P.2026/77 Amdt 1

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

25th November, 2026

Proposition No. P.2026/77

Committee *for* Employment & Social Security

The Social Insurance (Rates of Contributions and Benefits etc.) Ordinance, 2026

AMENDMENT

Proposed by: Deputy G St Pier
Seconded by: Deputy T Rylatt

To insert at the end of the proposition the following words:

", subject to the following amendments:

1. In section 1(a), for "7.6%, substitute "7.1%",

2. In section 4(a), for "12.6%", substitute "12.1%",

3. In the Second Schedule –

   (a) for "7.6%, substitute "7.1%",

   (b) for "12.6%", substitute "12.1%",

   (c) for "24.34%", substitute "26.06%",

   (d) for "28.95%", substitute "30.99%",

   (e) for "14.68%", substitute "15.29%", and

   (f) for 17.46%, substitute 18.18%.".

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by:
   - providing immediate cost-of-living support to working households;
   - strengthening workforce participation;
   - supporting the Early Years and Families agenda; and,
   - improving Guernsey's competitiveness as a place to live and work.

b) Consultation has been invited of the Committee *for* Employment & Social Security and the Policy & Resources Committee.

c) The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) The proposition will reduce social security contribution receipts by approximately £8-9m in 2027.

e) Drafting advice has been sought from the States' Greffier and officers within Treasury, Revenue Service and Employment & Social Security.

f) A high-level economic analysis is included within the explanatory note.

Explanatory note

Impact on individuals and households

This amendment would temporarily reduce employee (primary class 1) and self-employed (class 2) social security contributions in 2027 by 0.5% from the rates previously agreed for 2027, to 7.1% and 12.1% respectively. (The amendment does not propose changes to rates presented for non-employed contributors (12.0%) and those over pension age (3.8%).)

In October 2021, following consideration of a Policy Letter entitled '*Contributory Benefits and Contribution Rates for 2022*', the States approved a ten-year plan to increase the percentage contribution rates to the Guernsey Insurance Fund, and a four-year plan to increase the percentage contribution rates to the Long-term Care Insurance Fund, subject to States' approval of each annual increment. The first increase to contribution rates was applied in 2022. Increases have been applied annually thereafter. [NB the fourth and final stage of the four-year plan to increase contribution rates to the Long-term Care Insurance Fund was implemented in 2025.]

Following the States' decision in October 2021, Ukraine was invaded by Russia in February 2022 and the US/Iran conflict began in February 2026. These geopolitical events have disrupted trade routes and world energy markets, causing substantial local price inflation. Interest rates have risen substantially over the same period, taking mortgage rates with them; further increases are widely anticipated going into 2027. All these changes have created significant pressures for households and individuals.

In recent years, the States has resolved to increase Class 1 and 2 social security contributions as highlighted below:

	2021	2022	2023	2024	2025	2026	Draft ordinance 2027
Class 1	13.2%	13.5%	13.8%	14.1%	14.4%	14.6%	14.8%
Employer	6.6%	6.7%	6.8%	6.9%	7.0%	7.1%	7.2%
Employee	*6.6%*	*6.8%*	*7.0%*	*7.2%*	*7.4%*	*7.5%*	*7.6%*
Class 2							
Self-employed	*11.0%*	*11.3%*	*11.6%*	*11.9%*	*12.2%*	*12.4%*	*12.6%*

