

3.10 Deputy M. Tadier of the Minister for Social Security regarding changes to the Social security contributions cap to fund maternity leave:

Will the Minister give consideration to lifting or increasing the cap on social security contributions for those earning over £45,336 and £150,000 per annum respectively in order to fund 26 weeks of statutory maternity leave?

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

I just want to clarify with the Deputy that he is referring to the contribution limits currently in place. These were increased in 2014 and what is known as the standard earnings limit is £47,016 and the upper earnings limit is now £155,568. Members will recall that the recently published actuarial review of the Social Security Fund identified that the annual cost of benefits and pensions paid out would exceed the contribution income received into the fund within the next 2 years. The actuary has recommended that action is taken to adjust the social security scheme following the next review, which will take place during 2016. Possible actions include increasing the rate of contributions, increasing the ceiling for contributions, reducing the generosity of pensions or benefits, or drawing-down on the Reserve Fund. The Deputy's question refers to the funding of 26 weeks of statutory maternity leave. The current maternity allowance provides a standard rate of benefit for 18 weeks. My intention is to introduce family friendly rights into employment legislation from September 2015 and then to monitor the impact of the new rights for the first 12 months and to review the situation in 2016. It is, therefore, sensible to coordinate these 2 reviews and to ensure that any changes proposed following the next actuarial review consider the option of additional funding for maternity allowance.

3.10.1 Deputy M. Tadier:

I based my figures on figures given to me in 2013 so I appreciate the updated figures. The essential question is for the Minister: does he think it is fair that on the one hand if we do not give women - or fathers for that matter - sufficient leave they may feel short-changed and it may have consequences, but on the other hand in order to give generous leave to parents, which some of us feel is desirable, it should not fall as a burden on employers themselves. So the only way to do it really is to fund it centrally from Government. Will the Minister consider bringing forward the review to look at funding it from a progressively based, social security contributed, funded mechanism rather than either short-changing parents themselves or putting an extra burden on employers?

Senator F. du H. Le Gresley:

There were a few questions within that. The burden on employers was the first point. My proposals are that the first 2 weeks of maternity leave are compulsory and that they are paid by the employer at their normal wage rate, offset by the maternity allowance if the employee is eligible for maternity allowance. I agree and the Employment Forum recommended in the second stage of family friendly legislation that we should be moving towards statutory maternity pay in the same way as the U.K. has statutory maternity pay for I think the first 9 weeks of maternity leave. That would be expensive because if we were to model it on the U.K. it would be at 90 per cent of the employee's wages and that would be a considerable cost to the Social Security Fund, which would inevitably mean a substantial increase in contributions going forward. I do not dispute, and I think the Deputy is aware that I believe the Social Security Fund can be funded in a number of ways. We could remove the standard earnings limit, similar to what Guernsey has done, or we could make higher earners pay more than the upper earnings limit, but all these things would have to be considered on the basis of the next actuarial review.

3.10.2 Deputy J.H. Young:

The Minister has announced effectively I think we are going to have a review of the contributions to the fund. Keeping it in simple terms, could he give us a basic split between what proportion of social security contributions go into pensions and what goes into the other benefits, including the maternity leave, as the Deputy has questioned? What proportion? How does it split out between those 2 important groups, pensions and others?

Senator F. du H. Le Gresley:

I am going to give a figure but I would have rather had notice of that question so I could give an accurate figure. My understanding is that pensions account for roughly 70 per cent of the total amount paid out in a year from the social security fund and the rest would be the other benefits, but if the Deputy gives me a minute I will confirm that.

3.10.3 Deputy S.Y. Mézec:

Getting to what I think is the point of Deputy Tadier's question, does the Minister believe that it is both fair and morally right that high earners should be paying more not just as an amount but as a percentage, too, and does he believe that if the wealthiest in Jersey were paying their fair share we would be able to afford these basic social democratic rights that most people across Europe enjoy, like free visits to the G.P. (General Practitioner) and maternity leave?

Senator F. du H. Le Gresley:

That sounded a bit like a speech. I do not dispute what the Deputy is saying there. The fact is the upper earnings limit is now £155,000 in round figures and, of course, the 2 per cent between the standard earnings limit and the upper earnings limit is only paid by the employer at the moment. There is room for bringing back the proposal for that 2 per cent to be paid by the employee as well. I think previous research has seen that there are not many people who are in the £155,000-plus earned income bracket, so I am not sure that it would produce the large sums of money that the Deputy perhaps is hoping, certainly not enough to start making free G.P. consultations for everybody. In relation to the previous questioner, the figure is 75 per cent of social security expenditure from the fund is for old-age pensions.

[10:45]

3.10.4 Deputy M. Tadier:

I thank the Minister for the answer, which I think was helpful. Given the fact that based on figures from his department currently those earning over £45,000 a year, or whatever the adjusted figure is, are paying proportionately less than most Islanders and given the fact that for every percentage point that we increase the social security above that rate it would yield roughly £7 million if it is done for both employers and employees, I would ask the Minister if he would consider whether that could be something which he sees as both a desirable and progressive route so that even if he is leaving his post that may be a message he wishes to send out to other States Members and the public.

Senator F. du H. Le Gresley:

I repeat we could go the Guernsey route, which is basically for employees to pay contributions up to the upper earnings limit, which I think in Guernsey is slightly lower than our current figure, or we could introduce the 2 per cent on employees between the standard earnings limit and upper limit, or we could introduce an increase in contributions across the board; numerous options. Equity would say that the first option is probably the one that we should heading towards.