

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

**Question**

Will the Minister accept that the key statement in the report accompanying the proposition 'Pension age: increase' (P.58/2011) is that "while being funded by much lower contribution rates" (page 3) and will he undertake to give consideration to raising contribution rates in the short term rather than putting off action for 10 years?

Would the Minister explain what the impact would be of annual 0.5% increases to employer and employee rates over the next 5 years on the social security fund and on the need to raise the pension age? Will the Minister agree to consult fully on a wider range of options than the far-reaching option being put forward in the proposition?

**Answer**

I do not accept the emphasis placed by the Deputy on the phrase on page 3 of the report. The relevant passage in the report quoted in the question refers to the Island being in the fortunate position of paying higher weekly pensions than other jurisdictions and doing this while having much lower contribution rates.

We are in this fortunate position due to the foresight and long-term planning applied by previous States Assemblies. It is essential that we continue to take a long-term view of Social Security funding and that we approach the ageing demographic issue with a positive outlook, acknowledging the additional costs but also grasping the opportunities that it provides.

Setting out proposals to increase the pension age does not "put off action for 10 years". It requires a multitude of actions during that 10-year period. Government needs to provide the necessary legislative framework to encourage the employment of older workers; the business community needs to develop HR and training policies that tap into the potential of the increasing number of older people in the workforce; the States, as a major employer, needs to lead the way in these efforts. In the meantime it is vital that certainty and adequate notice with respect to the pension age is provided to all.

There are already two increases planned in contribution rates - a new rate above the existing contribution ceiling, and one in respect of Long-Term care. Additional increases in contributions at this time for all employees and their employers will create a further, unnecessary burden on local people and local businesses. The Social Security Fund remains in annual surplus at present and this will continue for the next three to five years. However, it is likely that contribution rates will need to rise in the middle of the decade as the benefits paid out of the Fund increase faster than the contributions coming into the Fund.

Increasing employer and employee rates by 0.5% per annum over the next five years would place a significant cost on individuals and local businesses. It would also require significant additional funding from the States to meet the additional cost of supplementation for the two-thirds of

workers who earn below the earnings ceiling. There would also be an additional, direct, cost to the States as an employer.

I do not agree that there is a "wide range of options" that could be consulted on at this stage. As acknowledged in Question 6239, considerable consultation has already taken place on this issue. The key message from local residents is that they wish to maintain the value of the old-age pension. I endorse this view and my proposals acknowledge the importance of protecting the value of the pension.

Many other similar jurisdictions have already taken steps to increase the pension age, as one of a number of measures that need to be taken to address the ageing demographic. This is a particularly important step to take in Jersey in order to maintain a healthy economy, without needing to resort to a much higher level of immigration.