

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 3rd MAY 2011**

Question

Following the lodging of the proposition 'Pension Age: Increase' (P.58/2011) would the Minister give his justification for the approach taken and, in particular –

- a) confirm that the increase in pension age produces only a small reduction in contribution rates (paragraph 7.5)?
- b) state whether he is satisfied that the detrimental effect on those in manual occupations is adequately dealt with (section 6.1) and state whether the proposals would lead to increases in demand for other welfare benefits such as Incapacity Pension, LTIA and Income Support and thereby increase the cost of these benefits?
- c) state whether he accepts that, despite references to *Keeping Jersey Special, Imagine Jersey 2035 and JASS*, none of these included any properly structured consultation on the far-reaching proposal to raise the pension age and that in none of these is there a clear acceptance that raising the pension age is a preferred option?
- d) explain why the additional options given on page 17, many of which involve incentives, are left for future consideration and are not being taken as starting points now?
- e) state why no measures are proposed to start in the next 2 or 3 years but are deferred for 10 years?

Answer

The justification for my approach to addressing the challenges we face to the long-term sustainability of the Social Security Fund is clearly set out in the detailed 32-page report that accompanies the proposition.

In relation to the Deputy's specific points:

- a) I do not accept that the increase in pension age produces "only a small reduction in contribution rates". The saving in contribution rate increases as a result of increasing the pension age is significant. The increase required by 2036 is cut by one-third.
- b) I do not believe that there will be any significant "detrimental effect" on those in manual occupations. Employment patterns have changed and many workers will undertake a variety of different jobs during their working lives. Opportunities now exist to develop flexible working arrangements that will benefit all groups, but in particular those looking to continue working longer, but for fewer hours per week.

Phasing the proposed increases in pension age gives ample time to review the benefits already in place to help those who are not genuinely fit enough to work up to pension age. Any potential

increase in benefit costs will be heavily outweighed by the overall financial benefits accruing to the Social Security Fund and the economy in general from people who will be working and contributing for longer and also enjoying a lengthy retirement, no shorter on average than those enjoyed today.

c) Imagine Jersey 2035 and the JASS annual surveys amount to significant and meaningful exercises to obtain the views of many islanders in respect of the Jersey Old Age Pension. For example, JASS 2010 was sent to 3,200 households with a 51% return rate. In addition, the latest Government Actuary's Report was published in 2009. As the report accompanying P.58 sets out in some detail, increasing pension age is a key component of the overall policy to maintain economic activity in the Island by encouraging people to extend their working lives. It is also a vital part of the actions needed to ensure the sustainability of the Jersey Old Age Pension.

(d) and (e) The report makes it clear that the measures set out on page 17 will be considered and introduced **before** any change in the pension age. The measures cover a number of areas and each will be need to be co-ordinated with other policy developments and be implemented according to an appropriate timescale. It would be the intention that some of the measures will be considered within two or three years, while others will be addressed later in the decade.