

STATES OF JERSEY



SOCIAL SECURITY (AMENDMENT OF LAW - MINIMUM EARNINGS THRESHOLD) (JERSEY) REGULATIONS 202- (P.79/2021): ADDENDUM

**Presented to the States on 19th November 2021
by the Minister for Social Security
Earliest date for debate: 23rd November 2021**

STATES GREFFE

ADDENDUM

This addendum provides States members with an update on progress since the first part of the States debate which took place in September.

The Health and Social Security Panel subsequently reviewed the proposed legislation and published [their findings on their website](#).

Shortly after this, the Social Security Minister discussed the proposal and the Scrutiny Panel's findings, together with the Corporate Services Scrutiny Panel. The Social Security Minister is very grateful for the work carried out and the constructive discussions with these Panels. The subsequent correspondence between the Social Security Minister and the Health and Social Security Panel is included at the end of this addendum.

As a result, the Social Security Minister would like to confirm how the proposed minimum earnings threshold will work, should the States decide to approve the Regulations. These update the original intentions set out in the main report.

The Social Security Minister will propose:

1. That an employer and employee do not have to pay contributions on employment for earnings of up to £437 per month or the weekly equivalent of £100 per week.

This means that the new minimum earnings threshold will be £438 per month (or £101 per week) to replace the current 8 hours a week threshold for collecting class 1 contributions through employment.

2. An annual uplift in the minimum earnings threshold on the 1 January each year by the annual percentage change in the minimum wage rate.

This would be achieved through a Ministerial Order after the debate, and bring the changes in to effect on 1 January 2022.

Given the importance of the new threshold, the Social Security Minister will return to the States in February 2022 to set the value and annual uplift in the Social Security (Jersey) Law 1974 through Regulations. This will be consistent with the other monthly earnings limits in Social Security and will mean that any changes to the approach will need to be agreed by the States Assembly.

Urgency of a States decision

Over the last year or so, employers and payroll providers have been preparing for the new combined employer return including the proposed change in the 8 hours threshold to a minimum earnings threshold. The threshold change is one part of a much larger programme to improve the way in which tax, social security and manpower information is submitted to the Government.

Unfortunately, over the last few months, some employers and payroll providers have had to assume that the move to a proposed money threshold would be approved, in order to make and test these significant changes in their software, to be ready for the start of 2022.

The Social Security Minister apologises that this situation has arisen and wishes to reassure Members that steps have already been taken to improve the control of projects going forwards to avoid any repetition of this type of situation.

Facts about contributions

If a person works for less than 8 hours a week, the employer is not required to pay any Social Security contributions on their behalf.

All adults below pension age are liable for contributions. For example, employees pay 6% and the employer pays 6.5% on earnings up to £4,610 per month. Without employer contributions, the individual is liable for the full 12.5%. Individuals with low incomes can opt out of paying these contributions, but then do not get the benefit of them, for example, towards their old age pension.

Updated estimates

These updated estimates are based on the 2019 Jersey Opportunities and Lifestyle Survey (JOLS). They are consistent with estimates based on earlier JOLS surveys and the 2011 Census. There is no more recent data since Covid-19.

There are approximately 1,300 – 2,400 people (3% of the total) who are employed in an extra job, or jobs, for 8 hours or less a week. For example, a full-time office worker with one evening a week employed as a private tutor.

There are approximately 500 - 900 people (1% of total employed) whose main job is less than 8 hours per week. For example, someone that is employed one day a week in a local shop.

The change from hours to a money limit will not affect all of these workers.

The following groups will see no change:

- The job is less than 8 hours a week and the wages are less than £438 per month or £101 per week.
- They are not liable to pay contributions, for example, pensioners.
- They are in a household receiving Income Support (the cost of contributions is automatically included as part of their benefit calculation).

For other groups:

- Where a worker is working more than 8 hours and earning less than £438 per month (or £101 per week), the worker will stop paying Class 1 contributions.
- Where a worker is working less than 8 hours but earning £438 per month (£101 per week) or more, the worker and the employer will start to pay Class 1 contributions.

Confirmation of financial implications

The aim of the new minimum earnings threshold is not to raise more contributions revenue from employers or employees.

With a minimum earnings threshold replacing the 8 hours threshold, some employers and employees will pay slightly more in contributions and some will pay slightly less. Employers will make less mistakes with these contributions and it will be easier for government to check employers are following the threshold.

For example, at a wage of £101 a week, the difference to an employee would be £6.06 per week and an employer £6.57 per week. These situations are expected to balance out - the Social Security Fund should not be any better or worse off by changing the rule.

Letter from Health and Social Security Scrutiny Panel to the Social Security Minister

Deputy Judy Martin
Minister for Social Security

BY EMAIL

16th November 2021

Dear Minister

Health and Social Security Panel
Minimum Earnings Threshold (MET)

Thank you for updating the Health and Social Security Scrutiny Panel and the Corporate Services Scrutiny Panel, at the private briefing on 3rd November 2021, in relation to [P.79/2021 'Social Security \(Amendment of Law – Minimum Earnings Threshold\) \(Jersey\) Regulations 202 \(P.79/2021\)](#).

