

STATES OF JERSEY

Health and Social Security Scrutiny Panel Quarterly Meeting with the Minister for Social Security

THURSDAY, 23rd NOVEMBER 2017

Panel:

Deputy R.J. Renouf of St. Ouen (Chairman)

Deputy G.P. Southern of St. Helier

Deputy J.A. Hilton of St. Helier

Deputy T.A. McDonald of St. Saviour

Senator S.C. Ferguson

Witnesses:

The Minister for Social Security

Chief Officer, Social Security

Policy Director, Social Security

Ms. K. Morel, Policy Principal

Mr. M. MacGregor, Policy Principal

[10:03]

Deputy R.J. Renouf of St. Ouen (Chairman):

Good morning, Minister. Can I say this is a quarterly hearing of the Health and Social Security Scrutiny Panel, a quarterly hearing with the Minister for Social Security and her team. These proceedings are being recorded, so in the usual way the panel will announce itself and then I ask

the Minister to give introductions on behalf of herself and her team, and then we will proceed to questioning. So, I am Deputy Richard Renouf and I am Chairman of the panel.

Deputy G.P. Southern of St. Helier:

Deputy Southern, Vice Chair.

Senator S.C. Ferguson:

Member of the panel.

Deputy T.A. McDonald of St. Saviour:

Deputy Terry McDonald, member of the panel.

Deputy J.A. Hilton of St. Helier:

Deputy Jacqui Hilton, panel member.

The Minister for Social Security:

Thank you, Deputy Susie Pinel, the Minister for Social Security.

Chief Officer, Social Security:

Chief Officer.

Policy Director, Social Security:

Policy Director.

Mr. M. MacGregor, Policy Principal:

Mark MacGregor, Policy Principal.

Ms. K. Morel, Policy Principal:

Kate Morel, Policy Principal.

The Deputy of St. Ouen:

Okay, thank you. We have our 2 scrutiny officers, Kellie and Tom, with us also. Minister?

The Minister for Social Security:

Chairman, just for the record I was called into hospital yesterday afternoon for an unscheduled operation under general anaesthetic and I did not wish to cancel this scrutiny meeting as I am very aware of the amount of work involved by yourself, your scrutiny panel, scrutiny officers and the

officers at Social Security in preparation for these meetings. However, should the anaesthetic wear off mid meeting, I may not be so acquiescent. Thank you.

The Deputy of St. Ouen:

Yes, Minister, the last thing we want to do is prejudice your recovery so, please, if you feel unable to continue at any stage or anything we can do to assist you, please let us know.

The Minister for Social Security:

Thank you very much.

The Deputy of St. Ouen:

So, Minister, we want to ask questions around the Social Security review that is being conducted by your department, which we understand is running for 4 years. Minister, why is necessary to conduct such a long review and can you update us on the progress being made and whether it could be accelerated?

The Minister for Social Security:

Yes, of course. The reason for having a review in the first place is because there has not been one for 20 years and as you and the panel are very well aware Social Security is a very complex area. During the past 20 years, of course, income support has been evolved, started and evolved, fitting into that whole Social Security remit. So it is very timely that we should be doing a review now and it takes so long because of the complexity of the nature of the business. It is being done in separate reviews, as you know, separate consultations. The first one has been completed. The second is just about to be completed in different areas. Because if you are doing a consultation, you cannot bamboozle the public with so many different questions on different subjects and different options. So it is being done in pieces and this current one is on some maternity benefits and grants and also survivor's benefits and allowances, and the next one starting early year will be on contributions. It cannot be condensed.

The Deputy of St. Ouen:

Well, is it necessary to go to public consultation at each and every stage, because I imagine you receive a lot of comments and consultations in the normal course of business and surely there must be a lot of learning that the department can gather not only from over here in Jersey but in jurisdictions all around the world. Is it necessary to go to a public consultation for each and every aspect of the Social Security review?

The Minister for Social Security:

It will not be each and every aspect. It is specific aspects of things that could and possibly should change. We are very aware that there is an ageing demographic, in 20 years 65 per cent of the population increase in pension age, for instance, that is not something that one was aware of 20 years ago necessarily. So there is a lot to take into consideration and it is not every aspect of Social Security but it is the main ones that affect the public, hence the public consultations.

Deputy G.P. Southern:

Can you tell me why the 2 items, the widows benefit and the Jersey benefit, were chosen for the second stage ...

The Minister for Social Security:

Well, Mark has put together the whole survey and consultation so maybe he could ...

Mr. M. MacGregor:

Well, would you be happy ... I have brought an updated timetable with me today, what I could is maybe quickly run through that and get back to answer your question. Would that be okay? Would you mind taking one and passing it along?

The Deputy of St. Ouen:

Do you have your copy?

Mr. M. MacGregor:

I have one, yes.

The Deputy of St. Ouen:

Thank you.

Senator S.C. Ferguson:

Thank you.

Deputy G.P. Southern:

Before we start on that particular question as it stands now on those 2 issues, could you tell us, a 4-year review, it is almost policy in development. We have done the first stage, what conclusions have come to from the first stage? Are you prepared to update us as you go along or do we have to wait for 4 years and then we will see the end result?

The Minister for Social Security:

Oh no, we do update as we go along but the whole consultation, 3 years' worth, the 3 different ones will come together at the end to inform any change that may need to be made. We take into account plenty of options that are given and obviously take into account the consultations otherwise we would not be doing that.

Policy Director, Social Security:

I think if Mark takes you through this you will see how far in advance things ... you can see just in the picture that by 2018 where things start to come together, yes? So is that all right if we just take you through those.

The Deputy of St. Ouen:

Yes.

Mr. M. MacGregor:

So if we start just by bearing mind ... if we start at the top, you have got the first ... the first narrative describes the high-level cycle, kind of the external cycle, the government decision-making cycle over the next few years and that just highlights really that next year obviously we have a new government with a strategic plan and resource statement agreed as part of that, which then leads into the next financial plan for government in 2019, going forward to 2020. That is the M.T.F.P 3 (Medium Term Financial Plan). We need to make sure the review fits in appropriate with that overall cycle of what is happening and with the new government.

Deputy G.P. Southern:

But it does not. So in 2019 you are going to produce your policy, 2018 you are going to set out what you do for the next 3 years, 4 years.

Mr. M. MacGregor:

We have planned the review to be in sync with external ... with the actual planning cycle within government. What we need to make sure is ... in fact if I start to describe the ... what is here, the orange line on here, about the overall review and in particular the Social Security Fund itself. So in the next year we are planning to update the actuarial review for the Social Security Fund, the Health Insurance Fund and the Long-Term Care Scheme at the same time so that we can the results of those, the expert results of those, to feed into the kind of foundations of the Strategic Plan and the next Medium Term Financial Plan. So although it looks quite early, actually in order to properly inform the Strategic Plan and the Medium Term Financial Plan we do have to have a lot of information coming together during 2018, including the update of the review of the Social Security Fund. So the actuarial review, that gives you long-term financial projections of the Social Security Fund and there will also be ones for the Health Insurance Fund and the Long-Term Care Scheme.

Having that long-term view going into the next review plan and the Medium Term Financial Plan is going to be really helpful. I have got ahead of myself a little bit with describing the overall review. So, in this case, about your previous question, in 2016 we had our first public consultation on the review and it talked about the Social Security scheme as a whole to improve public awareness of what it is and what it is about, the challenges it faces, and the obviously pose questions like how we could perhaps rebalance that scheme over the next 10, 20, 30 years in light of people living longer and the ageing demographic. The second part of the consultation was where we started to talk about how people save for retirement and plan financially for their retirement. It is important we did those things at the same time because the common link between the 2 is the States pension. So it is important they kind of move along sort of fairly consistently over the next few years. In 2017 we published the results of that and there is a full detailed report of those response and a summary report which has some nice pictures of the main things that have come out of the consultation. That is on the Social Security review website. That was published earlier this year.

Deputy G.P. Southern:

Yes, we have seen that.

Mr. M. MacGregor:

So in terms of the public facing aspects of getting new ideas and opinions, that kind of very high-ended overview of what the review is about and what initial views are at that stage of the review from the public. Moving into this year then, we decided to look at some of the particular benefits within the Social Security scheme and in particular this year's consultation focused on maternity benefits and survivors' benefits. The reason why we have moved on to the benefits is because the first consultation we focused on was quite pension related, quite state pension related. It was quite contributions related and a very high level. We wanted to start to talk about some of the individual benefits. Given the feedback that we had in the first part of the consultation, particularly interest in us looking at around the benefits in particular in the scheme, we wanted to focus in on that in the second stage.

[10:15]

The Deputy of St. Ouen:

What were the drivers that made you look at those 2 particular benefits, survivors and parental?

