs are better served, whilst at the same time looking to use resources efficiently and effectively.

#### **4 In-work Poverty**

4.1 It is important to explain why the Scrutiny Management Committee decided to review in-work poverty. The achievement of the key objectives of the Policy & Resource Plan<sup>2</sup> depend on ensuring that economic prosperity is effectively shared across the whole community within what is widely perceived to be an otherwise prosperous society. It is clear from the evidence that many of those who are experiencing in-work poverty are doing what society expects of them; they are working hard yet despite this they are unable to achieve what most

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<sup>2</sup> [https://gov.gg/Development of the Policy & Resource Plan](https://gov.gg/Development%20of%20the%20Policy%20&%20Resource%20Plan)

Islanders would consider a reasonable standard of living. Guernsey aims high for its citizens and those aspirations are reflected in the Policy & Resources Committee's expression on making the Island 'among the happiest and healthiest places in the world' to live. There is an expectation that working Islanders should enjoy a reasonable standard of living. In-work poverty, and what in the UK have been called the 'Just About Managing', should therefore have no place in Guernsey's vision of its society.

- 4.2 In this sense the informal social contract that exists between the Government and its citizens – that by working hard you contribute to society and should be able to enjoy a reasonable standard of living – is broken. Many Islanders caught in this position may feel they have no alternative but to leave the Island. In these circumstances the Government should feel compelled to act.
- 4.3 In Guernsey significant numbers of people experience in-work poverty. In 2015 (the latest figures available), 60% of the median net equivalised annual income was £19,073 and 21.3% of people lived in a household which had an income lower than that. This amount equates to an income of £367 per week for a household of two adults after housing costs, social security contributions and taxes have been paid<sup>3</sup>. In 2015 15.5% of the population had a household income below the 60% median figure and were not in receipt of income support. Yet public discussion tends to focus on low pay rather than in-work poverty, or treats the two as synonymous. There is a need for a more explicit focus on in-work poverty in order to understand the nature of the problem; evaluate the effectiveness of proposed solutions; and, ultimately, tackle it successfully. This requires a focus on income adequacy for working households and not just on the earnings of individual workers which, though important, may be only one component of a household's total income.
- 4.4 Poverty has been defined within two recent Policy Letters, the Social Welfare Benefits Investigation Committee's 'Comprehensive Social Welfare Benefits Model'<sup>4</sup> and the (then) Policy Council's 'Measuring Relative Poverty and Income Inequality in Guernsey and Alderney'<sup>5</sup>. These definitions can be categorised into two main groups; those relating to a macro-level as indicators of poverty within society and those at a micro-level that define an individual's personal circumstance.

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<sup>3</sup> <https://www.gov.gg/CHttpHandler.ashx?id=110877&p=0>

<sup>4</sup> <https://gov.gg/SWBIC>

<sup>5</sup> [http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02\\_GLS-2.pdf](http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02_GLS-2.pdf)

- 4.5 At the macro-level relative poverty refers to 'a lack of income to ensure sustainable livelihood, but it is also characterised by a lack of participation in civil, social and cultural life.'<sup>6</sup> Aligned to the most widely recognised international measure of relative poverty, this is defined as those in receipt of less than 60% of the equalised median income<sup>7</sup>. Income Inequality is a measure of 'the extent to which income is distributed in an uneven manner among a population.'<sup>8</sup> The two internationally recognised measurements are the Gini Coefficient<sup>9</sup> and the S90/S10 Income Ratio<sup>10</sup>. These measures indicate the extent to which wealth is equally distributed among the population.
- 4.6 In terms of micro-level measures, absolute (or extreme) poverty<sup>11</sup> is a condition of severe deprivation of basic human needs such as food and shelter. Intolerable poverty is defined by the Committee *for* Employment & Social Security as the income of an individual below which Guernsey as a society (represented by the States) considers it to be intolerable for that individual to be expected to live<sup>12</sup>. This definition is largely based on the Minimum Income Standards (2011) work of the Centre for Research in Social Policy at Loughborough University.<sup>13</sup>
- 4.7 Poverty is damaging not only to those directly affected but to Guernsey's economy and wider society, leading to additional public spending on health, education, social care, the criminal justice system and significant costs to the social security system.
- 4.8 It also impacts our local economy, by limiting the contribution of those who could do more, whilst at the same time requiring the State to pay the costs of additional benefits. It is a problem for everyone who wants to see a genuinely cohesive and fairer society.
- 4.9 In summary, it makes sense to tackle this problem because first, morally it is the right thing to do and secondly, because it makes sense economically. The Scrutiny Management Committee believes significant levels of in-work poverty in this Island indicate a failure of the existing policy and that both the States and the wider community must be involved in the solutions.

