

#### **2.4 Deputy T.M. Pitman of the Minister for Social Security regarding the decision to retract the commitment to increase social security contributions for higher earners:**

How does the Minister justify the decision, never brought to the Assembly for consideration, to retract the commitment to increase social security contributions for higher earners?

##### **Deputy I.J. Gorst of St. Clement (The Minister for Social Security):**

The proposals I have made within P.110 are a sensible compromise to implement the 2 per cent contribution rate above the earnings ceiling for employers only from 2012. This acknowledges the likelihood that employees will soon be required to pay additional contributions to fund the proposed long-term care benefit. The Assembly, of course, may amend, approve or reject as they see fit.

##### **2.4.1 Deputy T.M. Pitman:**

We do not need the money. I read that in the *J.E.P. (Jersey Evening Post)* so it has got to be true. This is a wholly different message, with due respect to the Minister, than was given to Members during the raising of the retirement age debate. Could he just explain to the House how this can be so in the space of a couple of days and how it can be coherent with the “tighten our belts” message that has been the defining mantra of this Government?

[15:00]

##### **Deputy I.J. Gorst:**

If I could just say, it is not wholly at odds with what I said during the debate where I asked Members to raise the pensionable age. This proposition was with Members via email on the Monday. They had it in hard copy. It was lodged on the Tuesday. We debated the pension age later that week. It was reported then, obviously, in the media on the Saturday. During that debate Members, I am sure, will remember I said that it was not a question of either/or, it was a question of needing to do all those things. So raise the pensionable age, increase contributions, but increase contributions for the pension pot and not just to go into general States coffers, and to increase the contribution ceiling as well.

##### **2.4.2 Deputy G.P. Southern:**

The Minister will be aware that many Members voted for a whole package of measures, including the raising of G.S.T. (Goods and Services Tax) up to 5 per cent, and including up to £65 million worth of cuts in the public sector; on the grounds presented by the Minister for Treasury and Resources that the total measures were fair and balanced. Does he still believe, having cut some of that balance out of the recipe, this is still fair and balanced?

##### **Deputy I.J. Gorst:**

I believe that the Council of Ministers committed to cutting first and taxing second. As the Member will know, there is a slight improvement in the financial tax received and the forecast. I, therefore, believe that it is right not first of all to reduce the cut but to ensure that if we perhaps might need contributions - and I will be clear here that the Minister for Treasury and Resources said at the last sitting it is a deferment - if this money is needed I for one believe that the first area it should go, if there is an improvement in taxes, it should go into the pension pot. So it is not a matter of these

individuals in effect being let off, as some people have tried to say. It is a fact of wanting to secure the long-term care benefit, that will be an increase in contributions and, as I said quite clearly - I cannot remember whether it was last week or the week before now, I think it was the week before - we will need to raise contributions for pensions to make the pension sustainable in the medium and longer term; and that I am absolutely committed to.

**2.4.3 Deputy G.P. Southern:**

Will the Minister answer the question: does he consider the overall package still to be fair and balanced?

**Deputy I.J. Gorst:**

When we take into account the fact that we are going to need to raise contributions for long-term care and for the pensions then, yes, I believe it is.

**2.4.4 Senator F. du H. Le Gresley:**

Does the Minister agree that it would be sensible to include provision for the extra 2 per cent over the lower ceiling to be paid by Class 1 contributors in the new legislation, even if the implementation date is delayed, in order to be able to raise income in the future should the States feel it necessary to do so?

**Deputy I.J. Gorst:**

I have a responsibility in law to protect the Social Security Fund. That is a responsibility that I, previous Ministers, and I hope Ministers who follow me in this seat, take very seriously. While at the same time, when our corporate finances are struggling, perhaps we as an Assembly or the Council of Ministers decide to do something in the best interests of the whole corporate approach. With that slight improvement - as I have said already - I am now of the opinion that those contribution increases, when they come forward in due course, should be protected for the pension fund. Perhaps the Senator has got a fair point, I have got no doubt that my proposals will, over the next number of days or weeks, be amended anyway and it will be rightly for this Assembly to decide.

**2.4.5 Senator S.C. Ferguson:**

I appreciate this is not a payment to the Treasury, but to the pension pot, but it is leaving the burden on the employers. Would it not be better to have kept the spread of the burden between employer and employee and not just impose it on the employer?

**Deputy I.J. Gorst:**

I think this is a case of not being able to do right for doing wrong. Members in this Assembly have on a number of times asked for ways that we could perhaps extract more value or revenue or contribution from employers. This is one very small way in which I hope that we can achieve it in a small measure. But, as I say, we must keep in mind that I also have a proposal before the Assembly at that same sitting in July asking employees - and that will be right up to the 150 ceiling - to pay a contribution towards long term care.

**2.4.6 Senator S.C. Ferguson:**

A supplementary; given that 75 per cent of our businesses are small businesses, is this not a heavy burden on them?

**Deputy I.J. Gorst:**

They may indeed be small business and that might be the correct proportion, I do not know, but let us remember this is for those employees who are earning over the current ceiling of £44,000. So it is only those small businesses that have medium to higher earning employees on their books that would be affected by this particular proposal.