Mr. M. MacGregor:

One of the themes that came out of the first consultation was around people saying about how they live and work, and we recognise also that how that has changed in recent decades. I think that the ... when it comes to the maternity benefits and survivors' benefits I think that they are quite

interesting and kind of attractive to the public to consider and can understand. They can also bear in mind ways in which we have lived and worked differently in recent years and going into the future. I think maternity is the main one that we felt would strike a chord and would encourage people to take part and give us their views as opposed to some of the others, particularly survivors. So we put them together to encourage the public interaction because if we had just maybe gone with the survivor's one it is a little bit harder to talk about that and get interested in that. So we wanted to hear the 2 of them together.

Policy Director, Social Security:

I think it is also to do with the way the survivors' benefit has changed over the years. So basically the concept was set up in the mid 1970s as was the maternity allowance and they reflected the society at the time and they reflected the concept of the woman would be confined - with the maternity allowance - after the birth of the baby and survivors' allowance was based absolutely on the focus of the man being the breadwinner and the woman being at home, in the event of the man dying then there should be some support provided to the woman. Now, we have noted the previous review in the late 1990s was very interested in gender equality and did make a lot of moves towards giving benefits more equally to men and women. That is fine, but still the concept of saying that following the death of a partner the other partner needs some kind of financial support. Where you have both partners working quite often if there is a mortgage the mortgage will have been paid off because your life insurance will have kicked in and paid off the remaining mortgage. So there are interesting issues around what do we think is the appropriate benefit to provide a working age survivor today. So that is that one. On maternity, obviously we had a consultation earlier in the year on the family friendly employment legislation, which was very confusing because the salient part has 2 different laws that do different things around maternity, both of which are supporting maternity. Kate had her consultation on the family friendly rights within the employment law and that is going to come to a conclusion very soon. We wanted to also look at the same aspect from the point of view of benefits. So that is why those 2 benefits came through as key ones to use. If you look at the questions we asked about them ... when you asked about what had we done with the last year results, there are a number of themes that came out of the results of last year. We talked to people about the increasing pressure on the Social Security Fund and the need to have more money in the future as the cost of pensions go up. We said: "What would you do about it?" and people did have ideas about paying more contributions. You will see that in our 2019 timetables. But they also had ideas about tightening up benefits, restricting the range of benefits ...

Deputy G.P. Southern:

Because you led them there to restricting the ...?

Policy Director, Social Security:

No, no ...

Deputy G.P. Southern:

That is one of the options you put to them?

Policy Director, Social Security:

Absolutely. We said them ...

Deputy G.P. Southern:

So you are leading them to it?

Policy Director, Social Security:

No, I am sorry ... we always try to - and we will do it this year as well - pose equal options to people. So if we say ... so this is one where we are saying that ... going back to last year, we know it is a fact that the number of old people in Jersey is increasing faster than the number of working people. That has to put a pressure on the costs of pensions. Whatever else you do, there will be more money needed for pensions compared to other things and there will be proportionally less taxpayers available to support that cost. Therefore you have a pressure. So you can address that pressure in a number of ways. You could make pensions less, you could just say: "There are more of you so we will pay all of you a bit less money", yes? So one of our options was reduce the value of the pension. One was work longer, get pension for less years. So that is 2 options. We specifically said: "There are going to be more pensioners, perhaps we could pay less money to those pensioners. How would we do that? Pay them less money each or have it for a shorter time?" So that is those 2. We said: "Well, okay, we have one fund. About 77 per cent in our last year's accounts of the money we spent was on pensions and that left about 20 per cent on other benefits, so another option would be to squash that 20 per cent down, have less benefits so the pensions are going to take up some of the slack." That is another way which you could pay for ... the pension is going to get bigger, if you do not cut down on the cost of pensions then you have to cut down on something else. So we gave them the option of saying: "Well, perhaps you would like to have ... perhaps you would like the fund in future to be almost entirely just about a pension fund, yes?" A pension fund with less working age benefits. So that is ...

Deputy G.P. Southern:

Can I sum up briefly? The problem we have is that demand will go up, we accept that. There are 2 options there, basic options, one is spend less, one way or another and the other is raise more or some combination of both. You probably, I believe, in discussing how you would approach this, you have focused on survivors' benefit in particular because you half scrapped it last time and this time you want to scrap it. A decision has been made that is where the focus is because that ...

The Minister for Social Security:

Excuse me, we did not scrap it, we just reduced the length of time to which it was paid out because it was for ...

Deputy G.P. Southern:

Half dead.

The Minister for Social Security:

Well, hardly.

The Deputy of St. Ouen:

You cannot be half dead, Deputy.

The Minister for Social Security:

It was throughout the life of the survivor ...

Deputy G.P. Southern:

Listen carefully and you will find you can, Minister.

Policy Director, Social Security:

You are absolutely right, we can spend less money or get more money in.

Deputy G.P. Southern:

That is it. That is it.

Policy Director, Social Security:

So there are 6 options in the review of part 1. So 2 options said 2 ways of spending this money on pensions and then there are 2 options of spending this money on working age benefits, either we could have fewer benefits, so have less benefits, or have the same number of benefits but make it harder to get them. So restrict the range or the eligibility, yes? So that is the 2 things you could do there. The last 2 options were people pay more, employers pay more. So you tell me what other options you would like to include because those are the ways that you could do it, yes?

Deputy G.P. Southern:

In your second review, you have missed out employers paying more, somebody else paying more, as an option. Why?

Policy Director, Social Security:

Absolutely. Because we come back to follow the logic through of what we are going to do. So last year we looked at the big picture and we said: "You are not going to get away from the ageing demographic, you have to address that" and there are our 6 things. Some options were very unpopular, people did not want to reduce the value of the pension, they did not want to work longer, so they really ... so there were very clear messages that we value the pension, we want you to keep the pension, which means that you have to go to those other 4 options which is either looking at work age benefits or looking at contributions. So this year, as the Minister says, you cannot bamboozle the public with so many different things at one time. So think about one thing at a time.

Deputy G.P. Southern:

Oh, nonsense. The second most popular option in terms of paying more was employers should pay more, the wealthy should pay more and yet, in the second half ... when you came to options, if you want to spend more on this benefit, you gave 2 options there, neither of which was the second most popular, which is ...

Policy Director, Social Security:

That is because you are muddling up 2 different choices.

Deputy G.P. Southern:

How? I do not agree.

The Deputy of St. Ouen:

Just listen.

Policy Director, Social Security:

Right, so the options to restrict working age benefits last year were both quite popular. The people did not like to pay ...

Deputy G.P. Southern:

The second ...

Policy Director, Social Security:

Hold on. Hold on a minute, the 2 least popular options were to do with pensions, so very close to the public: "We like the pension, we are proud ... we want you to keep the pension going." So that is very good, we get that. Right, then the next least popular option was people paying more money, individuals paying more money. So they did not want to have to pay more money in, yes? So the 3 that came out top were employers pay more and the 2 ones about restricting benefits. So this

year we are looking in more detail at what did the public mean when they said that 2 of the 3 top options were restricting benefits. We know ...

Deputy G.P. Southern:

It is one of the 3.

Policy Director, Social Security:

I am sorry, we know that the employers option is a popular one, we have put that in the box, we have got that, we have understood that.

Deputy G.P. Southern:

But you did not offer it as an option at the ...

Policy Director, Social Security:

Of course we did not offer it as an option because it would not tell us the answer we need to know. So ...

Deputy G.P. Southern:

Yet our contributions system says 6 per cent for you and me and Joe Bloggs but for those earning higher it is only 2 per cent. We got capital ... we have a system that is skewed but you refuse to look at it. You have steered your survey to look at bits you want. It is fixed your survey, is it not?

Policy Director, Social Security:

No, because it is not trying ... it is not asking that question. It is very specifically not asking that question. It is basically asking questions about working age benefits and saying last year lots of people chose options around restricting benefits or reducing the number of benefits, so we took 2 benefits which had ... we felt society had changed since the 1970s and therefore we are interested in people's feedback, should there still be a maternity grant, still be a death grant? They are not worth very much money in the big picture but they using space for the pension, yes? We asked people, do you want to keep ... so we asked the same question for the 4 benefits. "Do you want to keep this benefit? Do you want it to be means tested? Do you want us to make it harder to get it?" Interestingly, although we cannot give you ... the final results are not out yet, the initial results are very clear that people do not want to remove the benefits, they like all the benefits we have currently got they do not want to be means tested, yes? But they are interested in making it harder to get them in the first place. That helps to ...

The Deputy of St. Ouen:

So just to summarise, you are drilling down into one of the answers from the first stage but you have not forgotten the ...

Policy Director, Social Security:

Absolutely not, no.

The Deputy of St. Ouen:

... answers from the first stage and that will come forward in the continuing review, will it?

Policy Director, Social Security:

Yes, so we slightly muddled up our ...

The Deputy of St. Ouen:

Can I move us forward a little bit? Mark, you were talking actuarial reviews being ready next year but the new States will from May, June next year be working on its Strategic Plan, will the actuarial reviews be completed by then to inform the Strategic Plan? There is not a great deal of time.

Mr. M. MacGregor:

So the plan is that the actuarial review will take place between March and finish in September next year.