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<sup>6</sup> [http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon\\_poverty.pdf](http://www.un.org/esa/socdev/unyin/documents/ydiDavidGordon_poverty.pdf)

<sup>7</sup> <https://www.gov.gg/CHttpHandler.ashx?id=110587&p=0>

<sup>8</sup> [http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/587294/IPOL\\_BRI\(2016\)587294\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/587294/IPOL_BRI(2016)587294_EN.pdf)

<sup>9</sup> [The Gini coefficient - Office for National Statistics](#)

<sup>10</sup> [OECD iLibrary | Inter-decile income share ratio \(S90/S10\)](#)

<sup>11</sup> <https://www.gov.gg/CHttpHandler.ashx?id=99517&p=0 3.1.3>

<sup>12</sup> <https://www.gov.gg/CHttpHandler.ashx?id=100182&p=0 p1939 par73-93>

<sup>13</sup> <http://www.lboro.ac.uk/research/crsp/mis/reports/>

- 4.10 To gain a more accurate indication of the true scale of the problem the Panel commissioned the Guernsey Community Foundation to work with the relevant staff at the Committee for Employment & Social Security. The research conducted indicated that at that time (May 2018) a relatively small number of households where one occupant worked full-time (35 hours) were in receipt of State support via the benefit system. Therefore, we believe that, given the significant number of households in receipt of income below the 60% of median income threshold, the States are currently providing very limited financial support to those people experiencing in-work poverty<sup>14 15</sup>.

## **5 In-work benefit options within the Benefit / Tax system**

- 5.1 Poverty is about meeting needs, so the value of benefits needs to keep pace with the cost of essentials. This is a point emphasised in the Social Welfare Benefits Investigation Committee proposals, which were agreed by the States in (November 2015)<sup>16</sup>.
- 5.2 In common with the two reports that preceded it, the Social Welfare Benefits Investigation Committee was convinced that the States needed to merge the two social welfare benefit systems, supplementary benefit and rent rebate, into one. Bringing the two systems together substantially shifts the balance of the supplementary benefit scheme from an 'outside-of-work' benefit to an 'in-work' benefit.
- 5.3 The Scrutiny Management Committee supports the principles that underpin the implementation of the Social Welfare Benefits Investigation Committee's proposals. The unification of the two systems should lead to a fairer allocation of resources for those in need of state assistance provided the value of the benefit keeps pace with the real cost of the 'basket of goods'.

## **6 The Minimum Wage**

- 6.1 The Minimum Wage (Guernsey) Law, 2009 was enacted on 1 October 2010. From this date all qualifying workers have had a statutory right to be paid not less than the rate approved by the States. At the outset of investigations several members of the Panel assumed that a significant increase in Guernsey's minimum wage would have to be central to any strategy to reduce in-work poverty in the Island. However, subsequent evidence altered this view and we

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<sup>14</sup> <https://www.gov.gg/Indicators of Poverty Report 2016>

<sup>15</sup> <https://www.gov.gg/Guernsey Household Income Report 2015 - issued November 2017>

<sup>16</sup> <https://gov.gg/SWBIC Policy Letter>

concluded in our interim report<sup>17</sup> that recommendations on the level of the minimum wage can only be one component of addressing local in-work poverty. It is the potentially high costs arising from supporting family dependents, accessing accommodation and other non-discretionary financial pressures which create the need for in-work benefits. There are difficulties in collating centrally held data on the numbers in receipt of the minimum wage. Therefore, in order to evaluate the extent and importance of the minimum wage the Panel spoke to a range of relevant employers and employees whilst also considering the limited data and information that was available.

- 6.2 The Scrutiny Management Committee has concluded the majority of those likely to benefit from a significant uplift in the minimum wage are single non-Islanders on short-term contracts. We do not wish to see exploitation of any workers in Guernsey and consider that guest workers should have the same rights as locals to receive a reasonable level of pay in return for their labour. However, an increase in the minimum wage, from which this group would be main beneficiaries, would have limited impact on in-work poverty in Guernsey. To be clear these conclusions are based on evidence collected and in the course of this review it has not been possible to validate these findings by empirical research.
- 6.3 We are aware that employers in lower paid industries do recognize that the planned increases in the UK's minimum wage are likely to be mirrored, to some extent, in Guernsey. With that in mind employers would prefer to know where Guernsey's minimum wage is likely to be in several years' time and thereby have more time to plan accordingly. The Committee *for* Employment & Social Security have noted this concern and worked to bring proposals to the States for any increase to the minimum wage to be planned over a multi-year timescale to allow employers and employees a period of certainty.

## **7 Income Tax and Social Security Contributions**

- 7.1 The Scrutiny Management Committee believes the majority of workers who are experiencing in-work poverty are typically paid modestly but at a level above the minimum wage. It is their high cost base locally which creates the need for in-work benefits. This analysis is based on the evidence collected.
- 7.2 Too many Islanders who are not in receipt of benefits are struggling to make ends meet. The combination of the high costs of living, accommodation and

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<sup>17</sup> [https://gov.gg/In-work Poverty Review](https://gov.gg/In-work-Poverty-Review)



charges for essential services, such as primary care, mean that in Guernsey many Islanders who often earn significantly above the minimum wage and claim limited or no States assistance are nevertheless facing financial difficulties. Despite the fact that it has not been possible to validate these findings by empirical research we have no doubt that this represents a daily reality for too many people.

