

23.04.18

16 Deputy M.B. Andrews of the Minister for Social Security regarding a cap of social security (OQ.59/2023)

Will the Minister advise whether she is considering the abolition of the social security cap in order to meet increased social expenditure costs due to the Island's ageing population and, if not, why not?

Deputy E. Millar (The Minister for Social Security):

I thank the Deputy for his question. A full actuarial review of the Social Security Fund has been undertaken over the last few months. The final report will be published within the next few weeks. The report considers the forecast behaviour and requirements on the fund over the next 60 years. It takes full account of the impact of the ageing population on pension and other benefit costs. Once the report has been finalised and published, I will then be considering any advice provided by the actuaries and whether any structural changes are needed to the fund or the level of contributions. What I would say now is that I have seen some high-level findings from the actuarial report which indicates that the Social Security Fund is currently in a very strong position, but I do not want to say more until the final report is published and that information can be presented in its full context.

4.16.1 Deputy M.B. Andrews:

It seems to be very unfair when we are looking at personal incomes and seeing how regressive some of the measures are, especially on those who are higher earners. Really, it should be the case - and I hope the Minister is in agreement with me - that everybody should be paying a proportionate amount of social security contributions. Would she not agree?

Deputy E. Millar:

My understanding is that government should not raise more money than it needs and as far as the Social Security Fund is concerned, the Social Security Fund pays pensions and other contributory benefits and that fund has money to pay all those benefits at present. There is no need for the benefits to be increased. There are lots of academic arguments about contribution levels and taxes, but at the moment there is no need to increase the money going into this fund.

4.16.2 Deputy S.Y. Mézec:

Can the Minister attempt to put forward a moral case for why the richer you are in Jersey the lower effective rate of social security contributions will be paid in your name?

Deputy E. Millar:

Again, I believe this relates to how we view both our tax system and our contribution system. If we wish to tax the rich more, that is a matter for income tax and other taxes. Contribution is a different matter. I do not think it is unfair that no matter how much you put in ... the social security system works basically on the basis that everybody puts the same amount in and everybody gets the same amount back. If you are wealthy, paying more money in does not mean that you get any more out. Everybody gets the same pension and the same benefits and that is why it is a fair system across the board.

4.16.3 Deputy S.Y. Mézec:

Of course, what we have just been given is an inaccurate description because if you are a lower earner as an absolute amount you will pay a less amount but may still get the same amount more as somebody who earns more. It is a case of from each according to their ability to each according to

their need, unless you are super rich. So I would ask the Minister if she would be prepared to acknowledge that that impact of the social security cap is regressive as a matter of definition?

Deputy E. Millar:

I do not think it is quite as straightforward as the Deputy suggests. There are greater contributions paid by higher earners. Self-employed people pay more. Self-employed earners pay more on their earnings. The employers of the wealthy pay additional contributions above the standard earnings limit. So the people who earn more do effectively contribute more. Those who earn less and do not, therefore, because of their low earnings have a full contribution record are supported through the States grants and other investments into that fund. The whole theory of the fund is to give everybody the same pension at the end, and I remain of the view that if you want to tax people and extract more money from the wealthy, the appropriate way to do it is through the tax system and not through social security contributions. Again, in any event, we have no need at present, I believe, to increase the amounts of contributions going into the fund.