

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): NINTH AMENDMENT (P.71/2019 Amd.(9)) – SECOND AMENDMENT (P.71/2019 Amd.(9)Amd.(2)) – AMENDMENT

**Lodged au Greffe on 19th 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)) – SECOND AMENDMENT (P.71/2019 Amd.(9)Amd.(2)) –
AMENDMENT

PAGE 2 –

For paragraph 2 of the second amendment to the ninth amendment, substitute the following paragraph –

2 PAGE 2, PARAGRAPH 1 –

For the words “be increased from the proposed 2.5% to 6.5%” substitute the words “remain at the proposed 2.5%”.

DEPUTY K.F. MOREL OF ST. LAWRENCE

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

1 PAGE 2, PARAGRAPH 1 –

For the words “increased from the proposed £250,000 to £500,000” substitute the word “abolished”; and for the words “between the Standard Earnings Limit and the Upper Earnings Limit” substitute the words “above the Standard Earnings Limit”.

2 PAGE 2, PARAGRAPH 1 –

For the words “be increased from the proposed 2.5% to 6.5%” substitute the words “remain at the proposed 2.5%”.

Also, after this amendment to the second amendment to the ninth amendment, paragraph 1 of 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 **abolished**, and the percentage rate levied on Class 1 employers and Class 2 contributors on earnings **above the Standard Earnings Limit** shall **remain at the proposed 2.5%**, increasing the estimated closing balance on the Social Security Fund shown in Summary Table 8(i) by £8,700,000”.

REPORT

This proposed amendment to the amendment of Deputy G.P. Southern of St. Helier ([P.71/2019 Amd.\(9\)Amd.\(2\)](#)) to the ninth amendment ([P.71/2019 Amd.\(9\)](#)) to the [Government Plan 2020–2023](#) aims to uphold the view that the 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 income to the Social Security Fund, which can then be used to increase the number of weeks for which parents will be able to receive parental benefit.

Importantly, it does so by limiting any economic downsides, because it does not increase the contribution rate, and it restricts the amendment to the abolition 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 the ninth amendment to P.71/2019 are clear and laudable, but Deputy Southern's proposed contribution rate increase from 2.5% to 6.5% 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 amendment 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 6.5%, an increase of 4.5% year-on-year, will have a strongly 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, Deputy Southern's amendment is in danger of doing just that.

Maintaining the increase to the upper earnings limit

By limiting the change to the abolition of the cap on contributions, I am suggesting a way of raising £2.5 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 extra funding raised will be about £2.5 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, therefore, this amendment will focus that extra £2.5 million on the total length of time for which parental benefit funding is available.

A moderate approach that puts children and families first

This amendment maintains the governmental priority of putting children first, and does so in a more controlled and less 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 to Deputy Southern's amendment.

Financial and manpower implications

This amendment will raise an extra £2.5 million for the Social Security Fund. There are no manpower implications as a result of this amendment.