- 7.3 The Scrutiny Management Committee believes it is essential the Policy & Resources Committee considers measures to provide additional financial support to Islanders experiencing in-work poverty. It is not our role however to recommend specific policy initiatives to resolve this issue.
- 7.4 We do not have access to the data required or the resources available to effectively undertake the economic modelling necessary to quantify the impact of potential policy options. However, we believe it is important that we indicate some possible solutions to the problems highlighted above.
- 7.5 At the moment the current tax and social security contributions system does not offer additional relief to the lower paid. It is possible that a lower tax rate and/or social security contributions could be put in place to provide additional income for workers earning below the median income. This would allow these people to retain a higher level of their income when tax and social security contributions have been deducted.
- 7.6 Alternatively a system based around the tax credits system used in the UK could be introduced in Guernsey to provide additional support to the lower paid. The mechanics of this type of approach have been proven by their application elsewhere. Whilst opinions differ regarding the effectiveness of this approach it is clear that for many people in the UK this system led to an improvement in their standard of living.
- 7.7 It is also possible to raise the level at which tax is paid (the personal tax allowance) to assist the lower paid. This policy could be effective depending on the level of the change but, without additional measures relating to the higher paid, it has the disadvantage that the additional benefit would be universal rather than targeted at those most in need. Alternatively, changes could be made to the personal income tax rate. Until the mid-1980s Guernsey's income tax system did provide an additional personal allowance only applicable to those on modest incomes which was withdrawn as earnings increased. This was arguably a far more focussed way of providing tax relief than simply increasing the universal allowance. This additional personal allowance was removed to

make the tax system simpler but it could be argued that it also made it less equitable.

## **8 Improving data collection on In-work Poverty**

- 8.1 Measuring in-work poverty in Guernsey is complicated because it is both a social scientific and a moral concept. Many of the problems of measuring in-work poverty arise because the two concepts are often confused. In social scientific terms, a person or household in Guernsey is 'poor' when they have both a low standard of living and a low income. They are 'not poor' if they have a low income and a reasonable standard of living or if they have a low standard of living but a high income. However, both low income and low standard of living can only be accurately measured relative to the norms of the person's or household's society. Hence the 'need' to apply ideally an agreed definition to define those we believe are experiencing in-work poverty.
- 8.2 One of the key themes of our investigation was a frustrating lack of sound data upon which to base decisions. As an example it was surprising to find that it is not currently possible to know how many workers in Guernsey earn the minimum wage or the number of hours worked<sup>18</sup>. No government committee currently collects definitive information on the minimum wage. The Scrutiny Management Committee welcomes the commitment from the Committee *for* Employment & Social Security to work towards achieving this aim.
- 8.3 The current position is further emphasised by the fact that the Government currently does not report how many of its own public sector employees are receiving in-work benefits.
- 8.4 However, a significant amount of work has been undertaken by government to improve their ability to monitor poverty locally. In January 2016 the States agreed to "*improve and broaden the measurement of relative poverty*" to give a more accurate and rounded picture of potential deprivation.<sup>19</sup> Previously, measurements have focused only on relative income poverty. This has meant that households which are poor as a result of the number of dependents or (unavoidable) high housing costs have fallen below the radar.
- 8.5 The measures of relative income poverty use a comprehensive dataset now available annually from the Rolling Electronic Census<sup>20</sup>. These measures are

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<sup>18</sup> This would require a change to legislation and IT capability

<sup>19</sup> <https://www.gov.gg/Billet D' Etat I , 26th January, 2016>

<sup>20</sup> <https://www.gov.gg/CHttpHandler.ashx?id=110877&p=0>

included along with a wealth of other related information in the Guernsey Household Income Report and the Guernsey Indicators of Poverty Report.

8.6 The datasets available from these reports cover a number of aspects of social and economic deprivation including a headline figure for those at risk of relative income poverty. The reports also include indicators for other areas, which are:

- employment;
- education;
- skills and training;
- health deprivation and disability;
- crime;
- barriers to housing and services; and
- living environment.

8.7 The methodology is broadly based on that used to compile the “English Indices of Deprivation”, published by the Office for National Statistics<sup>21</sup>. It is hoped that these reports will help to identify topics in need of more in-depth assessment.

8.8 It is important to note that in this exercise no attempt is made to define appropriate levels, desired trends or targets for any of the indicators. The report is intended to provide a platform upon which this broadened set of indicators for Guernsey can be built into measures of performance in future years.

8.9 However, because we cannot measure issues precisely it does not mean that no hypothesis can be made until the full data is available and we believe that in a number of areas there is sufficient evidence to persuade us of the urgent need to act.