The Deputy of St. Ouen:

Into all 3 funds that you have mentioned?

Mr. M. MacGregor:

That is right.

Deputy G.P. Southern:

Publish when?

Mr. M. MacGregor:

I would imagine September, October time because it needs to inform the decision around the next Strategic Plan and Medium Term Financial Plan and so forth.

Policy Director, Social Security:

Yes, you are right to question the timing, it does take a fair amount of time to do an actuarial review but there is also the chicken and egg here because the Strategic Plan at the end of the day refers to the way that the States are going to spend tax funded money, tax revenues. So the Social Security

Fund and other funds do sit slightly outside of that. They are important and it is all done together but the Social Security Fund in particular - and that is the one where the timing is more critical - does get money shared from the States. There is a States grant each year which is a significant proportion of the total income when it comes into the fund. Currently frozen at ...

Deputy G.P. Southern:

Currently frozen at 65.

The Minister for Social Security:

Sixty-five.

Policy Director, Social Security:

£65 million, yes. So the new Council of Ministers needs to understand the current situation and needs to see what the overall picture is for tax revenues, yes, of the tax spend, and has made the decision about the amount of money for the States grant going forward. It is currently frozen, if nothing happens at all then the law bounces back in 2020 and it would push the States funding up quite a lot because it would go back up to where it should be.

The Minister for Social Security:

Which would be about £80 million if it were to re-establish itself.

Senator S.C. Ferguson:

However, I think you are forgetting the elephant in the room, are you not? The rate at which money is being taken out of the Social Security Fund appears to be much higher than ... we have got over 50 per cent of the population that draws from that fund as opposed contributors to it. The tipping point ... we are publishing a paper to go with the budget on the Corporate Services Panel and the approximate estimates we are getting is that if you are ... 44,000 is - Geoff reckons 50,000 - the tipping point between whether you are a contributor to the Social Security Fund or a net drawer.

[10:30]

But the average salary is £34,000 and I think the median is £29,000, so we have a very sizeable part of the population who are drawing on the fund as opposed to contributing to it and, therefore ... I am not quite sure how you are going fund the deficit, whether it is from reserves or whatever but you will no doubt have one looking at our papers.

Policy Director, Social Security:

Okay, so there is not a deficit in the fund at the minute.

Senator S.C. Ferguson:

No, but down the road ...

The Minister for Social Security:

This is why we are doing all this work.

Policy Director, Social Security:

People historically have talked about the concept of supplementation and talked about a concept whereby basically we provide an earnings related contribution scheme, so you pay 6 per cent of your wages up to a certain level in each year and the benefits we pay out are fixed rate benefits. It is an interesting kind of progressive system whereby the amount you pay in depends on what you can afford to pay, the amount you get out is a fixed amount. The pension is based on how many years you have paid not how much money you have paid in. It is a nice progressive ... there is an ultimate distribution in the Social Security Fund. Although you may not like the contributions themselves but the net effect is quite progressive. So all the way through, if you go back historically, you will see that typically 70 per cent of all workers are below the limit and therefore they do not make the full contribution into the fund. We have talked in the past about individual records being supplemented and I think that concept is perhaps slightly confusing because what it would be better to say is it is an earnings-related scheme, so you pay in according to what you can afford. If you pay in ... as long as you pay in a minimum amount of money, you get a record for that month. Your months add up and it gives you a pension at the end of the day. Then what the fund has done in the past - it is a very nice mechanism, it is very simple - is say that the States, taxpayers, general taxpayers, will then pay in those extra bits that are missing. So you supplement the record of each individual person by the amount of money that is received.

Senator S.C. Ferguson:

Yes, it is a third, a third, a third, I thought?

Policy Director, Social Security:

Yes, the original ... if you go back to what I said before, that is right, people wanted the set up to be employers pay a third, employees would pay a third and the States would pay a third. There was always the concept that the States would feed into the pension fund of the population to even out those lower paid people. It has not changed very much. The last 8 years or so, things have happened which ... the amount of money the States gives us is no longer directly related to individual records on an annual basis. But I say it is also important to remember that the person who is paying in below the limit, they themselves do not see the benefit of that supplementation themselves because they are just working - they are 30 or something, they are just earning at a normal sized

job - and they are just making their contributions and paying what they need to pay. The people who are getting the money from the States grant are the pensioners. We are using the money to pay the pensions of today's pensioners. We are not keeping the money for that 30 year-old in 40 years' time.

Senator S.C. Ferguson:

With respect, there is obviously more coming out of the fund than ... there is an imbalance between the fact that over 50 per cent of the population are not paying into the fund as much as they will want to be drawing out. Therefore the prospect is that the fund is being depleted because we have not got enough going in.

Policy Director, Social Security:

But that has always been the case. Historically, if you look back, about 70 per cent of people all the way through are paying below the ...

Senator S.C. Ferguson:

Yes, but there is 30 per cent from the States that is going in and the States have cut or have capped their supplementation to £65 million when I think the Minister said it should be about £80 million.

The Minister for Social Security:

Well, would be when it is reinstated.

Senator S.C. Ferguson:

I think it would be very difficult to persuade Ministers for Treasury to up that again and to go back to the 30/30/30, or one third, one third, one third, therefore there is a problem or is going to be a problem down the road leading to the long term so where does that figure in your calculations?

Policy Director, Social Security:

That is a very important point. You are absolutely right. This M.T.F.P., the one we are in at the minute, at the beginning of this M.T.F.P, there were all sorts of measures needed to be taken to balance the States budget and there were suggestions for new taxes, which have not come through, and there were suggestions for savings against staff costs and against departmental budgets. One of the things that was put forward at the time was this freezing of the States grant, because that saved the States, I think, about £20 million.

Deputy G.P. Southern:

So a short-term solution to a long-term problem?

Policy Director, Social Security:

Absolutely, short term, yes. Absolutely, but that is why we are doing the review. A short-term solution. The fund has built reserves of £1.75 billion - the Minister is very proud of it – at the minute. The decision was taken, absolutely short-term decision, to say that the fund could afford to not receive £20 million of short-term income. The Social Security Department were very keen that the law was not changed, it was frozen, yes? If you look in our law you will see the old formula is there and the States have to make another decision, the next M.T.F.P. to do something else to it. If they do nothing to it, it will bounce back to the £80 million, that is our guarantee that the fund ... we are looking after the fund as best we can. But we accept the fact that corporately you have to balance the books across the board and therefore there are things you have to do.

Deputy G.P. Southern:

That is going to happen in 2020. The end result of the review is early 2019, 2018 still - I will come back to the point - you have to agree, is Strategic Plan resources.

Policy Director, Social Security:

That is exactly what the actuary will do. This is the point, it will have to be done fairly quickly but during 2018 the actuary will be looking ... when the actuary looks at the fund they assume that the States grant is fully funding that third, yes? But that ... because it makes it very easy to do, because basically everybody ...

The Deputy of St. Ouen:

Sorry, the actuary will assume what?

Policy Director, Social Security:

Right, so the way the ...

The Deputy of St. Ouen:

Will the actuary assume anything?

Policy Director, Social Security:

The actuary assumes all sorts of things, that is their entire job. The way that the fund works up until a few years ago was that for every single worker ... the same amount of money was put into the fund for each worker, yes, and therefore when you are doing projections of the future it is very easy because you just count the number of workers, times it by the standard amount of money that came in for everybody. If the actuary does not mind who the money is coming from the employer, the employee or the States grant it is the same amount of money. The sums are quite easy to do. We

messed around with this in recent time where we have got an extra contribution above the ceiling and we know ...

The Deputy of St. Ouen:

Yes.

Policy Director, Social Security:

During 2018 the actuary will look at the impact of doing other things with the States grant, yes? We will have to do that work at the same time as the strategic review is being run through. There will be a certain amount of getting that done quickly, but we know we need to do that and that has to be done during 2018 but actually 2019 is the detailed work. So you need broad picture stuff in 2018 and the detailed stuff 2019. That will work fine because the detailed actuarial review will be done well before the end of 2018 and into 2019.

Deputy G.P. Southern:

The detail of your review in 2019, so you are going to be deciding what benefits and how you are organising these benefits and how much you are spending on your benefits, which are propped up by £90 million at least of taxpayers' money that is going to income support which makes sure people do not starve as a result of being able to ... making it more difficult to claim the benefit. So you have £90 million there and you have your £65/80 million in terms of supplementation coming back into the equation then, I would imagine that the Minister would be relieved not to be in charge of Social Security, if she is still in the States by then, at that time.

The Minister for Social Security:

Do you know something I do not know, Deputy?

Deputy G.P. Southern:

That sounds like a recipe for disaster.

