

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): NINTH AMENDMENT (P.71/2019 Amd.(9)) – COMMENTS

**Presented to the States on 21st November 2019
by the Council of Ministers**

STATES GREFFE

COMMENTS

Deputy C.S. Alves of St. Helier proposes the following in [P.71/2019 Amd.\(9\)](#) –

1 PAGE 2, PARAGRAPH (h)(i) –

After the words “contribution liability” insert the words “, except that the Upper Earnings Limit shall be increased from the proposed £250,000 to £500,000, and the percentage rate levied on Class 1 employers and Class 2 contributors on earnings between the Standard Earnings Limit and the Upper Earnings Limit shall be increased from the proposed 2.5% to 4%, increasing the estimated closing balance on the Social Security Fund shown in Summary Table 8(i) by £8,700,000”.

2 PAGE 3, PARAGRAPH (h) –

At the end of paragraph (h), insert the words –

“to request the Minister for Social Security to –

- (1) bring forward proposals to the States to extend the period covered by Maternity Allowance under the Social Security (Jersey) Law 1974 from 18 to 26 weeks, with effect from January 2020, at an estimated cost of £3,000,000 in 2020;
- (2) raise the maximum amount payable as Maternity Allowance under the Social Security (Jersey) Law 1974 from £222 to £280 weekly, at an estimated cost of £3,000,000 in 2020; and
- (3) amend the Income Support (General Provisions) (Jersey) Order 2008 in order to introduce a 100% disregard for income from Parental Benefit for households in receipt of an Income Support award, at an estimated cost of £2.9 million in 2020; and”.

The Council of Ministers opposes this proposal and urges States Members to reject the amendment.

This amendment seeks to increase the contributions paid above the Standard Earnings Limit of £53,000 per annum, and to use the additional income to support the cost of increases to the duration and value of parental benefits, over and above the proposals put forward in the [Government Plan 2020–2023](#).

Additional contributions

The Government Plan proposes an increase of £3.3 million in contributions levied on the employers of higher-earning staff and Class 2 individuals (self-employed and others). The amendment increases the extra yield to £12 million as follows –

	Government Plan	Ninth amendment
Contribution Rate above Standard Earnings Limit	Increase from 2% to 2.5%	Increase from 2% to 4%
Annual Upper Earnings limit	Increase from £176,000 to £250,000	Increase from £176,000 to £500,000
Total extra contributions	£3.3 million	£12 million

Additional Contributory Parental Benefits

The Government Plan provides for an additional benefit budget of £3 million to support a change in the current Maternity Allowance, which currently provides up to 18 weeks of benefit to a birth mother. The new Parental Allowance will be available for up to 32 weeks shared between 2 parents, an increase of 14 weeks.

The amendment provides for an additional benefit budget of approximately £9 million a year to provide a Parental Allowance for up to 26 weeks per parent, a total of 52 weeks, accompanied by an increase in the weekly rate. This is shown in the following table –

Today	Government Plan	Ninth amendment
Benefit paid to birth mother (Maternity Allowance)	Benefit paid to 2 parents (Parental Allowance)	Benefit paid to 2 parents (Parental Allowance)
Benefit paid for up to 18 weeks	Benefit paid for up to 32 weeks shared between the parents	Paid for up to 52 weeks, with up to 26 weeks for each parent
Benefit paid at the standard rate of £222 a week	Benefit paid at the standard rate of £222 per week	Benefit paid at a new higher rate of £280 per week
Total additional cost	Additional cost of £3 million	Additional cost of £9 million

Comments

The Council of Ministers rejects this part of the proposition for the following reasons –

- **International competitiveness:** Increased risk that significantly higher contribution rates will add to the cost of doing business, adversely affecting Jersey's international competitiveness, making it harder for high-value service exporting businesses, in particular.
- **Change in behaviour:** Increased risk that significantly higher contribution rates will change behaviour at higher earnings/income levels and not raise the expected extra revenue.
- **Benefit rates:** The Social Security Fund pays a standard rate of benefit to working-age contributors. Increasing the weekly rate for parents may create pressure to increase rates for other benefits. This would put an additional strain on the Social Security Fund at a time when old-age pension costs are already rising significantly each year.

Means-tested benefits

The amendment also seeks to increase the Income Support available to new parents by fully disregarding the value of any parental allowance received, at an additional cost of just under £3 million per annum, across 200 Income Support families. Household income would rise significantly for an Income Support family whilst a parent was receiving the parental allowance, and would then fall significantly when the parental allowance expired.

Examples

Single person -> Single parent

A single person earning £297 a week (full-time, minimum wage) renting a one-bedroom flat. The person becomes a parent, stops working to look after the baby, and rents a two-bedroom flat. The person continues to look after the baby after parental leave ends.

	Before baby is born	During parental leave	After parental leave
	£ per week	£ per week	£ per week
Earnings	297	0	0
Income Support	163	543	543
Parental Benefit	0	280	0
Less: Rent	-210	-269	-269
Income after rent	250	553	273

Two adults -> Parents

A couple earning £593 a week (both full-time, minimum wage) renting a one-bedroom flat. They have a baby, one person stops working to look after the baby, they rent a two-bedroom flat. One person continues to look after the baby after parental leave ends.

	Before baby is born	During parental leave	After parental leave
	£ per week	£ per week	£ per week
Earnings	593	297	297
Income Support	61	400	400
Parental Benefit	0	280	0
Less: Rent	-210	-269	-269
Income after rent	445	708	428

The Council of Ministers rejects this part of the proposition for the following reasons –

- **Poorly targeted benefit:** this amendment would provide a significant short-term increase in income to low-income households for the first few months after the baby's birth, at a significant cost to the benefit system. This money could be better spent on other schemes to help all low-income households with children or babies.
- **Lack of evidence:** the need for extra financial support for parents for a short period is not explained. The current benefit system provides support for children of all ages. Most parents receive a one-off Maternity Grant of £667.59. Income Support parents then receive a weekly allowance of £77.98 for their first child, and £69.23 per child per subsequent child. A single parent also receives an additional weekly allowance of £40.39. Additional rental and childcare costs are also covered in the Income Support system.
- **Means-tested support dependant on contribution record:** the amendment would only provide extra support to a parent who had a contribution record to be able to claim the contributory benefit. It would provide no extra help to a low-income parent who had an incomplete contribution record due to long-term illness, disability or unemployment, etc. These may be the parents who need the most help.

Implementation details

As currently worded, the amendment refers to Maternity Allowance. The intention set out in the report is to provide for a Parental Allowance, available to both parents, rather than a Maternity Allowance, which is limited to a birth mother.

As currently worded, the amendment requires new benefits to be introduced from 1st January 2020. This timescale cannot be achieved. Significant IT, administrative and communication changes are required in order to implement the proposals envisaged in the amendment.