

STATES OF JERSEY



CHRISTMAS BONUS: INTRODUCTION OF MEANS-TESTED BONUS

Lodged au Greffe on 11th November 2015
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to refer to their Act dated 8th October 2015 in which they approved the Christmas Bonus (Repeal) (Jersey) Law 201- and thereby agreed that, subject to the sanction of Her Most Excellency Majesty in Council, the Christmas bonus payable to all Jersey pensioners should be abolished from Christmas 2016; and

- (a) to agree that a new means-tested Christmas bonus should be introduced from December 2016 for all pensioners resident in Jersey who are not liable to pay Jersey income tax;
- (b) to request the Minister for Treasury and Resources to meet the cost of the 2016 bonus from central reserves if there are inadequate funds within the budget of the Social Security Department to fund it, and to request the Council of Ministers to make provision within the draft addition to the Medium Term Financial Plan 2016 – 2019 (being lodged no later than 30th June 2016) for the funding of the bonus from 2017 onwards;
- (c) to request the Minister for Social Security to bring forward for approval the necessary legislation to give effect to the proposal.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

There is no doubt in my mind that the most controversial of the cuts to benefit payments proposed by the Minister for Social Security was that which scrapped the Christmas Bonus Scheme for 2016 and beyond. It is both the most widely understood and most well regarded by Jersey residents.

As I put it in the report to my amendment to the Medium Term Financial Plan –

“The move may deliver £1.5 million in savings, but the Christmas Bonus is seen by the vast majority of the community, rich and poor alike, as a symbol of the way in which a government can demonstrate it really does care for its elderly. Its value goes far beyond the monetary cost of the award. The community is justly proud of this generosity.”

In the justification of her proposals, the Minister suggested that every Social Security benefit had been considered, and all the proposals were judged against the principle of making the benefit system fairer. Three tests were also used to identify the most appropriate measures –

- Promoting financial independence;
- Improving the targeting of benefits; and
- Minimising the impact on individuals.

The Minister concentrates her case on 2 factors –

1. Demographics – the number of people aged over 65 in Jersey is already growing – 16,700 people at the end of 2015, and
2. Targeting.

Removing the Christmas bonus has been included, she says, for the following reasons –

1. There are better ways of allocating benefit spend to improve the quality of life of pensioners – it does not help pensioners with costs that are more difficult to plan for, such as the extra cost of heating during a cold winter or urgent dental treatment.
2. It will make the benefit system fairer – the Christmas bonus is the only benefit funded by taxpayers that does not include any kind of means test – it is paid automatically to all local pensioners, more than half of whom are taxpayers.
3. The value of the bonus to each individual is small, equivalent to £1.63 per week, but the total cost of the scheme is high as it is paid to a large number of claimants.
4. The bonus is not sustainable with a growing pensioner population and pressure on all areas of spending.

In terms of demographics and sustainability, the Minister has promised an in-depth review of the whole Social Security system in 2016, as follows –

This review will consider the level at which the States Grant should be set in future. It will also consider all aspects of the current scheme, including the level of contributions collected and the eligibility for, and the value of, pensions and benefits payable. The review will consider options for –

- increasing the liability for contributions from higher earners
- reviewing the level of the standard earnings limit and the upper earnings limit
- increasing the percentage rate for contributions
- reviewing the balance between employer and employee contributions
- reviewing the liability of self-employed contributors
- reviewing the method for uprating pensions and benefits
- increasing the state pension age
- reviewing the eligibility for pensions
- reviewing the range of working-age benefits available.

Despite this extensive review, the Minister has already decided that there is no place for a Christmas Bonus Scheme in advance of this in-depth review of the whole system.

This proposition seeks to restore the Christmas Bonus but to means-test it so that it better targets those who most need it to cope with the additional costs involved. Restricting the bonus only to those who are in receipt of an Income Support award seems to me to draw the boundary too tightly, as this would mean that the bonus only reaches some 2,000 of 17,000 pensioners. Better to use the marker we already use for means-testing of the GST/Food bonus, and that which applies to free TV licences, and limit the bonus to those pensioners whose income is below the income tax threshold.

The Christmas Bonus currently stands at £83.73. I propose that the bonus payable in 2006 be raised to £85. I am reliably informed that there are some 7,000 over-65s resident on the Island who are not liable for income tax. The cost of this scheme will therefore be £600,000, a saving of £1 million on cost of the previous scheme.

Financial and manpower implications

The direct costs are detailed above. The Social Security Department has the following estimate for the administration cost –

“If a standalone scheme is introduced, which requires individual claims to be processed and validated, this could involve considerable operational resources. For example, a Food Costs Bonus application takes about 15 minutes to process and check. Applying this to 7,000 claims would total 1 to 1.5 FTE spread over a full year.”

I am convinced that this could be reduced, given some co-operation between the Tax and Social Security Departments.