Policy Director, Social Security:

No, in 2018 the new Council of Ministers and the new States Assembly will set the overall direction for what they want the overall States resources to look like over the next 4-year period. That will be clarified in detail in the M.T.F.P., which will be done in 2019. We will pass that process, we will feed into it, we take your question from it. You are absolutely right, we have to know what the value of the States finances is like to be in broad terms, what income support is going to be in broad terms and that will let us talk to the public in 2019 within the context of: "This is what the States wants to do going forward in terms of raising taxes, in terms of making spending, in terms of priorities" and therefore you will be able to know what to do. You cannot do it earlier than that.

Chief Officer, Social Security:

The key date for us is the M.T.F.P. to have the financial detail, it will be lodged around June 2019.

The Deputy of St. Ouen:

But that is a whole year after the new States is elected.

Chief Officer, Social Security:

Yes, because the current Medium Term Financial Plan runs until the end of 2019, so the new one ...

The Deputy of St. Ouen:

But all the work towards it is done many months before and yet this paper shows that your research results or your consultation results are only going to be released in that year, 2019. I am kind of worried that the results of all you are doing now, your full year survey, is going to come after the M.T.F.P is properly planned.

Policy Director, Social Security:

Like I say there is a certain amount of chicken and egg here. We need to know what the States direction to enable us to finish off the review. This is a review of the Social Security Fund. The Social Security Fund is not part of the M.T.F.P., the States grant ...

The Deputy of St. Ouen:

There are connections, are there not?

Policy Director, Social Security:

Yes, there are connections. The States grant is a big, massive connection with millions of pounds coming into the fund each year. We need to have some clarity as to what the kind of general feel for that is and then we can feed that into 2019 to say what do we feel about the future fund going forward. It is not going to be easy to do. The task in the round, the new Council of Ministers are setting a new budgetary plan, this is a more generous timetable than last time round because last year it had to be passed and had to be done in one calendar year, whereas now there is a year and a half to do it. It is hard work to do and Treasury work incredibly hard in that time to get everything together and we are well aware of their timetable, they are well aware of our timetable, we are very closely joined up together. We have to work quite fast. But Social Security does not have to have all the answers for June 2019 when the M.T.F.P. is published, the M.T.F.P. will say the States grant will be £80 million, yes? That is what we need to know. The details of whether there is a survivors' benefit or not is a separate thing and we can do that for the rest of the year.

Deputy J.A. Hilton:

Before we move off this subject, when you were here last you talked about the review of class 2 contributions and I think that is a priority piece of work. Can you just ...

The Minister for Social Security:

Yes, that is ongoing. It has started, it is in depth and what we are wanting to do primarily, although it is quite a big review, is to look at what is called at the moment the deferred rate. So it is to help businesses just starting up. I think there are some 300 or so businesses that are taking advantage of it now and we want to revamp it, if you like, so the people understand it more. Mark has been doing the work on it if you want to add anything.

Mr. M. MacGregor:

Yes, so over the course of the last year we have been talking to ... we have run a workshop with Digital Jersey and talking to Jersey Business about the experiences of meeting certain people within the department and in particular around contributions that they pay. We have been taking on board their feedback around a wide range of things, not just the contribution rate itself, but the communications, the information available, et cetera. I did this is with the contributions team and over the course of the year they have been updating the webpage and doing things like that. In terms of the deferred contribution rate itself, we are planning on making that a lot clearer and relaunching that along with the other improvements in the New Year.

Deputy J.A. Hilton:

Okay, so that should be making it much easier for new businesses that they will not be under so much financial pressure in the early stages, is that right?

The Minister for Social Security:

Well, this has been ... we have had this in place. I think it is just that it has not been well communicated enough and so it is a revamping of the whole thing and re-advertising it ...

Deputy J.A. Hilton:

It is a relaunch basically.

Deputy G.P. Southern:

How long does the deferred rate last for?

Chief Officer, Social Security:

Potentially up to nearly 3 years, depending on when you start.

Deputy G.P. Southern:

Up to nearly 3 years.

Policy Director, Social Security:

So 2 calendar years and whatever the first year is. You get whatever the first year is plus 2 whole years.

[10:45]

The Deputy of St. Ouen:

Are there any additional options being considered to assist new businesses? Self-employed persons?

The Minister for Social Security:

The whole thing is being looked at. This is just for starters so that we can make it more clear to people who are starting up businesses. I think a lot of people are now with the employment situation. So we wanted to make it clearer to them that this is available for them for this period of 2 plus years. That is the start of it and then the work will carry on and we will gather options.

Mr. M. MacGregor:

Yes, and when we were talking to Jersey Business in particular, it became very clear that there are ... that they have their own views about the priority areas that government should try and look at and consider improving to help new businesses and businesses and contributions, employers contributions, is just one of those areas. I believe that Jersey Business are working ... co-ordinating with other parts of government to improve on other things that government does with new businesses as well. So, for example, there has been work on innovation in other parts of government - I think on access to finance as well although I do not know the details myself on that - so there are clearly other areas where ...

The Deputy of St. Ouen:

Yes, but within the department, within ... are there improvements being proposed with regard to helping the self-employed? Because as the Minister said earlier, in the last 10, 20 years the world of work has changed, the home life has changed and in fact many people are moving on to a self-employed basis not really out of choice but because that is the world of work now. You cannot walk into a standard job where you are employed 5 days a week from 9.00 until 5.00, it is much more difficult. So with the contributions to Social Security a burden on that, is there any additional ways that are coming forward in giving support to these people?

Policy Director, Social Security:

Sorry, just in terms of self-employment in Jersey, we have not really seen an increase in the number of self-employed people, it is different to the U.K. (United Kingdom). Some of the trends in the U.K. employment market have not been reflected in Jersey. The number is roughly about 3,500 to 4,000, which I would say is fairly flat.

Deputy G.P. Southern:

But my question was ...

Policy Director, Social Security:

But you see the class 1 is increasing but the class 2 seems to be kind of ... it is a much lower level, so it is fairly flat.

Deputy G.P. Southern:

We do not think there is any evidence of people being self-employed when they are actually employed.

Policy Director, Social Security:

Not from the self-employment you see in the U.K., yes, yes, yes. The other thing that we are doing, it is just with the note at the bottom of the timetable you have got there, is we are now working very closely with the Tax Department because tax are obviously doing an enormous revamp of their systems. I am sure, I am quite sure, yes.

Mr. M. MacGregor:

The Taxes Office are introducing and developing a new revenue system at the moment for collecting income tax and other taxes and other revenue, so they can also incorporate contributions as well. There are also other projects in the government around business identities, individual identities logging on, portals, et cetera, which, when they all come together, will make the kind of experience and time and expense needed to complete the revenue plans in respect of the self-employed people and businesses, whether they are contributions or for tax or G.S.T. (Goods and Services Tax) whatever, be more streamlined and cheaper and more effective for them to do that, so that is gradually coming together. The deadline, the start date for the new tax system, along with contributions, is 1st January 2020, so that is in the bottom of the timetable.

Deputy T.A. McDonald:

Before we move on to anything else, what progress have you made on encouraging companies to offer pension schemes?

Senator S.C. Ferguson:

Can we ask the Minister that one?

Deputy T.A. McDonald:

By all means.

The Minister for Social Security:

Yes, that has obviously been part of the first review, is workplace pensions and I am very keen to encourage that. Talking to the Chamber of Commerce and the I.o.D. (Institute of Directors), they may not have exactly the same delight in the process that I do. But it is really a matter of encouraging people to learn - I do not mean that to sound patronising but to start thinking early about saving for their retirement, rather than what a lot of people do is just rely on the State being able to pay them a pension at 60 or 65. It is really trying to get it into a change of culture, in a way, to get people to start thinking early about saving for their retirement, whether they do it themselves by putting money into some sort of endowment scheme or whether it should be ... a lot of employers do already offer workplace pensions but it is encouraging the employers to think perhaps that they should. Guernsey are already doing this, or it has been agreed by their States, I do not think it is implemented at the moment but starting at a sort of 3.5/1 per cent dual contribution, aiming to get up to a 10 per cent contribution.

Deputy T.A. McDonald:

Yes, so that would be over what sort of period of time?

The Minister for Social Security:

About 10 years, I think.

Policy Director, Social Security:

If I can just point you to that big orange one at the bottom, the orangey-brown one, so that is the thing you are interested in. You can see it is slightly separate to the Social Security review because obviously it is pensions from employers, from other sources. Mark has been working on that this year in terms of insights behind the scenes, just talking to people and finding out if you can help us to do this work and that will kick off getting a bit more detail next year.

Deputy G.P. Southern:

What conversations has the Minister had with the Minister for Treasury and Resources over this?

The Minister for Social Security:

General conversations because it has been in our programme for quite a considerable time.

Deputy G.P. Southern:

Have you had a meeting or meetings specifically about these?

The Minister for Social Security:

No.

Deputy G.P. Southern:

May I ask why not before you ...

The Minister for Social Security:

He is rather tied up with the budget at the moment.

Deputy G.P. Southern:

He is often tied up with the budget, he has not been tied up with the budget for 3 years.

The Minister for Social Security:

No, no, no, this is not 3 years, we are talking about discussing this in the last year and a half.