8.10 The Government in Guernsey has considered aspects of local poverty in the past. In March 1998, the States accepted a Requête regarding low-income earners and households (Billet VI, 1998)<sup>22</sup>. The Requête concluded that: *“there seemed to be a general consensus amongst members that extra help should be*

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<sup>21</sup> [English Indices of Deprivation 2015 - Summaries at Local Authority Level - data.gov.uk](https://data.gov.uk)

<sup>22</sup> [http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02\\_GLS2-execsum.pdf](http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02_GLS2-execsum.pdf)

*given to low income earners; that the majority of members rejected the idea of tackling the problem through income tax alone and expressed a wish to see a broader approach including the use of social security”.*

- 8.11 The then Advisory and Finance Committee commissioned the Townsend Centre for International Poverty Research at the University of Bristol to undertake a survey of poverty and standard of living in Guernsey. A primary purpose of this research was to assess the numbers of households in Guernsey that may be considered to be in relative poverty judged against various relevant benchmarks, both local and from other jurisdictions.
- 8.12 The first survey, in November 2000, asked a random sample of Islanders about what they considered to be the necessities of life which all Islanders should be able to afford and which no one should be forced to go without. Islanders’ views were also obtained about which public and private services were considered to be ‘essential’. People’s opinions were also canvassed about the policies and actions which would improve their own quality of life, the quality of life in their parish or in Guernsey and the quality of life of less well-off Islanders. The results from this Phase One survey have been published as two reports: *The Necessities of Life*<sup>23</sup> and *The Views of the People*<sup>24</sup>.
- 8.13 The second survey, in February 2001, consisted of in-depth face-to-face interviews with people in 433 households. The purpose of Phase Two<sup>25</sup> was to determine the standard of living of the respondents’ households. In particular, the Phase Two survey was able to establish the number of households where the standards of living and incomes were so low as to be considered as unacceptable by the overwhelming majority of Guernsey people.
- 8.14 This report identified that there is a minority of people (around 16%) who have such low incomes that their standard of living is below the minimum acceptable to the majority of Islanders. Amongst a number of interesting findings the report concluded (in 2002) that two thirds (67%) of the population would be prepared to pay more tax to help end poverty in Guernsey. It would be interesting to ascertain if this finding was mirrored in the current population and what level of tax increase would be supported.
- 8.15 It is interesting that the report’s authors conclude that, *“these three reports only begin to scratch the surface of what was discovered about the*

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<sup>23</sup> [http://www.bris.ac.uk/poverty/The Necessities of Life](http://www.bris.ac.uk/poverty/The_Necessities_of_Life)

<sup>24</sup> [http://www.bris.ac.uk/poverty/ The Survey of Guernsey Living Standards, Phase Two](http://www.bris.ac.uk/poverty/The_Survey_of_Guernsey_Living_Standards_Phase_Two)

<sup>25</sup> [http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02\\_GLS-2.pdf](http://www.bris.ac.uk/poverty/downloads/regionalpovertystudies/02_GLS-2.pdf)

*circumstances of life in Guernsey*” despite consisting of substantial research and over 300 pages of findings and conclusions.

- 8.16 These reports were followed up in 2007 via the Corporate Anti-poverty Programme Monitoring and Update Report<sup>26</sup> and subsequently this work stream was subsumed within the Government business planning process.
- 8.17 It is more than ten years since these reviews were updated and much has changed over that period. We recommend this research should now be followed up urgently alongside the work that is being undertaken as detailed in Paragraph 8.4 above to fully investigate the actual levels of poverty within this Island.
- 8.18 We recommend the improvement of data collection to further inform and increase understanding of in-work poverty. This data should include:
- Information to identify the number of people being paid at the minimum wage level;
  - Employers to capture information relating to the effective hourly rate paid to all salaried employees;
  - Organisations employing staff at the minimum wage level;
  - The number of staff employed by organisations at the minimum wage level;
  - The housing / work permit status of people being paid at the minimum wage level;
  - The number of people living in working households where the level of income is at or below 60% of the median income;
  - Data to identify working people who are choosing not to visit both primary and emergency care services due to cost concerns;
  - Data to identify the numbers of working people with outstanding debts relating to accessing primary and emergency care services;
  - Data to identify working people with unsustainable outstanding debts;
  - The number of those in work who are living in temporary accommodation or do not have a permanent place to live; and

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<sup>26</sup> [https://gov.gg/Billet D'État XIV 2007, Wednesday 30 May 2007](https://gov.gg/Billet_D'État_XIV_2007_Wednesday_30_May_2007)

- The number of people who currently spend 50% or more of their household net income on accommodation costs.

8.19 The Scrutiny Management Committee wishes to acknowledge the valuable work that is being undertaken within government to improve the current position regarding access to relevant statistical information but we believe a renewed focus is required to inform future policy in this area.

## **9 Housing policy to support people experiencing In-work Poverty**

9.1 Housing costs are a central issue when considering in-work poverty in Guernsey and a key concern for local people in receipt of lower wages. The cost of accommodation is arguably the greatest single cause of in-work poverty in Guernsey; housing costs are for a large proportion of the population, by far their main household outgoing. Put simply, a modest household income with housing costs representing 30% of that income may allow that household to access the basic requirements of life. The same household income, coupled with housing costs of 40-50%, may not.