**2.4.7 Senator A. Breckon:**

The Minister twice has used the excuse in answers that the contributions for employees has been scrapped because of elderly care contributions. Can he confirm that he knew contributions for elderly care were coming 2 years ago?

**Deputy I.J. Gorst:**

Absolutely. I have been saying that contributions would be required for long-term care and for pensions for the last 3 years. Perhaps it has fallen on deaf ears; I hope now that Members do take it seriously and recognise that we do need to have these increased contributions and that is one of the reasons why with the slight improvement in financial forecasts I believe that we can prioritise those issues which I believe the States wishes me to prioritise.

**2.4.8 Senator A. Breckon:**

I wonder if I may ask a supplementary. I would just like the Minister to expand on that because I think he has missed the point. Can he confirm that he has now scrapped employee contributions when he knew other charges would be made on individuals and we were led to believe that would not be the case in the last budget?

**Deputy I.J. Gorst:**

I am not really sure what it is that the Senator is asking.

**Senator A. Breckon:**

If I may explain, we were told in the last budget debate the contribution would have to increase by 2 per cent for employees and employers. Now the Minister is saying it does not apply to employees because of these other charges which he knew were necessary. Can he confirm that?

**Deputy I.J. Gorst:**

Of course, and I have said because of the slight improvement in the financial forecast I am presenting before the Assembly, the Assembly may wish to change that and reinstate those proposals with that slight improvement, perhaps it would then put in danger the long-term care benefit, which I believe is absolutely critical; and it will perhaps put in danger the requirement to increase contributions for the pension pot in the medium and longer term. I, being responsible for that pension, who knows for how long, take that very seriously and believe that should be my number one priority.

**The Deputy of St. Mary:**

Can I just point out that Deputy Martin, my esteemed colleague on my right has had her light on for longer than I have, Sir. I do beg that she also gets a question.

**The Bailiff:**

Well, Deputy, you could indeed then give way to her if she had her light on before you.

#### **2.4.9 The Deputy of St. Mary:**

I could be gentlemanly. No, I think both of us because it is a very important question. The question was, in the light of all the questions we have had - and it is an important issue - what does the Minister think to the idea that the Council of Ministers should do a proper study on the progressiveness of our entire tax and benefit system so we know what the score is as you go up through the income bands in different household situations?

#### **Deputy I.J. Gorst:**

There is a big difference between tax and contributions. We have made a small change to aligning those with the increase in contributions on employers. As I said, I was prepared to do that in that instance but I believe that now my responsibility is to protect future contribution increases to go into the pension pot so we do not have a scheme like other jurisdictions where it is just all one pot, and there is no protection and it is money coming in from tax and a bit of social security contribution. We have a good reserve in the pension fund, we pay out reasonably good benefits and, as I have said many times, we should be proud of that system. The Council of Ministers did undertake a fiscal strategy review; of course things change - projections change, assumptions change - and we must make decisions in light of those changes. When it comes towards benefit, a contributory benefit gives an entitlement based on those contributions to that benefit. A non-contributory benefit system is based on means testing and that is what we have.

#### **2.4.10 Deputy J.A. Martin:**

Can the Minister confirm - and he keeps using this word "T" - where the £8 million came from? Because he seems to be saying it was contributions and I think it was tax. At any time - and it was sold as a complete package in the budget - when the Council of Ministers knew there was £8 million extra coming, did they decide to just defer the 2 per cent or was there ever any discussion around the table that they should defer the 5 per cent on G.S.T. for the extra 6 months, which is exactly the same amount of money. Was there a discussion?

#### **Deputy I.J. Gorst:**

If I remember correctly the projected income - I do not believe that the accounts knowing exactly what the increased income was were available at that time - the Council of Ministers have discussed before I lodged this proposition but that was very relatively recently when Treasury had done all their work to understand what the projections were going to be going forward. Based upon that work the group that I had put together to consider this were able to make a recommendation to the Council of Ministers, but that happened not very long ago.

#### **2.4.11 Deputy J.A. Martin:**

So the answer is no discussion about deferring G.S.T., just deferring 2 per cent over £45,000.

#### **Deputy I.J. Gorst:**

I think that the decision that this Assembly had made had already been made at that point.

#### **2.4.12 Deputy T.M. Pitman:**

I was going to defer to Deputy Martin anyway but I would like to take on from her question and ask the Minister who in reality took this decision, because to me it should be us who take that decision; and could he just define, was it the whole Council of Ministers, was it himself, was it the Minister for Treasury and Resources? I would like that clarity please.

**Deputy I.J. Gorst:**

Just to be clear, the decision will only be a decision when it is made by this Assembly on perhaps 18th July. Any Member is perfectly at liberty to amend my proposition to say, no, they do not agree with the rationale of the Council of Ministers and they wish to reinstate it. They might say they do not want to make the cuts, they want to reduce those with the money that might be gathered. I will make my arguments as I have made them today. The decision has not been made; the decision is rightly the decision of this Assembly and we will hopefully come to it before the summer recess.