Deputy G.P. Southern:

The last time we talked to you, you had not talked to him in any official way as to how you might step forward for it. I would have thought this was one for getting out of the silo mentality and co-operating with the 2 bodies concerned in order to develop something. Why have you got nothing concrete? We have just got a fresh layer here on the workplace pension scheme.

Senator S.C. Ferguson:

I think, to be fair, it is already in the Tax Law that you can get relief on pension repayments. What are you doing to make sure that you have a workplace pension scheme that does not get sort of scrapped if the business goes bankrupt? I think that has been a problem in the U.K., has it not, that there are people who thought they had a workplace pension and then the company has gone into liquidation or whatever and suddenly all that they have saved for their pension has gone?

The Minister for Social Security:

Yes.

Senator S.C. Ferguson:

What work have you done on that?

Chief Officer, Social Security:

Yes, these are valid points and if you look at the timetable at the bottom there, the point is that we will be bringing in a group of marketing and developing stakeholders, contact with stakeholders, expert advice and so on this year and we will be producing a full paper, hopefully in 2019, that will articulate all those issues. We are looking at what Guernsey are doing, we are looking at seeing how they are approaching things. We need to get things right for Jersey and that is what we will be bringing to a policy paper for review and for discussion in 2019.

Deputy G.P. Southern:

In 2017 there is a little box that contains developing stakeholders; we are almost at the end of 2017. What has been achieved in developing stakeholders?

The Minister for Social Security:

That is why I mentioned the Chamber of Commerce and the Institute of Directors but you have to be very careful, alluding to what Senator Ferguson said. A lot of our businesses over here are S.M.E.s (Small Medium Enterprises), 80 per cent in fact and you have to bear in mind that you cannot implement a workplace pension overnight on the basis it would have quite a detrimental effect on somebody, possibly, who has a small business. It has got to be ...

Deputy G.P. Southern:

We are not talking about overnight, we are talking about how is that being developed? You have warned that it might be coming, is that ...

The Minister for Social Security:

Yes, well Mark has been doing the work behind the scenes on it.

Senator S.C. Ferguson:

Have you been talking to the insurance companies, for instance, as to whether they can set up an Island scheme so that you do not have the worry of a little 2-man business going out of business? Have you done those sort of things?

Mr. M. MacGregor:

In last year's consultation the first part was around people's experiences of saving for retirement and lots of these very good comments and ideas were coming out from who took part in that consultation and we have taken those on board and to the next stage. This year I have been in touch with some local actuaries, financial planners and advisers and I think some of them also do work in the insurance industry as well and they have their own views about what has happened in

Jersey in recent years and how things have changed. By doing that, that is pooling together a group of experts with experience of like what has happened in Jersey, which will then help us to take stock of the situation and then think about what might be appropriate for Jersey going forward.

Deputy G.P. Southern:

Is there a paper that we could see on that or is it ...

Mr. M. MacGregor:

Say, for example ...

Deputy G.P. Southern:

Because you did say before: "Yes, of course, we will talk to you as we are developing over these 4 years about where we are at." Here is one that is pretty important, I would have thought, and it has got a whole row to itself.

Mr. M. MacGregor:

As I have said in the timetable there with developing stakeholders, it has mainly been a meeting with different stakeholders, understanding what they know about Jersey, what they want to tell me about the environment in Jersey for saving and to help me to understand as well because then that helps then to plan out the rest of the kind of pulling together the advice and looking at what options for Jersey might be appropriate. It is where you have mentioned a few options, which could potentially be suitable for Jersey but we just do not know at this stage until we have got some experts, until we have considered the pros and cons, they are all potential options that we could be interested in in Jersey.

Senator S.C. Ferguson:

Yes, for instance, have you considered having something of a collective investment fund for companies with a turnover of less than whatever, doing something like that because that is the sort of safety net? As I say, it is no use getting a couple of window cleaners to try and work out a workplace pension scheme.

Mr. M. MacGregor:

Yes, so if they ...

Senator S.C. Ferguson:

If they can put money each month into a collective investment fund that is regulated by the J.F.S.C. (Jersey Financial Services Commission), then surely that is your answer.

Deputy G.P. Southern:

I am sure we could all, on this side of the table, generate various options but can I get back to the question I first asked or I was trying to ask which was, how many people have already got secondary pensions, workplace pensions in place, do you know?

Chief Officer, Social Security:

I think that is in the J.A.S.S. (Jersey Annual Social Survey) from 2014, is it not?

Mr. M. MacGregor:

I am afraid I cannot remember the numbers but it is ...

Policy Director, Social Security:

It is published, we can send it over.

Deputy G.P. Southern:

Right, because I have never seen it.

The Minister for Social Security:

It is in the J.A.S.S. report.

Chief Officer, Social Security:

There was a question about who saves ...

Policy Director, Social Security:

We have asked questions in the past through the Social Survey about some private pension provisions.

Deputy G.P. Southern:

Okay, I will dig through that.

Policy Director, Social Security:

It is not a lot but it is ...

Mr. M. MacGregor:

In J.A.S.S. 2015 there is a section on pension provisions and there is information there about people's views on whether they think they will have a good income in retirement and other aspects of saving for retirement. There is quite a big section in the 2015 Jersey Annual Social Survey. I think there may be an older survey that then also says the proportion who have workplace or a

pension or workplace pensions. But I am more familiar with the 2015 survey, so that would be the ...

Deputy G.P. Southern:

Can I ask you if the department still uses agency workers to recruit those staff?

Chief Officer, Social Security:

For the Social Security review or just generally?

Deputy G.P. Southern:

For the Income Support Department or wherever.

The Minister for Social Security:

Yes, generally.

Chief Officer, Social Security:

Yes, we do still use temporary workers, agency staff.

Deputy G.P. Southern:

Okay, and when they earn, is that pension paid to contribute to their pension in any way? I am talking about workplace pensions put in practice.

Chief Officer, Social Security:

That would be down to their employer.

Deputy G.P. Southern:

Yes, so no.

The Minister for Social Security:

We are not their employer.

Deputy G.P. Southern:

No, of course not, you are not. You are using the agency, that is wonderful and so you do not get the workers with their proper rights. Okay, fine, including a pension, a workplace pension. Right.

The Deputy of St. Ouen:

Talking of wages, shall we move on to living wage questions?

Deputy G.P. Southern:

Do you support the Chief Minister in his support, in principle, for the living wage and how do you see that just moving forward, Minister?

The Minister for Social Security:

This is part of the Chief Minister's Department, as you have just alluded to, not Social Security Department. The Chief Minister's Department is conducting the review into the living wage and we are not part of that. We have put our input in but until they come up with their suggestions, I do not know what they are going to be.

Deputy G.P. Southern:

Would you like to supply us your input?

The Minister for Social Security:

It is 2-fold, inasmuch as you will well know, the sort of Caritas living wage and what the Chief Minister has alluded to, which is accreditation, so it is a 2-part thing.

[11:00]

I have spoken to him about it and the answer was the review is being conducted and I do not know what the timeframe of that review is.

Deputy G.P. Southern:

I have asked him for a report on my proposition, which is due for the last meeting of this year, at least a fortnight in advance, though I am expecting it any day now.

The Minister for Social Security:

Good.

Deputy G.P. Southern:

As I have said, detailed comments, so when I do get those comments I am sure you will obviously be in the circuit.

The Minister for Social Security:

But I asked yesterday in advance of the meeting today and there was not anything that they could give me in advance.

Deputy G.P. Southern:

Thanks for reminding me to remind the Chief Minister what he promised ...

The Deputy of St. Ouen:

But, Minister, the Chief Minister has gone beyond, it seems to me, just conducting a review. He has said he supports payments of a living wage, what is your view?

The Minister for Social Security:

My view, as I think I have expressed before, is that businesses should be encouraged to do so, a lot, of course, already do and the more encouragement one can give to businesses, then the better. But it should not, in my view, be statutory, it should remain, as Caritas say, a voluntary accreditation system and I would encourage businesses to do it.

The Deputy of St. Ouen:

Would that extend to workers employed by the States?

The Minister for Social Security:

That would be down to the States Employment Board.

The Deputy of St. Ouen:

What is your view though, as a Minister sitting on the Council of Ministers?

The Minister for Social Security:

It would depend, it is a much bigger picture than just giving a view, inasmuch as I have just said, all the encouragement is required but I would not want it then to be statutory. It would have to be voluntary and it would have to be down to the States Employment Board to see whether it was feasible. Very minor because a lot of people employed by the States are already on the equivalent of a living wage and ...

The Deputy of St. Ouen:

I think that is right.

Deputy G.P. Southern:

All bar 2 apparently ...

The Deputy of St. Ouen:

I think that is right, so that is not really the issue. Perhaps the issue is more so the businesses that provide services to the States Departments, so you might have cleaners coming to your department.

The Minister for Social Security:

Yes, this is the difficulty, is it not, outsourcing?

