

# STATES OF JERSEY



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

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

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**STATES GREFFE**

## COMMENTS

Deputy K.F. Morel of St. Lawrence proposes the following in his amendment [P.71/2019 Amd.\(9\)Amd.](#) –

**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).

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

Compared to the proposed [Government Plan 2020–2023](#), this amendment would increase the Social Security contributions upper earnings limit from the proposed £250,000 to £500,000, and would use the extra money raised (estimated £1.6 million a year) to increase the proposed parental benefits from 32 weeks (shared between parents) to 42 weeks (shared between parents).

Today	Government Plan	This 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 42 weeks, shared between the parents
	Additional cost of £3 million	Additional cost of £4.6 million

The Council of Ministers appreciates the intentions of Deputy Morel in this amendment to further extend the duration of the proposed parental benefits which are due to be introduced next year.

However, increasing the upper earnings limit to £500,000 a year is not an appropriate way to pay for this. The Deputy does not provide any evidence to quantify the impact on business and economic activity of his proposal.

States Members should also consider –

- **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.
- **Variable income from year to year:** The contributions at very high earnings levels, particularly for self-employed people, will vary significantly from year to year. There needs to be a stable income-stream to pay for the parental benefits.

### **Implementation details**

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 to implement the proposals envisaged in the amendment.