9.2 The KPMG Guernsey Housing Market Review published on 31 October 2017 does not directly address the issue of housing costs for those people experiencing in-work poverty. Whilst this is disappointing the Scrutiny Management Committee accepts that this area was not explicitly outlined in the terms of reference for the review.

9.3 KPMG's Report relies on three main sources of information: consultation with named bodies/persons; data from the States; and a Survey of First Time Buyers completed on 7 June 2017. KPMG identify problems in the market, which all contribute to unpredictability in housing supply, particularly for those needing affordability.

9.4 These factors include the rationing of credit and the tightening of mortgage availability and a loss of confidence in the market by both investors and buyers. They stress the need for flexibility in options to respond to changing needs, and then set out their six topics and recommendations resulting from their work. They are credit/mortgage availability, first time buyer's affordability, elderly tenures, key worker housing, government support and monitoring of targets/better data collection.

9.5 In addition to suggesting potential government intervention to support the housing market, which is a key problem area for the 'in-work poor', the KPMG Report recognises impending changes to the population structure, and the

reduced capacity of individuals to save for their retirement. KPMG state, *“current analysis does not integrate all of the current and estimated costs and revenues of policy decisions”*.

- 9.6 In June 2018 a policy letter was released detailing the response from government to the KPMG review entitled 'Local Market Housing Review and Development of Future Housing Strategy'<sup>27</sup>. The response was led by the Committee *for* Environment & Infrastructure.
- 9.7 While the Committee *for* Environment & Infrastructure has overall responsibility for advising the States and developing policy with respect to general housing (including policy provision for social and affordable housing) the Committee *for* Employment & Social Security has responsibility for the delivery of affordable housing. However, the issues identified by the Soulsby Amendment and the KPMG Report as well as a number of other identified housing policy issues fall into a number of other Committees' mandates, most notably the Policy & Resources Committee, the Committee *for* Economic Development and the Development & Planning Authority.
- 9.8 In the context of in-work poverty the most important findings relate to the conclusion that the Committee *for* Environment & Infrastructure, the Committee *for* Employment & Social Security and the Guernsey Housing Association should carry out a comprehensive review to inform the future development of housing strategy.
- 9.9 The Committee *for* Environment & Infrastructure further recommends that the States Strategic Housing Indicator be split into an Affordable Housing Indicator set at creating 178 units of affordable housing over the next 5 years with a plus or minus variance of 32 new units.
- 9.10 In addition the Committee *for* Environment & Infrastructure agrees that the regular collection and publication of relevant and reliable data as outlined in the KPMG Report is important so that analysis of future housing requirements and housing policy is robust, up to date and accurate. The establishment of an appropriate data collection model, data collection processes and publication of information collected is identified as an important work stream.
- 9.11 It is unreasonable to assume that government can foresee the future, but it should be possible to make some projections of likely income and housing costs for the mature (65+) and elderly householders (75+), to see whether policy will

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<sup>27</sup> [https://www.gov.gg/Local Market Housing Review & Development of Future Housing Strategy](https://www.gov.gg/Local%20Market%20Housing%20Review%20&%20Development%20of%20Future%20Housing%20Strategy)

need to adjust to an increasing inability to service housing costs with advancing age.

9.12 Since housing costs are such a significant contributor to the living costs of those experiencing in-work poverty, it is clear that progress needs to be made in the provision of 'affordable housing' in Guernsey. However, it is important to clarify that 'Affordable Housing' has a specific definition in The Land Planning and Development (Planning Covenants) Ordinance, 2011 and comprises Social Housing provided for persons on low incomes or with other specific needs identified by the Committee for Environment & Infrastructure and Intermediate Housing. As defined it does not specifically concern the affordability of housing although the Committee for Environment & Infrastructure recognises that this is generally what it is interpreted to be. Thus to avoid any doubt, in this report the Scrutiny Management Committee is making reference to the need for people to be better able to afford the cost of their housing relative to their income.

9.13 At the present time the latest Guernsey Housing Association waiting list demonstrates the scale of the un-met need for lower cost housing that is filled by the private-sector rental market<sup>28</sup>. In September 2018 a new consolidated waiting list for Guernsey Housing Association properties, social housing properties and tenants requiring a property transfer was introduced with the aim of achieving a more equitable system<sup>29</sup>.

Table 1<sup>30</sup>

	Number of households on waiting lists		Number of households moved off waiting lists	
	Social Rented	Partial Ownership	Social Rented	Partial Ownership
2012	340	137	120	2
2013	276	202	186	29
2014	245	234	146	32
2015	236	215	166	6
2016	113	177	153	5
2017	Not available	108	Not available	19

<sup>28</sup> [http://www.gha.gg/Partial Ownership Waiting List](http://www.gha.gg/Partial-Ownership-Waiting-List)

<sup>29</sup> 19 June 2018 - The Committee for Employment & Social Security stated currently the States has 1,650 rental properties and the Guernsey Housing Association has 659. The States waiting list for properties is approximately 20/30 for each property type with 250 pending property transfers.

