

2.8 Senator S.C. Ferguson of the Minister for Social Security regarding ...

Why is it that if a pensioner is employed, then there is no necessity to pay the employee social security, but the employer's social security contribution still has to be paid? How does the employer benefit from this arrangement?

Senator F. du H. Le Gresley (The Minister for Social Security):

The Jersey Social Security Pension is an old age pension rather than a retirement pension. An employee can choose to carry on working after they reach pension age and claim their pension at the same time. They are no longer liable to pay social security contributions. However, it is correct that the employer does continue to have a liability to pay contributions in respect of the employee's wages. The employer does not benefit directly from paying social security contributions, but all the contributions made into the social security fund are pooled to provide a range of benefits that support workers both during their working lives and in their old age. I can confirm that this specific issue, among others, was included in the report P.58 on the pension age increase which the States debated and approved last year. The current arrangements will be reviewed as part of a wider piece of work in respect of the employment of older workers.

2.8.1 Senator S.C. Ferguson:

The employee is taking a pension so he does not benefit. The employer is merely contributing to the social security fund when it is not necessary. Is this not really a stealth tax?

Senator F. du H. Le Gresley:

I think it is an accepted provision in Jersey and in other countries that employers contribute to a social security fund to provide benefits for the community not just for their own workers. I would also point out to the Senator that employees also pay contributions in respect of married women who have the red cards and married women receive no benefits.

2.8.2 Deputy G.P. Southern:

Does the Minister consider this is linked to the fact that we have a fairly inflexible system for contributions? Only 2 classes, class 1 for those employed, class 2 for everybody else and that with the changing nature of society including the demographics, we need to develop as a matter of urgency a more flexible system with more classes.

Senator F. du H. Le Gresley:

The Deputy has asked a written question on this very point and I am sure he has read my answer and hopefully on that one he is satisfied with the answer and I would agree with him entirely that we do need to review the fact that we only have 2 classes of contributions, and that is something my department will be doing during the life of the Strategic Plan.

2.8.3 Deputy G.P. Southern:

Does he then share my disappointment that rather than commencing in January 2012, a system to review our classes of contributions has been put off until sometime later?

Senator F. du H. Le Gresley:

I am always disappointed when we have to put things off. Often it is because we are very busy working on questions for the States and other propositions that take up much of our time. Yes, I am disappointed that this has been delayed but bringing in the F.S.R. (Fiscal Strategy Review) changes was a large piece of work for the department and the review of the other contributions could not be done at that time.

2.8.4 Deputy G.P. Southern:

Surely, it would be better, rather than do this work piecemeal, which does occupy a lot of time fitting into the system, it would be best to review the whole overall system in order to get everything right at one foul swoop.

Senator F. du H. Le Gresley:

I have already intimated that is exactly what my department will be doing but the timescale is greater than the Deputy would probably wish.

2.8.5 Deputy G.P. Southern:

Is it not time that the Minister engaged more policy officers to develop policy in an area that obviously is crying out to be developed?

Senator F. du H. Le Gresley:

I am grateful the Deputy will be supporting my bid for extra staff in the medium-term financial plan.

2.8.6 Deputy J.H. Young:

Will his review of the inflexibility of the present social security contribution system include looking at the possibility of people making additional contributory payments into the funds as part of their retirement planning and/or indeed arrangements for deferral of pension in order to suit their circumstances and create a more flexible pension arrangement?

Senator F. du H. Le Gresley:

The Deputy makes a very good point and I believe that the Strategic Plan has raised the issue of pensions and whether the people who are paying into the social security pension scheme could make additional payments. That is a very valid point, or we may have a completely separate pension that people can contribute to in their lifetime as well. All of that is up for review and I certainly will pursue it during my time in office.

2.8.7 Senator S.C. Ferguson:

Obviously, the Minister will be taking some time to organise the review as outlined by Deputy Southern, but in the meantime, would the Minister kindly look at the cost of paying this stamp for employers and come back to the Assembly and tell us exactly how much of a problem it is, how big a piece of red tape we are hanging around the neck of business in the Island?

Senator F. du Le Gresley:

I think the Senator is probably exaggerating unfortunately the extent of this issue because we are talking about people who have reached retirement and who remain in the workplace. I would imagine, although I do not know the exact figure, that there is only a relatively small number. Therefore, the problem is not as great as perhaps she believes. It would be quite possible that we could come up with the figure that she is seeking. I would have to check with officers if this is something that we can do.