The Deputy of St. Ouen:

Would you support or give preference to a company that is paying its cleaners a living wage to one that is not, to one that is accredited as paying the living wage? Would you give positive support to employing in your department such a company?

The Minister for Social Security:

I think you have to be very careful not to create a 2-tier system in this because that is what it would do. If we go down the line, as I would, of encouraging businesses to pay this, then that would naturally follow through that you would want to employ people or outsource workers to do that. But, as I say, the danger of that is creating a 2-tier system.

The Deputy of St. Ouen:

Yes. Why is it a danger?

The Minister for Social Security:

Because one would be paid a living wage, another one might not and, as you have just said, would you choose one that was paying it or one that was not? Surely you would choose the right people for the job.

The Deputy of St. Ouen:

Yes. Is there not a benefit to the Island and indeed specifically to the income support system if people are earning more and supporting themselves?

The Minister for Social Security:

I think the whole ethos, as you will know, I have repeated it time and time again, behind Social Security is encouraging people to be financially independent, if there was a living wage, again, not statutory but voluntary. One also has to bear in mind the different areas that make Jersey tick, agriculture would not be able to support paying the living wage, neither, possibly, would hospitality or retail, so where do you start and where do you stop? You cannot say let us bring in a living wage without underestimating what the consequences might be.

The Deputy of St. Ouen:

No. But, as you say, these are voluntary schemes, Minister.

The Minister for Social Security:

It is.

The Deputy of St. Ouen:

But I am trying to understand what support there is within the Council of Ministers for promoting this.

The Minister for Social Security:

Essentially, it is what the Chief Minister has said, that it would be encouraged but until he comes out or that his department comes out with his review of it, it is not being discussed at length because that is what we are waiting for.

Deputy G.P. Southern:

You are saying it is not policy yet.

The Minister for Social Security:

No, no.

Senator S.C. Ferguson:

Have you done any work as to what the Caritas living wage sort of includes and whether perhaps it is realistic?

The Minister for Social Security:

That is what this Chief Minister's Department's review ...

Senator S.C. Ferguson:

How long have they been working on their review?

Policy Director, Social Security:

The level of living wage, do you mean?

Senator S.C. Ferguson:

Yes, I mean ...

Policy Director, Social Security:

I think, in reality, the Caritas living wage is just being set equal to the London living wage, which is a sensible thing for them to do.

The Minister for Social Security:

£9.75, I think, is it not?

Policy Director, Social Security:

Calculating the living wage is quite complicated and you have to take a variety of households, average them out, add in the benefits that they are going to get in that jurisdiction, so it is a fair bit of calculation, so that is ...

Deputy G.P. Southern:

But Caritas is reliant on U.K. calculations and decided to use that complex calculation.

Policy Director, Social Security:

Caritas has a good connection within the foundation, yes. It is a very good idea, yes, yes. The living wage for Jersey is being set on a par with the London one, I think that is a sensible choice to make.

Deputy G.P. Southern:

Yes, likely to go up to £10.20, I think.

Policy Director, Social Security:

Therefore, in effect, it is the calculation that is in the London living wage, which you can ... there are a lot of sites you can see, it is a quite complex calculation; it takes a lot of things into account. Obviously, the London living wage takes into account London, English benefits, whereas if you did a Jersey one from scratch it would have to take into account Jersey benefits, which would be different but ...

Deputy G.P. Southern:

You would be there for several years.

Policy Director, Social Security:

Yes, it would take a long time to do, yes.

Deputy G.P. Southern:

Can I move it on to a related item? On the minimum wage because we went below the U.K. minimum wage for the first time ever, we were under the minimum wage recently. The Oxera report has just been published and so a 10 per cent increase in the minimum wage. On balance it would cause some problems but relatively minor ones. What is the way forward now because, traditionally, we have always had no interference with the recommendation of the Employment Forum? The Minister has always let whatever they say go through. It has never been amended. Now we have a major change, I would suggest, with the piece of work from Oxera that says: "If you raise the minimum

wage significantly, it will not do that much damage.” Where are we, politically, and where is the relationship with the Employment Forum and how are we going to proceed from there?

The Minister for Social Security:

Politically, as you will be aware, I have accepted the recommendations of the Employment Forum for a 4.5 per cent increase to £7.50, from £7.18, which is quite a large increase. You are quite right, we do not interfere, or I have the right to, with the recommendations of the Employment Forum because it is apolitical and they spend a huge amount of time, effort, energy into consulting with businesses, with stakeholders, with people across the board to come up with their recommendations. To say there is a large increase in a minimum wage, pretty much as just described to the Chairman with a living wage, would affect, unlike many other jurisdictions, our agricultural industry and possibly hospitality and in many other jurisdictions, there is a comparable in this scenario, do not have the emphasis of the minimum wage being used in those areas. But Kate is the one that sort of does the work with the Employment Forum, so maybe she might like to add something else. But, politically, I would not want to interfere.

Deputy G.P. Southern:

The question is, what consideration will be made of the Oxera report?

The Minister for Social Security:

The Employment Forum has ...

Deputy G.P. Southern:

Your interpretation is that it may cause damage in 2 particular areas ...

The Minister for Social Security:

Maybe 3.

Deputy G.P. Southern:

Despite the fact that ...

The Minister for Social Security:

Areas of minimum wage use.

Deputy G.P. Southern:

... Oxera has ... so that job losses will be relatively insignificant.

Policy Director, Social Security:

There is always a difficulty in understanding what that kind of expert's economic advice is telling you. You are absolutely right, that it was fairly balanced as to the kind of pros and cons ...

Deputy G.P. Southern:

We have been using Oxera for economic advice for the last 10 years.

Policy Director, Social Security:

Yes. No, no, but it comes down to the ...

Deputy G.P. Southern:

Probably that is a question then on methodology.

Policy Director, Social Security:

No, no, no, the methodology is absolutely fine but I am just saying that you have to understand what the methodology was. The methodology in this case was to look at the economy through the sectors and take averages across the board because you have to do that because you try to write a report you could do within a few months. It is a detailed report and it is based on good analysis of the data that they had to hand. The problem is knowing how to implement that into practice and they themselves talked about an average of 60 job losses, I think, with the lower wage rate. But they have done that by taking averages and averages and averages and averages and just assuming things but, in reality, they cannot possibly know the impact on that part to get to like that, the impact on that part to get to like that. Therefore, we could have quite a big variability in what might happen and so you would have to be a little bit careful as to saying: "It is fine, we are going to be all right." This is, I think, what the Chief Minister is doing at the minute, is looking in more detail at what the actual implications would be, talking to actual farms about it one by one and that is really important. You need to not jump at it and say: "It is okay ..."

Deputy G.P. Southern:

Talking to individual partners on a one-to-one basis and that is what you are doing and that is our economic policy being surrounded by farmers.

Policy Director, Social Security:

No, no, no, no, no, no, it is the Chief Minister's Department, it has to go into more detail now. The Oxera report cannot possibly think about the individual structures of the industry. If you look at the way it talks about the impacts on prices, it makes a broad assumption from all sectors. It may be that, for example, the new potato market is not able to get price rises in the way that you might feel surrounds various prices in the local shops. There is a level of detail that you cannot get into that

overview report. The report is very good, very well researched but you now need to go back and to look at using it ...

Deputy G.P. Southern:

But you are saying that is the responsibility of the Chief Minister and not of your department or the Employment Forum, which decides what the minimum wage is and it has this evidence from Oxera in front of it.

The Minister for Social Security:

The Employment Forum did have the Oxera report to input into their recommendations.

Deputy G.P. Southern:

In what way did it affect the outcome?

Ms. K. Morel:

The report talks about the Oxera report and it reflects the outcomes of that. The Oxera report ...

Deputy G.P. Southern:

The new figure of £7.50.

Ms. K. Morel:

Yes, took into account the Oxera outcomes.

Deputy G.P. Southern:

Which talked about a 7 per cent rise and a 10 per cent rise and we got a 4.5 per cent rise.

Senator S.C. Ferguson:

Is it being done by the Chief Minister because your department is fairly stretched at the moment or ...

The Minister for Social Security:

It just comes under the responsibility of the Chief Minister's Department.

Policy Director, Social Security:

Right, there are different things ...

Deputy G.P. Southern:

Hang on, look, if I wanted to ask a question of the Employment Forum ...

The Minister for Social Security:

The minimum wage, yes, sorry, I thought we were on the living wage again.

Deputy G.P. Southern:

I referred to you ...

Senator S.C. Ferguson:

I am sorry, I probably have phrased it badly. I was just interested into why the Chief Minister has taken up something that I would have thought naturally would have fallen with your department?

Deputy G.P. Southern:

Are we back on living wage now?

Senator S.C. Ferguson:

Yes.

