

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 7th JUNE 2011**

Question

Notwithstanding the responses he gave on 3rd May 2011, will the Minister concede that the case made in his proposition P.58/2011 to raise the pension age is premature in that it commits the States to a very specific set of actions without full consultation on the alternatives and, if not, why?

Does the Minister agree that the reduction in contribution rates for the changes proposed is relatively small amounting to 10% on the 2036 rate and only a 2 year extension to the year in which the fund is extinguished?

Does the Minister accept that over 50 per cent of those responding to the Jersey Annual Social Survey 2010 indicated that they would *need* to work beyond pensionable age rather than expressing a desire to do so?

Answer

I do not accept that the actions I am proposing to raise the pension age are premature. In fact, if anything, the opposite is the case. Many developed economies – including the UK and Guernsey – have already put in place measures to tackle the challenges of an ageing population by raising the pension age.

We cannot afford to wait any longer to address this issue. Inaction would be irresponsible and further delay would only serve to increase the financial pressures we are under and mean any changes would be greater. Pensions are a long-term issue and people need sufficient notice of any changes so they can start planning for it.

Phasing the proposed increases in pension age gives time to ensure that opportunities are in place to encourage the employment of older workers and to encourage people to extend their working lives, to the financial benefit of themselves and the Jersey economy in general.

More of us are living longer and it was never envisaged when the Jersey social security pension scheme was introduced that it would be supporting so many people for so long. Change is essential. A failure to act now would impose unfair burdens on future generations. The proposed changes will mean that people will be enjoying a lengthy retirement, no shorter on average than their counterparts are enjoying today.

As I made clear in my answer to the Deputy's similar question on 3rd May, I detailed my clear and measured strategy to increase the pension age in the 32-page report that accompanied my proposition.

As the benefits paid out of the fund increase faster than the contributions coming into the fund, it will be necessary to raise the pension age and increase contribution rates. However, raising the

pension age means that these contribution increases will be less than they otherwise would have been.

In terms of other possible options, I am committed to maintaining the value of the old age pension by retaining the link to earnings, and I have ruled out means testing the pension.

Any initiatives that lessen the necessary increase in contribution rates must be good news and should be welcomed, not criticised.

Every one percentage point increase in contributions for someone on mean average weekly earnings of £630 a week, equates to £6.30 a week or £328 a year. In addition, every increase in the rate of contributions incurs associated supplementation costs for the States – taxpayer – on behalf of the two-thirds of workers (around 32,000 people) who do not pay at the maximum level. Someone on mean average weekly earnings currently has their contributions supplemented by around £1,195 a year. Each one percentage point increase equates to a rise in supplementation for someone on mean average weekly earnings of around £113 a year.

The 2010 JASS survey shows that, in fact, just under half (48%) of people aged under 65 agreed to some extent with the statement that they would need to work beyond the age of 65 to maintain their standard of living. 30% disagreed with the statement, while 22% did not know.

My proposals are intended to encourage people to work longer, encouraged by a supportive environment where there is more scope to work flexibly and for perhaps fewer hours a week. Working longer is key to our economic success. The potential contribution of older workers is essential. Without their fuller participation in the labour market, there will need to be more inward migration to fill available vacancies, which, in turn, will put increased pressure on the Island's infrastructure.