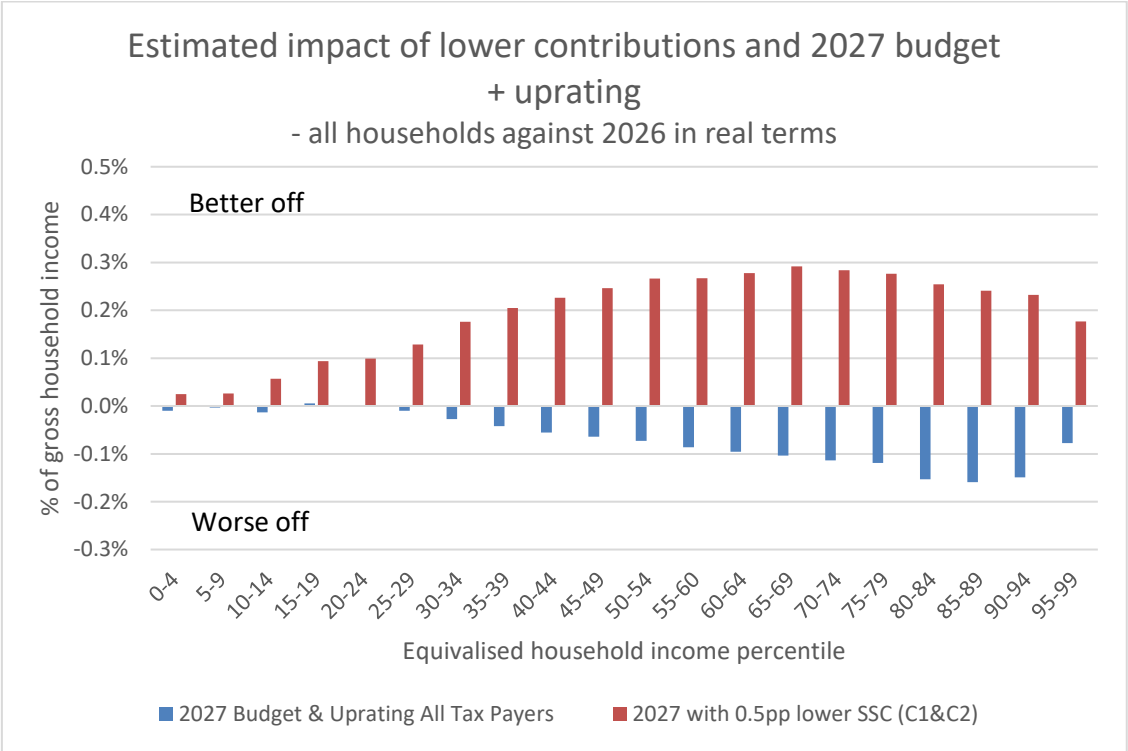
The impact of this amendment on both employed and self-employed individuals is illustrated in the following table. *[Note that the median earnings figure used for illustration purposes is the latest currently available from 2024.]*

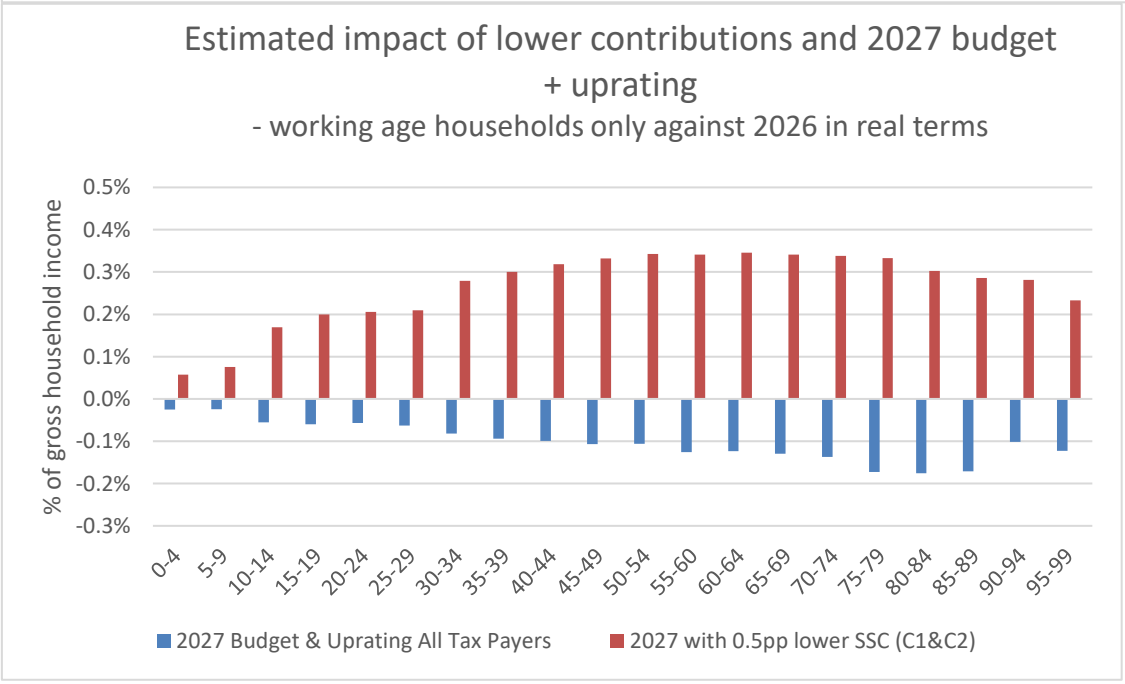
The reduction in contribution is equivalent to 0.5% of gross earnings.

Scenario	Earnings £ pa	Contributions £ pa	Saving £ pa	Est % of workforce ***below*** this level
50% of median earnings	21,350	1,516	**107**	8-12%
Median earnings	42,700	3,032	**214**	50%
200% of median earnings	85,400	6,063	**427**	80-85%

The graphs below provide an overview of the impact of income tax and social security contributions measures in the 2027 budget and contributions uprating policy as agreed in previous debates, and the estimated impact of this amendment. The analysis is presented at the population level and for working age households only, noting that the contributions for pensioners are unaffected by this amendment.

