

STATES OF JERSEY



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

**Lodged au Greffe on 15th November 2019
by Deputy K.F. Morel of St. Lawrence**

STATES GREFFE

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

1 PAGE 2, PARAGRAPH 1 –

Delete the words “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%,”; and for the figure “£8,700,000” substitute the figure “£1,600,000”.

2 PAGE 2, PARAGRAPH 2 –

In the inserted paragraph (1), for the words “from 18 to 26 weeks” substitute the words “to 42 weeks in total for both parents (nominally, 21 weeks each)”; for the figure “£3,000,000” substitute the figure “£1,600,000”; delete the paragraph number “(1)” and delete the inserted paragraphs (2) and (3).

DEPUTY K.F. MOREL OF ST. LAWRENCE

Note: After this amendment, the ninth amendment would read as follows –

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 **£1,600,000**.

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 **to 42 weeks in total for both parents (nominally, 21 weeks each)**, with effect from January 2020, at an estimated cost of **£1,600,000** 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~~".

REPORT

This amendment to the ninth amendment to the Government Plan 2020–2023 ([P.71/2019](#)) aims to uphold the view that Government needs to play a larger role in funding parental allowances, as was found by the Economic and International Affairs Scrutiny Panel’s review of family-friendly legislation. This amendment achieves an increase from the Government Plan’s proposed 32 weeks (shared between parents) to 42 weeks shared, but does so whilst limiting any economic downsides, because it restricts the amendment to a raising of the upper earnings limit on Social Security contributions, thus ensuring it is higher earners who pay a fairer share, rather than increasing the costs to middle-earners, the self-employed and most employers.

Unamended, the ninth amendment hits job creation

The aims of [P.71/2019 Amd.\(9\)](#) are clear and laudable, but the proposed increase from 2.5% to 4% for Employers’ Class 1 contributions and Class 2 contributions above the standard earnings limits, increases the costs of employment and self-employment in Jersey, particularly for those on middle incomes. The likely result of the ninth amendment in its original form will be to see fewer jobs created and, quite possibly, some jobs destroyed.

A Government Plan that already hits the self-employed hard

The Government Plan is already costly to the more than 4,000 self-employed Islanders. Not only do they have to increase their Social Security contributions above the standard earnings limit by 0.5%, but they also have to pay 1% extra in Long-Term Care charges, this is in addition to the extra cost of fuel that will affect so many small businesses. To push their extra Social Security contributions to 4%, an increase of 2% year-on-year, will have an adverse effect on Jersey’s economy.

The quickest way to drive people into a benefit-dependent situation is to remove the opportunity for employment or self-employment. Unfortunately, in its unamended form, the ninth amendment is in danger of doing just that.

Maintaining the increase to the upper earnings limit

By maintaining the increased upper earnings limit at £500,000, I am suggesting a way of raising £1.6 million more for Social Security that does not have a severely adverse effect on employment.

However, the separate increase to the contribution rate is costly to hard-hit middle income earners and potentially harmful to the economy and employment, particularly when the extra costs of the Government Plan for employers and the self-employed (as mentioned above) are taken into account and seen as a whole.

A middle way to funding increased maternity allowance

As a result of this amendment, the ninth amendment will be limited to raising £1.6 million and this, of course, affects the subsequent expenditure.

As Chair of the Economic and International Affairs Scrutiny Panel, I have seen a great deal of evidence that shows the need for Government to play a greater role in funding

maternity leave and so, this amendment will focus that extra £1.6 million on the first part of Deputy Alves' amendment, thereby increasing the total length of time that parental benefit funding is available from the Government Plan's proposed 32 weeks up to 42 weeks, which can be shared between both parents.

Unfortunately, raising the further £7.1 million to fund the benefit disregard and an increase in maternity allowance is just too much too quickly for the Island's economy to bear and so, this expenditure will need to be sought in the future rather than today, preferably at a point where Jersey's economy is not faced by a myriad of threats and its key indicators are not pointing towards a downturn.

A moderate approach that puts children and families first

This amendment to the ninth amendment to the Government Plan maintains the governmental priority of putting children first, and does so in a more controlled and less potentially harmful manner than the original amendment.

I hope the Assembly appreciates the need to take a measured approach to increasing the costs of employment and self-employment, and so will adopt this amendment.

Financial and manpower implications

This amendment is cost-neutral, in that it raises £1.6 million revenue and then seeks to use that amount by means of amending provision for maternity allowance.