We were grateful for the input from your officers and from Revenue Jersey officers in providing some further detail about the background work that has been done with payroll providers to prepare for the introduction of a MET. We understand that this has been done as part of wider changes to Revenue Jersey, including their new involvement in collecting Social Security contributions.

The Panel has understood the following points, and we would be grateful if you could confirm whether these are correct:

1. Modifications to IT systems and payroll software, to prepare for a change from units of hours to units of monetary value, had been instructed prior to the States Assembly considering the introduction of a MET (as per P.79/2021). The instruction for the change of unit was made together with changes that were required for the move from quarterly employer returns to monthly employer returns, which was approved by the States Assembly (as part of P.109/2019). Due to the way the software has been coded, there is no capability for the two aspects to be rolled out independently of each other. There is therefore an urgency for the Assembly to approve P.79/2021, in order to ensure that the employer returns and contributions can be collected by Revenue Jersey, and Government payroll processed correctly, from January 2022.
2. If the States Assembly approves P.79/2021, you will initially set the MET threshold by way of Ministerial Order, to be effective from 1st January 2022. The Report accompanying P.79/2021 details that the Minister intends to set the initial weekly MET at the equivalent of eight hours a week at the minimum wage, however, we now understand that you intend to set the initial MET at £100 per week.
3. You have also committed to lodging a further amendment to the Social Security (Jersey) Law 1974, for debate by the States Assembly in January/February 2022. The amendment will seek to ensure that an automatic uplift to the MET is protected and is not subject to the will of the Minister for Social Security by Order. Of the two uplift options discussed with the Panel (namely, option 1: in line with minimum earnings, or option 2: in line with average earnings) the Panel is of the opinion that **[Option 1]** of these is the most preferable.

The Panel was concerned to learn that that an instruction had been given to make significant changes to software systems, affecting employer contribution returns, without the prior in principle approval of the legislature. The Panel seeks assurance from the Minister that:

- i. mitigating measures will be put in place to ensure similar occurrences are not repeated; and
- ii. there is a good working relationship between Revenue Jersey and Customer and Local Services, particularly in relation to the new process for collecting and sharing information from the combined employer returns.

The Panel would be grateful if you could respond in writing at the earliest convenience, but if possible, no later than **Thursday 18th November**. We should be grateful if you could circulate the updated information in relation to P.79/2021 addressing the above, to all States Members ahead of the debate and also refer to this in your opening speech to the Assembly on the proposition.

Yours Sincerely,

Deputy Mary Le Hegarat
Chair
Health and Social Security Scrutiny Panel

Letter from the Social Security Minister to the Health and Social Security Scrutiny Panel

Minister for Social Security



19-21 Broad Street | St Helier
Jersey | JE2 4WE

Deputy Mary Le Hegarat
Chair
Health and Social Security Scrutiny Panel
BY EMAIL

17th November 2021

Dear Deputy Le Hegarat,

Minimum Earnings Threshold (MET)

Thank you for your letter of 16th November 2021, following the private briefing on the ‘Social Security (Amendment of Law – Minimum Earnings Threshold) (Jersey) Regulations 202 (P.79/2021)’.

The three points you set out are correct.

Minimum earnings threshold value

If the Assembly approves P.79/2021, I will set the minimum earnings threshold at £100 per week for weekly paid employees and £435 per month (the monthly equivalent) for monthly paid employees, from 1st January 2022.

This would mean that an employer would start to pay and collect contributions when an employee earns £100 a week, rather than when they work 8 hours a week.

Minimum earnings threshold annual uplift

Subject to approval of P.79, I will also include an automatic increase in the minimum earnings threshold each year, in the Ministerial Order, in line with the percentage increase in the minimum wage, as you recommend. I also think it’s important that the new threshold increases in line with wages and particularly the minimum wage. I will then return to the States Assembly early in 2022 with a proposal to embed this directly in the Social Security (Jersey) Law 1974.

Concerns and assurances

I understand your concerns and would like to reassure you that senior officers are taking steps to alert all relevant officers of the absolute need to ensure that proper statutory cover is in place before asking external stakeholders to invest in changes dependent upon new legislation.

There is a very good working relationship between officers in Strategic Planning Policy and Performance (SPPP), Revenue Jersey and Customer and Local Services who together oversee administration of the revenue collection and social-welfare systems. Officers are certainly working most collaboratively on implementing the new Combined

Employer Return which encompasses income tax, contributions, and manpower reporting requirements.

Debate

I will refer to your review, including your letter and my response, when the debate restarts on the legislation. I'm very grateful for your work on this, including our discussions and your recommendations for the proposed minimum earnings threshold. Hopefully we've agreed the best way forward in the circumstances and can have a positive outcome in the debate next week.

Yours sincerely,

Deputy Judy Martin
Minister for Social Security