

STATES OF JERSEY



CHRISTMAS BONUS: INTRODUCTION OF MEANS-TESTED BONUS (P.141/2015) – COMMENTS

Presented to the States on 14th December 2015
by the Council of Ministers

STATES GREFFE

COMMENTS

Our society is ageing, with the number of people over 65 expected to rise to nearly 28,000 by 2035, compared to 16,000 at the end of 2014. We should welcome this change as people live longer, but we should also prepare. Our Strategic and Financial Plans do this.

The Strategic Plan prioritises education, to provide the skilled, rounded, creative workforce of the future, helping our children and grandchildren achieve their full potential. It prioritises productivity – a more innovative, enterprising economy generating greater value. And it prioritises our health services, including helping our population to be healthier. This helps to ensure that our public finances are sustainable.

The Medium Term Financial Plan 2016 – 2019 (the “MTFP”) translates this into spending proposals, including nearly £9 million of annual growth for education, and £40 million for our health and social services, by 2019. To support this investment, the MTFP holds benefit expenditure steady, avoiding the benefits budget increasing by £10 million a year by 2019, as it otherwise would. The removal of Christmas Bonus is part of this package, helping ensure our public finances are sustainable as our society ages.

Having recently approved the MTFP, including removing the Christmas Bonus and the repeal of the Law, this Proposition seeks to introduce a means-tested Christmas Bonus of £85 payable to all pensioners who do not pay income tax. This has an estimated annual cost of up to £700,000¹ in 2016 (increasing to up to £1.2 million per year, before allowing for inflation, by 2035).

Over the life of the MTFP, the proposed bonus would cost a total of up to £3 million. The Council of Ministers agrees that people in need should be supported, yet the decisions we take now have long-term consequences, and we must live within our means.

Our task is to improve the living standards of Islanders from all walks of life, helping people to help themselves, and providing support where they cannot. Looking at incomes, working-age households who rent have found economic conditions over the last 5 years most difficult, which is why our recent record employment figures, and above-inflation earnings growth, is so important. At the same time, pensioners often have fewer opportunities to increase their income in changing economic conditions, which is why a ‘double lock’ on the old age pension was introduced in 2013 to ensure that the pension always at least matches increases in the cost of living, and is higher if earnings are higher.

Many older people live with long-term health conditions, or live alone and can become socially isolated. In this context, income matters, but so do good quality public services, in particular health and social care, good quality homes, and strong communities. This is why, for example, the major investment in health services, the delivery of a housing strategy and a disability strategy, alongside other measures to improve social inclusion, are so important.

¹ In 2015, £1.55 million was paid out as a bonus to 19,000 claimants, of whom 16,100 were aged 65 or over. The estimate for 2016, should this proposition be approved, is based on half of all people aged 65 or over not having an income tax liability and receiving a bonus of £85.

Over the last 3 years, well-targeted improvements have also been introduced in the financial support available to more vulnerable pensioners. This has included a new cold weather bonus for pensioners who do not pay income tax; and a Long-Term Care Scheme to help with the costs of nursing, residential and domiciliary care. Furthermore, £200,000 of the savings from the removal of the Christmas Bonus have been allocated to expand the existing 65+ Health Scheme in 2016, supporting pensioners on lower incomes with the cost of dental, optical and chiropody check-ups and treatment.

A major review of the Social Security Fund will begin in 2016, designed to ensure its future sustainability, which will include a review of contribution rates and how we support pensions, helping us in our preparations for our ageing society. Alongside this, a review will be undertaken to consider how bonuses to support vulnerable pensioners could be continued in this wider context.

This review will explore how a bonus should be targeted, how it should be administered, how legislation could be developed, and importantly, a clear source of funding within existing approved MTFP spending limits.

This is important, as any scheme must be sustainable in the longer term, analysing the age at which people need support, where support should be targeted, and how much support is needed.

This review will report in 2016 as part of the addition to the Medium Term Financial Plan, so that if approved any bonus can be paid in time for Christmas next year.

The Council of Ministers therefore asks States Members to reject the current proposition, and to accept a commitment from the Council of Ministers to bring forward proposals that are fully considered, properly detailed, and funded, for new legislation for a targeted Christmas bonus in 2016.