<sup>30</sup> Guernsey Facts & Figures 2017 – Guernsey Housing Association



9.14 In terms of future housing policy a decision needs to be made whether the Government wishes to provide additional social housing to meet this need and thereby potentially lift a significant number of Islanders out of in-work poverty. At the moment the Guernsey Housing Association (the chosen agent of government to deliver the current policy) is not building sufficient numbers of dwellings to meet the existing need.

9.15 The Guernsey Housing Association which was set up in 2002 is an independent not-for-profit company, governed by a board of directors that is part-funded by the States; regulated by the States, it works in partnership with the public sector to deliver social housing<sup>31</sup>. It provides rented housing using the same income criteria applied by the States with offers made dependent on people's individual circumstances and the availability of suitable accommodation. Specifically it offers:

- partial ownership for those who cannot raise a full deposit or obtain a full mortgage for a property in the private sector (subject to criteria);
- social rented housing and homes sold as partial ownership for lower income local people whose needs cannot be met in the private housing market; and
- extra-care housing where there is a need for additional support.

## **10 Potential changes that could be made in housing policy to reduce in-work poverty**

10.1 The Guernsey Housing Association's eligibility criteria for access to social housing had remained relatively static since the creation of the scheme in 2002 until the partial ownership criteria was updated in June 2018. The Scrutiny Management Committee believes these recent changes need to be kept under review to establish if they achieve the required positive impact with further changes made if necessary.

10.2 There are certainly many Islanders who struggle with high housing costs but who are not eligible for social housing and it is hoped that by widening the criteria some of those people experiencing in-work poverty could be assisted. The review has identified that the percentage of income a person spends on accommodation has a real effect on whether they experience in-work poverty. We believe broadening access to social housing is central to addressing this key issue. However, any changes to the policy need to be considered in the context

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<sup>31</sup> [http://www.gha.gg/Annual Resident's Report 2016/2017](http://www.gha.gg/Annual%20Resident's%20Report%202016/2017)

of the potential impact on the value of existing private sector housing provision.

- 10.3 The key decision for government regarding social housing is identifying a minimum indicator level for provision (how many properties and of which type) and then how to ensure they are delivered. The recently released report, 'Local Market Housing Review and Development of Future Housing Strategy'<sup>32</sup>, attempts to identify a minimum indicator of need for affordable housing provision. Historically the Government has relied on private-sector developers to provide the majority of local housing. If the Government decides to increase the number of affordable properties then it may need to alter this existing balance and increase its intervention in the local housing market.
- 10.4 The current housing market (as outlined in the KPMG Report) is unlikely to benefit from substantial lower cost private house building unless demand is stimulated. The requirement for private sector developers to earn a profit of around 20% means that any proposed private development has to be commercially justified and any affordable homes in a development carried by increased returns on those homes built for sale or rent at commercial rates. However, developments undertaken by housing associations (or other non-commercial organisations) can accept a higher level of commercial risk (because they do not need to achieve a similar level of commercial return) if a guarantee of ongoing support is available from government. Therefore, in the current market it is likely that if the Government wishes to build significant numbers of lower cost houses then it may need to act independently of the private sector.
- 10.5 In the UK commercial developers (with some notable exceptions) largely concentrate on housing for the nuclear family. However, a much wider range of needs exists and people have now begun to solve this issue themselves by adopting models such as co-operative housing, co-ownership, or communal living schemes. These different models are suitable for first time buyers and key workers during the more flexible stages of their lives. Removing the profit motive as the primary objective for development, may resolve some of the problems around limited supply.

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<sup>32</sup> <https://www.gov.uk/local-market-housing-review-and-development-of-future-housing-strategy>

## **11 Improving access to Primary Care and Emergency Care for people experiencing In-work Poverty**

- 11.1 The relatively high costs of accessing medical and para-medical cover (dental, ophthalmic, physiotherapy, chiropody fees, and prescription charges), is an area of concern that has been highlighted in the consultation process. Under the current benefit system, entitlement to income support, in most cases brings with it cover for medical and para-medical cover which extends to the beneficiary's partner and children.
- 11.2 The Committee *for* Health & Social Care's statement in the Policy & Recourse Plan<sup>33</sup> expressly states that, *"we will ensure that the funding of health and social care reflects the population's needs, that resources are distributed equitably between services, and that the poorest are not priced out of good health. We aim to do this through a review of the affordability and accessibility of primary healthcare and seek to ensure that low income is no barrier to good health...We see that any future model for health and social care needs to ensure that there is an equity of health outcomes and that means improving access to primary healthcare... Accordingly this is something we are looking at addressing as part of the development of the Target Operating Model that will be presented to the States of Deliberation at the end of this year."*
- 11.3 It is clear to us that all the relevant government committees, the Committee *for* Health & Social Care, the Committee *for* Employment & Social Security and the Policy & Resources Committee are committed to acting to improve the affordability and accessibility of primary and emergency healthcare. The key questions are how, when and at what cost can this objective be achieved?
- 11.4 The cost of visiting a General Practitioner (GP) in Guernsey is a major issue for a large section of the population. In a few cases where chronic conditions require multiple visits to the doctor, or for families already struggling, the cost of primary care could force into poverty households who otherwise would be able to achieve a reasonable standard of living. Anecdotal evidence backed up with interviews with relevant professionals collected in the course of this review suggests that frequently the problem lies with households already in relative poverty where an unexpected series of GP visits can cause real financial hardship.