Policy Director, Social Security:

No, the Chief Minister published the Oxera report in the beginning of July and he made a statement at that time that he was going to be looking at the current States decision around the target rate for minimum wage. The Minister for Social Security holds political responsibility for the Employment Forum. The Employment Forum has a set of criteria that is set out in employment law, which allows it to assess minimum wage from year to year. It then takes into account the States decision from 2010, which is to hit certain rates in 2026 or by no later than 2026. If the Chief Minister wants to go back to the States and say: "That should be different" unless there is a proposition minuted there that has a similar kind of a feel to it. The Minister for Social Security did not put it in the 2010 proposition, that would be ...

Deputy G.P. Southern:

That is mine.

Policy Director, Social Security:

But amended, that is amended by the Minister...

Deputy G.P. Southern:

I am just saying probably have made it much shorter.

Policy Director, Social Security:

Yes, yes, yes, amended by the Minister for Economic Development at the time. It is appropriate that the Minister for Social Security maintains a distance from those kind of political aspirations because then she is responsible for the report.

Deputy G.P. Southern:

Minister, have you any idea as to how close the Chief Minister is to lodging something on the minimum wage?

The Minister for Social Security:

It is another question I keep asking, Deputy.

Deputy G.P. Southern:

It is more fog.

The Minister for Social Security:

It was going to be sort of about the middle of this year, I think, but ...

Deputy G.P. Southern:

I look forward to the Christmas jumper that you are knitting ...

The Minister for Social Security:

I did ask that too in anticipation of your question but ...

Deputy G.P. Southern:

You have no idea. We would have to get the Chief Minister in to ask him that and what is what. Can I move on to a different topic?

The Deputy of St. Ouen:

Deputy Hilton wants to ask a few questions, I think ...

Deputy J.A. Hilton:

All right. Okay, yes. I just wanted to ask you a question that is in the budget, related to the budget, and it was around the expenditure and the Long Term Incapacity Benefit. I note that between the years of 2018 and 2021, so over a 3-year period, that the funding for that benefit is jumping by £1 million per year. Can you explain why that is happening and how you can predict that, that big jump?

Chief Officer, Social Security:

I have not got that in front of me but I suspect there is a ... currently we have 2 forms of Long Term Incapacity Benefit, one is Invalidity Benefit, the other is Long Term Incapacity Benefit.

[11:15]

People move ... effectively, do not move but they are replaced. As people leave Invalidity, it balances out, so one budget goes down and the other budget goes up, that you see on that there. While L.T.I.A. (Long Term Incapacity Allowance) is going up by £1 million roughly a year, Invalidity Benefit is going down by about £400,000-odd a year.

The Minister for Social Security:

I think we had just better explain the differences in those. We do not have ...

Deputy J.A. Hilton:

Because that is the old benefit; it was the old benefit that people remained on for a period of time.

The Minister for Social Security:

All the ones who are on it stay on it, so that is why it is going down.

Deputy J.A. Hilton:

Yes, right, okay. But even if you take that figure out, there is still quite a big jump.

Chief Officer, Social Security:

Yes, and there will be an increase, a percentage increase built into our forecast, based upon the F.P.P. (Fiscal Policy Panel) forecast in terms of increasing contribution benefits by the annual increase.

Deputy J.A. Hilton:

I thought benefits had been frozen.

Chief Officer, Social Security:

No, not contributory benefits.

Deputy J.A. Hilton:

Okay, okay.

Chief Officer, Social Security:

There will be an annual ... it does stand out, you are absolutely right for that reason.

Deputy J.A. Hilton:

All right. It did, it did, yes.

Chief Officer, Social Security:

But, likewise, underneath it S.T.I.A. (Short Term Incapacity Allowance) is also going up by a similar amount and if you look at S.T.I.A. and L.T.I.A., L.T.I.A. has gone up faster but if you are adding the Invalidity Benefit change, it roughly is about the same.

Deputy J.A. Hilton:

Okay. It just seems like a large increase and obviously a certain amount of that is being paid off-Island to people that we do not ...

The Minister for Social Security:

That is what we are going to be looking at next year as well, as to whether that should be sustained.

Deputy J.A. Hilton:

Because I think ...

The Minister for Social Security:

Because it is a lot of people off-Island.

Deputy J.A. Hilton:

Yes, and I ...

Chief Officer, Social Security:

We never got to incapacity, the incapacity are on that chart but the blue line is incapacity.

Deputy J.A. Hilton:

Yes, okay. You are looking at that situation at the moment.

The Minister for Social Security:

Yes.

Deputy J.A. Hilton:

Because I think there will be a lot of people who will be thinking with the squeeze on the Pension Fund and the ageing demographic, should we be paying so much out in benefits to people who do not even live here?

The Minister for Social Security:

I agree.

Deputy J.A. Hilton:

I just raised that point anyway, thank you.

The Deputy of St. Ouen:

Okay, that is the whole policy issue, yes.

Deputy G.P. Southern:

We are due a review by Deloitte, I am told, a review of funding and access to primary healthcare during the first quarter of 2017. We are way beyond the first quarter of 2017. Can you tell us where that is and can we have a look at it because it must have been written, I would have thought?

The Minister for Social Security:

Met them last week.

Policy Director, Social Security:

The Minister has not been briefed on that because ... yes, yes, I met them yesterday. What happened at the beginning of the year we had a plan of work, which you are absolutely right, we thought was going to finish it then and what happened early in 2017 is that we acquired some extra funding, the Health Department acquired some extra funding and they used that to undertake a broader view of the way in which patient charges are levied across the health service as a whole, running across both secondary and primary care. We thought this was so important that we understood ... we got a clear policy beyond this one, then able to feed back into the reviews that we were doing. We have put our reviews on hold while this other piece of work comes through. Literally, the consultants were here yesterday at 7.30 in the morning, I was still using it ...

Deputy G.P. Southern:

Which consultants?

The Minister for Social Security:

Deloitte.

Policy Director, Social Security:

Deloitte, yes, yes. At 7.30 yesterday morning I am in a meeting at the hospital with consultants and some stakeholders and so that is one strand and the other strand is also ... there are 2 current

strands that are not finished. One strand is a whole new one, which held us up for the rest of this year. You are right, we are late but when we come to the end of it there will be a much more balanced picture because it will be looking across primary and secondary care, whereas we think that in early ... last year we thought we only had space for primary care charges and it makes much more sense of it across the board as a whole.

Deputy G.P. Southern:

Primary and secondary charges.

Policy Director, Social Security:

Primary and secondary.

Deputy G.P. Southern:

What are the secondary charges? Which is what?

Policy Director, Social Security:

At the minute, an example would be the way that we run health prevention services. There are 3 major screening systems in Jersey; there is mammography, so breast cancer, bowel cancer and cervical cancer.

Deputy G.P. Southern:

Charges for those.

Policy Director, Social Security:

No, no, no. The breast cancer and bowel cancer are done at the hospital and they are completely free. Cervical cancer is people who want a smear test, it is done by the G.P.s (General Practitioners) and you pay for them. It is those kind of things. But looking at where sometimes there are charges, sometimes there are not charges and what is the appropriate thing to do? Not giving any secrets away, preventative stuff is consistently very important and, therefore, you would assume that that would come through.

Deputy G.P. Southern:

Right hand, left hand.

Policy Director, Social Security:

Yes. But you have got that, you have got dressings; if dressings are provided by an outpatient clinic they are free. If they are provided by a District Nurse you pay for them. There are inequities, they are little bits and bobs.

Deputy G.P. Southern:

In short, that piece of work charges across primary and secondary, has been completed by the Health Department ...

Policy Director, Social Security:

Yes, you start it ...

Deputy G.P. Southern:

... and, therefore, feeds into you, you are now restarting your ...

Policy Director, Social Security:

Yes. The status is because we had a good relationship with the particular people in Deloitte who were doing the primary care work, they were asked if they would do a bigger piece of work across the board. The people from the Health Department are the same people who were doing both pieces of work. Those officers from Health are working with the consultants that we are familiar with, who we have got a relationship with both health professionals and the G.P.s in Jersey already, so it is a good relationship already built up. They will ...

Deputy G.P. Southern:

What was the small piece of work, as we have a bigger piece of work and is now complete?

Policy Director, Social Security:

It is not quite complete, it is nearly complete, so I think ...

Deputy G.P. Southern:

Why are things never complete when we are asking? Sorry, that was rhetorical.

Policy Director, Social Security:

Many, many reasons. Yesterday, then as they are consultants and project managers, they ran through a long list of dates, so they are intending to brief the Ministers towards the end of January on the outcomes of all the reviews. It has taken them a lot longer than we had anticipated but we have got a much better piece of work out of it at the end of the day.

Deputy G.P. Southern:

Can we have access to those before the January deadline, in confidence?

Policy Director, Social Security:

Probably not before the Ministers have seen them but after the Ministers have seen them. They will be published ... the Minister will be looking at them in January.

The Deputy of St. Ouen:

Sorry, when will they be published?

Policy Director, Social Security:

They are currently planning to meet the Ministers at the end of January, so shortly after the report, soon after.

The Deputy of St. Ouen:

Shortly after that, okay. Minister, can I ask you about the Disability Discrimination Regulations, when will they be lodged for debate?