[Note that this analysis has been compiled at speed to support this amendment and should be considered indicative only.]


Estimated impact of lower contributions and 2027 budget + uprating
- all households against 2026 in real terms
% of gross household income
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
-0.1%
-0.2%
-0.3%
Better off
Worse off
0-4
5-9
10-14
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-60
60-64
65-69
70-74
75-79
80-84
85-89
90-94
95-99
Equivalised household income percentile
2027 Budget & Uprating All Tax Payers
2027 with 0.5pp lower SSC (C1&C2)


Estimated impact of lower contributions and 2027 budget + uprating
- working age households only against 2026 in real terms
% of gross household income
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
-0.1%
-0.2%
-0.3%
0-4
5-9
10-14
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-60
60-64
65-69
70-74
75-79
80-84
85-89
90-94
95-99
2027 Budget & Uprating All Tax Payers
2027 with 0.5pp lower SSC (C1&C2)

Impact on the Guernsey Insurance Fund

The contribution income reduction will be borne by the Guernsey Insurance Fund. **The proposal would reduce contribution income to the Fund by approximately £8-9 million in 2027.** Relative to a Fund reserve of £797 million at the end of 2025, this represents a modest one-off reduction in assets of around 1%. The loss of assets would also marginally reduce future investment income over time through foregone returns. Taken together, these effects would be expected to *bring forward*, to a limited extent, the point at which the Fund falls below its long-term minimum funding requirement (currently set at the equivalent of two years' expenditure).

For balance, it should be noted that, in the year to September 2026, contribution income to the Guernsey Insurance Fund has exceeded budget by £13.1m and the year-end forecast is that contribution income will have exceeded the 2026 budget by £17.5m[1]. This additional income will increase the Fund's asset base and, consequently, future investment returns through the reinvestment of those assets. Over time, the cumulative effect of those additional returns may provide a modest improvement in the Fund's financial position and would be expected to *marginally delay* the point at which the Fund falls below its long-term minimum funding requirement.

However, an accurate estimate of the long-term impact on the value and life of the Fund of a single year's increase or decrease in contributions cannot be quantified reliably without reference to an updated actuarial assessment and will depend on future contribution income, investment performance, expenditure trends and demographic experience. [*NB The last full actuarial review was conducted as at 31 December 2019. A formal actuarial review of the fund is currently underway.]*

High level economic assessment

A reduction in Social Security Contributions would increase the financial return from employment and may therefore have a small positive effect on labour market participation and hours worked through substitution effects. Any such impacts are likely to be concentrated among individuals with greater discretion over their labour supply, such as those working part-time or flexible hours, rather than those in full-time employment with fixed contractual hours. Offsetting income effects are also possible, whereby higher disposable income enables some individuals to achieve their desired income with fewer hours worked. **Given the relatively small magnitude and temporary nature of the proposed reduction and Guernsey's constrained labour market, any labour supply effects are expected to be limited.**

[1] A significant proportion of this increase reflects payments in respect of 2025 relating to the transition of the classification of controlling shareholders and owner-managers from self-employed to employed. This additional revenue is also temporary.

The direct economic benefit would accrue to employed and self-employed individuals liable to pay Social Security Contributions. (Individuals living in households in receipt of Income Support are likely to receive no net benefit (or disbenefit) as their entitlement is calculated on income after tax and therefore adjusts to changes in contribution liabilities.) The benefit is broadly proportional to earnings for an individual up to the Upper Earnings Limit (£204,984), beyond which the monetary benefit is capped. Consequently, the largest cash benefit accrues to individuals with earnings at or above the Upper Earnings Limit (UEL), while the proportional benefit relative to income is similar for individual contributors with earnings below the UEL. It is estimated that more than 95% of contributors have earnings less than this level.

The increase in disposable income may result in a modest increase in household consumption, particularly amongst lower- and middle-income households that have a higher propensity to consume additional income. This may provide a small temporary benefit to locally consumed goods and services, including retail, hospitality and personal services.

Given the temporary nature and scale of the measure, it is unlikely to materially affect Guernsey's competitiveness, inward investment decisions, wage setting or other long-term business decisions.

The approved 2027 Budget and contribution proposals together withdraw around £9 million from the private sector in 2027, equivalent to around 0.25% of GDP. The proposed temporary reduction in employee and self-employed social security contributions would return approximately £8-9 million to working households, offsetting almost all of that fiscal drag. The effect is not that the amendment creates a large stimulus; rather, it largely neutralises the contractionary effect of the other changes agreed. In summary:

- **The economy would move from a modest fiscal tightening to almost no tightening at all.**
- **The amendment represents approximately 0.25% of GDP in additional household disposable income relative to the approved Budget position.**

This amendment is supported by Forward Guernsey.