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<sup>33</sup> [https://www.gov.gg/ P&R Plan 2017 Review & 2018 Update](https://www.gov.gg/P&R%20Plan%202017%20Review%20&%202018%20Update)

11.5 In our initial consultation report we recommended four possible options to reduce these problems.

- First, a universal primary care insurance scheme similar to those already in place for both specialist care and long-term care;
- Secondly, a change in the current grant scheme to increase help where it was most needed;
- Thirdly, decoupling the point at which benefits are paid and at which primary care is paid for by Social Security; and
- Finally, extra competition or direct state provision in the primary care sector.

11.6 We have also identified concerns regarding the equity of access to emergency health services. Evidence provided to this review indicates that some Islanders who are struggling financially are reluctant to access the Island's Emergency Department (formally Accident & Emergency) due to concerns over the potential costs that may be incurred, which could reach circa £500<sup>34</sup>. This causes significant stress and we believe that given the relatively low existing workload of this Department (average of 2 patients per hour<sup>35</sup>) then innovative approaches to facilitate improved access to these services need to be considered. This would negate potential underused capacity in the Emergency Department and ensure optimal use of this valuable service.

11.7 The Scrutiny Management Committee notes that within the former Health and Social Services Department's Policy Letter 'Emergency Medicine Consultant (Charging)', Sept 2014<sup>36</sup>, it was made clear that "...the States' general policy position on Accident & Emergency is that patients should be charged." The former Accident & Emergency (A&E) service was brought 'in-house' in September 2016 and on the 27 February 2017 the Committee *for* Health & Social Care stated that it had maintained the charging system operated by Primary Care Company Limited. Prior to September 2016 service users of emergency (A&E) services would receive an invoice for the work of the Primary Care Company Limited doctor only, and other health services provided by A&E staff were effectively free at the point of delivery. Under the present charging

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<sup>34</sup> Additional ambulance charges may apply - [Guernsey Residents Scheme | St John Guernsey](#)

<sup>35</sup> Scrutiny Management Committee Public Hearing – May 2018

<sup>36</sup> <https://gov.gg/CHttpHandler.ashx?id=90589&p=0>

arrangements users of new Emergency Department service can potentially face a bill of around £500 related to a single visit<sup>37</sup>.

- 11.8 In particular, it was clear from the evidence that Islanders with young children who were struggling financially were reluctant to access emergency health services due to the possible costs and the uncertainty of what the final bill might be. We believe this is unacceptable especially in light of the core commitments to the Bailiwick's children contained within the Children and Young People's Plan<sup>38</sup>. Therefore, we recommend, as an example that, provision should be made to allow children under 5 years old to access the currently under-utilised capacity that exists within this service for a nominal fee. We believe a maximum tariff should be clearly defined and applied to ensure an Islander should never be presented with a bill in excess of £100. This additional certainty would potentially remove the current real financial worry facing Islanders who find they require these services.
- 11.9 Having reflected on this issue, we believe the relevant Principal Committees led by the Committee *for* Health & Social Care, as part of its transformation of health and social care services, should return with a policy letter in this political term outlining plans to reduce the current inequality in terms of access to both primary and emergency care.

## 12 Conclusions

- 12.1 This report is intended to be read alongside the Scrutiny Management Committee's initial consultation report on In-work Poverty<sup>39</sup>. In-work poverty is a complex issue and we decided for the sake of clarity to focus on a limited number of key recommendations. This follow-up report has focussed on potential policy changes in four main areas which are listed without assigning priority:

- In-work benefit options within the benefit/tax system;
- Improving data collection relating to in-work poverty;
- Housing policy to support people experiencing in-work poverty; and

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<sup>37</sup> Dependant on certain factors such as time of visit and treatment received

<sup>38</sup> <https://www.gov.gg/The Children and Young People's Plan 201602022 - Plan Refresh 2017/18>

<sup>39</sup> [Scrutiny Management Committee - In-work Poverty Review Consultation Document](#)

