

### **5.5 Deputy R. Labey of the Minister for Social Security regarding the potential for changes to the contributions liability of self-employed people:**

Following the Minister's advice to the Assembly earlier this year that self-employed contributions were to be one of the first areas examined as part of the Social Security review and given the continuing difficult economic climate, will the Minister advise whether the requirement for self-employed people to pay both employer and employee contributions will be stopped?

#### **Deputy S.J. Pinel of St. Clement (The Minister for Social Security):**

Members will see from their Order Paper that I will be making a statement on the Social Security review immediately after this part of the agenda. I will set out the principles of this review in that statement and answer any questions that Members may have at that time. In response to the specific query of the Deputy, I have instructed officers to ensure that the issue of class 2 contributions is addressed at a very early stage within the whole review. This will be an examination of some detail of the scheme as to how it affects class 2 individuals. Any decision to adjust the percentage rate paid by class 2 individuals will need to be included within the main review. In 2015 class 2 provided £16.6 million of contributions into the fund. Reducing the level of these contributions significantly would require increased contributions from class 1 employees and employers to make up the shortfall. Alternatively, the income into the fund could be reduced which would place a greater strain on the reserves. For this reason I do not intend to make any decision on the class 2 level of contributions until the public have had the opportunity of responding to the overall review.

#### **5.5.1 Deputy R. Labey:**

So do we take it then from the Minister that she agrees that this is unfair, the case that I state is unfair, but that the review is there to make up a shortfall if it were made fairer? Is that the position? Do we need a review to tell us that this is not fair?

#### **Deputy S.J. Pinel:**

I do not recall ever having said it was unfair. I said at the moment it will be part of the bigger review and I am sure most Members are aware that there is a deferred rate of contributions for class 2 contributors. In the past there has been criticism of somebody starting a new business being charged class 2 contributions based on their previous salary rather than the earnings from the new business. This could make it difficult of course to cover the cost of contributions when starting out. But in 2012 the department introduced a new scheme to assist new business owners and they can now opt to pay contributions on a set income of £16,300 or so per annum for the first 2 or 3 years of the new business and this was set out specifically to help new businesses.

#### **5.5.2 Deputy S.Y. Mézec of St. Helier:**

I thought somebody else had their light on before me but ...

#### **The Deputy Bailiff:**

No, you are the next that I noticed, Deputy.

#### **Deputy S.Y. Mézec:**

I was not but okay. Given that ending the unfair situation which exists with social security contributions for self-employed people was virtually the only clear policy that was included in the Chief Minister's election manifesto, is it not the case that we are spending quite a lot of money, quite a lot time, on dealing with something that was just a straightforward political

promise made at the beginning of this term and really these things should be done much quicker, does she not agree?

**Deputy S.J. Pinel:**

I cannot say more than I have said before. We are doing a major review, the first one in 20 years, which I will be announcing later, on the whole contribution scheme of Social Security. As I have promised the Assembly before, that the self-employed contributions will be one of the first things to be approached.

**5.5.3 Deputy M.R. Higgins:**

Just following up on Deputy Labey's question, does the Minister herself think the self-employed paying both contributions is fair?

**Deputy S.J. Pinel:**

I have never said it was unfair but, as I said in my opening remarks, that the balance has to be made with contributions from employers and employees and it is appreciated that it is a lot for a new business starting out which is why we introduced the deferred rate to which I spoke earlier.

**Deputy M.R. Higgins:**

The Minister again did not answer the question. Does she think it is fair or unfair at 50 per cent? Can we have a straight answer please, yes or no?

**Deputy S.J. Pinel:**

I could not say whether it was fair or unfair. This is what the review will find out when we go out to consultation and it is going to be one of the questions in the consultation paper as to what self-employed contributors, which is not just people with their own business, it covers a whole section of class 2 contributions, and that will be one of the first things to be addressed.

**5.5.4 Deputy G.P. Southern:**

Again, the Minister reveals a rather strange version of fairness. But can she set herself some smart targets here. We are talking about £16 million out of total contributions of 200. It is relatively small and any adjustment to it would be even smaller. Will the Minister promise to return to the House within 12 months with a costed and tested mechanism to ameliorate class 2 contributions?

**Deputy S.J. Pinel:**

No, I will not promise to return to the House within 12 months because this major review, as I say, the first one in 20 years, it is going to go out to consultation in the next 2 weeks and we will have the results of that consultation in January by which time I will be able to return to the House with some of the opinions in that consultation but I would not promise to, as the Deputy says, ameliorate class 2 contributions within that timeframe.

**5.5.5 Deputy M. Tadier:**

Perhaps to clarify matters, would the Minister put on record now whether she believes that the current class 2 contribution rate for self-employed people are fair or is the situation fair or not in her opinion?

**Deputy S.J. Pinel:**

No, I am sorry to disappoint the Deputy but I will not say whether they are fair or unfair other than that they are being addressed, as I promised they would be.

**5.5.6 Deputy R. Labey:**

If the Minister were designing a new social security system from scratch, would she include in it, as part of that design, for the self-employed being charged both employee and employer contributions?

**Deputy S.J. Pinel:**

I thank the Deputy for his follow-up question. This is why we are now going out to consultation.