The Minister for Social Security:

They will be lodged for debate on 6th February, so it is quite a tight timeline.

The Deputy of St. Ouen:

It is very tight, is it not?

The Minister for Social Security:

Yes.

The Deputy of St. Ouen:

The debate will be 6 weeks later.

The Minister for Social Security:

20th March, largely because the last sitting, which I think is 10th April, is not permitted to discuss or debate major legislation, so it has to be 20th March going backwards, therefore, we have to lodge on 6th February. It is tight but, as you well know, I have been very keen to get this through.

The Deputy of St. Ouen:

How does this Scrutiny Panel fit in with that timetable that you seem to have set?

The Minister for Social Security:

It is not really, it is set by the fact that it is a deadline of the 20th.

Deputy G.P. Southern:

No, but it is set by an election.

The Minister for Social Security:

It is, it is not as ...

Deputy G.P. Southern:

That is what it is set by ...

The Minister for Social Security:

It is, in a way, because ...

Deputy G.P. Southern:

In normal circumstances, I think we would be consulted, would we not, on a major piece of policy like this?

The Minister for Social Security:

You will be, of course you will be.

The Deputy of St. Ouen:

How does Scrutiny fit into that plan?

The Minister for Social Security:

Right, Kate will have the timetable but we have done the consultation. We cannot give you the responses because I have not seen them but they are being analysed as we speak. Then in January, I hope I am right, January, that we shall have the results of that and then we can discuss it with you. I appreciate it is tight but it is something that I very much wanted to do, is to bring in the disability ... we have got the overarching law, so disability is a characteristic. As you will be aware, it was left to number 4 because it is more complicated than the preceding 3. But the regulations have been out there for consultation, so it is not a surprise at all. We just need to take into account what the responses are, which is happening now and either adapt or amend various parts of the regulations, so nothing is a surprise. Although I appreciate the time is quite tight, we will very much hope for your consideration and agreement with it so that we can get it through. Otherwise, I can see that with a new Government it might be pushed into the long grass, which I would hate to see and I am sure you would too. We are very keen to see it through, that is why we published the draft regulations.

The Deputy of St. Ouen:

We want the legislation but it has got to be right, Minister.

The Minister for Social Security:

Of course it has, of course it has.

The Deputy of St. Ouen:

Scrutiny is a valuable check and balance, as I hope you would agree.

The Minister for Social Security:

I do agree.

The Deputy of St. Ouen:

The difficulty is, because you have said it is complex legislation and you are considering whether we draft ...

The Minister for Social Security:

Which is why we produced the regulations.

The Deputy of St. Ouen:

Then did and changed and the like ...

The Minister for Social Security:

Possibly.

The Deputy of St. Ouen:

By the time we come to look at it and lodging in February, it might be necessary for us to call in the legislation to conduct a proper review.

The Minister for Social Security:

We are hoping that you will not do that because, as I say, that will delay it and then it will not be debated in this administration, which, I think, would be a shame.

The Deputy of St. Ouen:

I can see that but, there again, it gives no opportunity for Scrutiny to conduct a thorough review on an important piece of legislation.

The Minister for Social Security:

Except that, as I say, the draft regulations have been published. From the responses that we get, there may be no alternation to the draft regulations but there may be but that it will be minimal.

The Deputy of St. Ouen:

We cannot start a review on draft regulations when you might be considering amending them and you have the consultation responses, which are not yet shared with us and the like.

The Minister for Social Security:

Kate, can you elaborate on the timing?

Ms. K. Morel:

Yes. We will produce a summary of the consultation outcomes, which will be presented as a report to the States and obviously we refer that to you before it goes to the States. We can also provide a private briefing for you with the expert that you have met before, Darren Newman. We could do that in advance. We do not need to necessarily wait until we have got a lodging draft to do that, to get you involved as early as possible.

The Deputy of St. Ouen:

Okay. How soon will you have concluded your review of the consultation and be able to brief us?

Ms. K. Morel:

We have said early January, would give us a few weeks to just go through the responses with the Minister and see if there is anything that does need to be amended in draft and probably speak to the draftsman as well about whether those changes are doable or not. I do not know if that would fit in with your timetable.

The Deputy of St. Ouen:

Okay. It is an agenda item for our meeting, which will continue, after we have seen our programme for next year.

Deputy G.P. Southern:

Our officers are keeping remarkably straight faces.

The Deputy of St. Ouen:

We will not involve our officers. I think we have got through our question list, unless any of you ...

Deputy G.P. Southern:

May I just have a quickie? Have you noticed the recent Court judgment or Tribunal judgment on the reclaiming of overpayments where it is deemed that the department has made an error and that was the cause of the overpayment where it has been ruled that they cannot claim the repayment of the

overpayment if it is their fault? I come across plenty of cases where people are overpaid, some of which contain an element of departmental error. Are you aware that reclaiming overpayments, as you do on a regular basis, may not be covered by the rules under which you operate?

The Minister for Social Security:

I think, as we have explained before in this context, that we have a system where payments are made in advance, as opposed to arrears, and that is, inevitably in some cases, going to cause disruption. But, on the other hand, it is better that people have their money upfront, rather than have to claim it in arrears but it is really more operational, if I can add to that.

Chief Officer, Social Security:

Yes, and where we have made a mistake administering a claim, then we, effectively, write that off in terms of that money that is owed. Where it is customer error or they have not advised us of something, then we would ask them to pay that back and we would do so within the boundaries of what they can afford and with their agreement and that is how we tend to operate.

Deputy G.P. Southern:

I do not suppose you have got the figures on you but can you just provide them with the updated overpayment/underpayments and how many you just write off after that?

Chief Officer, Social Security:

Yes. The write offs are included in the annual accounts. I have not got that figure in my head but they are published. The overpayment/underpayment figures, we have discussed here before. We have some technical issues we are still resolving in terms of getting that information and when we have it we will be happy to share it. We changed our ...

Deputy G.P. Southern:

I have got a figure from 2015, have you got a figure that ...

Chief Officer, Social Security:

No, we changed our ... we have had this discussion here in the Scrutiny before and I think a number of questions we have been quite ...

Deputy G.P. Southern:

You still have not resolved it.

Chief Officer, Social Security:

No, not yet but we are moving closer and closer towards being able to have that data.

Deputy G.P. Southern:

Okay. Hansard does not record my face.

The Deputy of St. Ouen:

No more questions from the panel, are there?

Deputy J.A. Hilton:

I have just got one quick one in connection with the Long-Term Care Fund, is there any evidence that the shortage of nursing beds or people being assessed at levels 1 and 2, that nursing homes are not wanting to take them at that level? Have you ...

Policy Director, Social Security:

A nursing home would never take a level ...

Deputy J.A. Hilton:

A residential home, they are pushing for levels 3 and 4 basically.

Policy Director, Social Security:

I see what you are saying, okay.

[11:30]

I am not very close operationally to the long-term care daily kind of applications but I am not aware that there is any shortage of beds at the minute. The thing that we have seen is the rise in the number of domiciliary care packages. I think we have talked in our private briefing on it before about how it has been great news that there have been more people now taking up the ability to be cared for at home and, therefore, you would expect to see a slight shift away from people needing care beds. On the other hand, there is also applications for extra homes to be built, I think Cheval Roc has recently reopened.

Deputy J.A. Hilton:

It has, yes.

Policy Director, Social Security:

There is a good market out there for care beds as well.

The Minister for Social Security:

An increase in Lavender Villa accommodation as well.

Policy Director, Social Security:

Lavender Villa, that is the new one, that is right, yes.

Deputy J.A. Hilton:

The Cheval Roc opening obviously will have a big impact and that those extra beds will come on to the market. It is just that somebody had mentioned it to me recently about people who were assessed at levels 1 and 2 and that there had been some difficulties experienced in that nursing homes, residential homes, were pitching for levels 3 and 4 because, I think, the amount of benefit payable and Long-Term Care Fund covers the cost, that this is much higher.

Policy Director, Social Security:

Yes, yes, it is different. Yes, obviously there was a care need and obviously the home gets paid more money if the person has got bigger care needs.

Deputy J.A. Hilton:

I think the issue is that maybe the benefit is not paying enough at levels 1 and 2 for the residential homes to want to want to ... I just wanted to know what the ...

The Minister for Social Security:

But they tend to ...

Policy Director, Social Security:

I am not aware of a problem.

Deputy J.A. Hilton:

Okay, all right, I just thought I would ask.

Policy Director, Social Security:

As I said, there seems to be a good market at the moment.

Deputy J.A. Hilton:

All right, thank you.

The Deputy of St. Ouen:

Okay. That brings our quarterly hearing to an end. Thank you, Minister and your team ...

The Minister for Social Security:

Thank you, Chairman.

The Deputy of St. Ouen:

... for assisting us and we trust you will continue your recovery to a complete recovery, Minister.

The Minister for Social Security:

Thank you.

[11:32]