- Improving access to primary and emergency care for people experiencing in-work poverty.
- 12.2 The Scrutiny Management Committee believes in-work poverty should be tackled through a number of policy initiatives. These include action to increase access to the affordable and social housing sectors, changes in the cost of services such as primary and emergency medical care, and the introduction of taxation policies aimed at supporting the lower paid and reducing inequality. In addition, this work needs to be supported by targeted information collection and analysis aimed at properly informing and solving the challenge of in-work poverty moving forward.
- 12.3 In Guernsey significant numbers of people experience in-work poverty yet public discussion tends to focus on low pay rather than in-work poverty, or treats the two as synonymous. There is a need for a more explicit focus on in-work poverty in order better to: understand the nature of the problem; evaluate the effectiveness of proposed solutions; and, ultimately, tackle it successfully. This requires a focus on income adequacy for working households and not just on the earnings of individual workers which, though important, may be only one component of a household's total income.
- 12.4 Housing costs are one of the biggest causes of in-work poverty in Guernsey and the States need to take a different approach to ensure that, below a certain level of income, no household needs to pay an excessive proportion of its net income in order to secure adequate accommodation. We believe this percentage should not exceed 50% of household net income and this may involve redefining what is meant by social housing in the Guernsey context and developing the work in this area undertaken by the Guernsey Housing Association. Significantly, we welcome the greater clarity being provided on the guide numbers of houses that should be built each year, with a focus on ensuring that a suitable proportion of these are affordable homes.
- 12.5 A more active housing policy is needed which allows Islanders to be able to better afford the cost of their housing relative to their income. If this does not happen States Members will find themselves needing to do more (e.g. spend more on the housing element of the benefits system) just to stand still in terms of dealing with the impact of poverty locally.
- 12.6 It seems to be universally accepted that the cost of primary care is a significant problem in Guernsey but ideas on how to tackle this issue are limited. In its initial report we made four suggestions which we believe are worthy of further

consideration. Our overarching recommendation is that, led by the Committees *for* Health & Social Care and Employment & Social Security and the social policy function of the Policy & Resources Committee, the States accept that these medical costs are an urgent problem and that its committees work together to bring forward recommendations to tackle it by the end of this political term.

- 12.7 We believe it is also essential to reconsider the existing taxation policy and the resultant impact on those who are experiencing in-work poverty. The traditional way in which the States has sought to assist those on low incomes has been through the provision of personal tax allowances, but this is arguably a costly and untargeted approach. One way in which assistance could be focussed on those who need it most is by the use of “additional personal allowances” only available to those on modest incomes. This would increase the income level at which Islanders started to pay income tax but at a lower cost than simply increasing the universal personal allowance.

### **13 Recommendations**

- 13.1 The Scrutiny Management Committee believes it is essential the States take action prior to the end of this political term leading to a meaningful reduction in the number of Islanders experiencing in-work poverty both in the near future and beyond. The Scrutiny Management Committee is therefore recommending the States support the following Propositions.
- 13.2 To direct the Committee *for* Health & Social Care to investigate improving equity of access to primary health care and to report back to the States no later than the end of 2019 with any proposals.
- 13.3 To direct the Committee *for* Health & Social Care to investigate improving equity of access to emergency health care and to report back to the States no later than the end of 2019 with any proposals.
- 13.4 To direct the Policy & Resources Committee and the Committee *for* Employment & Social Security to consider the implementation of additional options within the benefit/tax system and to report back to the States no later than the end of 2019 with any proposals.
- 13.5 To direct the Policy & Resources Committee to investigate improving data collection relating to in-work poverty and to report back to the States no later than the end of June 2019 with any proposals.

- 13.6 To direct the Committee *for* Employment & Social Security, the Committee *for* the Environment & Infrastructure and the Policy & Resources Committee to investigate housing policy proposals to support people experiencing in-work poverty and to report back to the States no later than the end of this term with any proposals.

#### **14 Compliance with Rule 4**

- 14.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 14.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 14.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions above have the unanimous support of the Committee.
- 14.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee mandate; 'To lead and co-ordinate the scrutiny of committees of the States and those organisations which are in receipt of public funds,...by reviewing and examining legislation, policies, services and the use of monies and other resources'.
- 14.5 Also in accordance with Rule 4(5), the Scrutiny Management Committee has consulted with;

The Policy & Resources Committee  
The Committee *for* Home Affairs  
The Committee *for* Health & Social Care  
The Committee *for* Employment & Social Security  
The Committee *for* Economic Development  
The States' Trading Supervisory Board  
The Development & Planning Authority  
St Saviours Constables  
St Pierre du Bois Constables  
Vale Constables  
St Martins Constables  
St Peter Port Constables  
Forest Constables  
Castel Douzaine  
Torteval Douzaine  
Guernsey Water



Guernsey Electricity Limited  
Guernsey Housing Association  
Guernsey Disability Alliance  
Citizens Advice Bureau  
Guernsey Community Foundation  
Representative of the Employment Agency Sector  
Representative of the Guernsey Chamber of Commerce  
Representatives of the GP Primary Care Groups  
Representative of the Hotel Management Sector  
Representative of the Joseph Rowntree Foundation  
Dr Clorinda Goodman

Yours faithfully,

**C J Green**  
President

**L B Queripel**  
Vice-President

**J S Merrett**  
Member

**G Morris**  
Non-States Member

**Advocate P Harwood**  
Non-States Member