P.2023/103

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2024

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2024', dated 8th September 2023, they are of the opinion:

1. To set the contributions limits and rates as set out in Tables 4, 5 and 6 of the Policy Letter, from 1st January 2024.

2. To direct the Committee *for* Employment & Social Security to develop detailed policy proposals for a progressive restructuring of the social security contributions system –

   a) based on the principles set out in paragraph 3.8 of the Policy Letter, and

   b) having regard to any relevant decisions arising from the States' consideration of the Funding & Investment Plan,

   and to direct the Committee to report back to the States no later than 31st December 2024.

3. To set the standard rates of contributory social insurance benefits as set out in Table 7 of the Policy Letter, from 1st January 2024.

4. To set the contribution (co-payment) required to be made by the claimant of care benefit, under the Long-term care Insurance Scheme, at £327.32 per week, from 1st January 2024.

5. To set the weekly long-term care benefit at the rates set out in Table 9 of the Policy Letter, from 1st January 2024.

6. To set the weekly respite care benefit at the rates set out in Table 10 of the Policy Letter, from 1st January 2024.

7. To agree that the standard uprating policy for contributory benefits, except those funded from the Long-term Care Insurance Fund, should include a 'double lock and look back', as set out in paragraphs 2.7 to 2.9 of the Policy Letter.

8. To note that the Committee intends to set the age of an individual's child, in respect of whom family allowance contribution credits are awarded, at 12 years old with effect from 1st January 2025.

9. To note that the Committee *for* Employment & Social Security intends to implement a scheme to protect the contribution records of parents who would be affected by the proposal in Proposition 8, including parents who provide home education for their children or whose children have additional care needs, and such other parents who can demonstrate, to the satisfaction of the Administrator to the Committee, that it would be fair and equitable in all the circumstances for them to be eligible for the protection scheme.

10. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to give the Committee a power, by Regulations, to adjust the aggregate period for which unemployment benefit is payable, from time to time, subject to a minimum aggregate period of 10 weeks and a maximum aggregate period of 30 weeks, as further detailed in paragraphs 7.2 to 7.4 of the Policy Letter.

11. To amend the Social Insurance (Guernsey) Law, 1978 by Ordinance to enable unmarried parents to be eligible to receive widowed parent's allowance in the event that their cohabiting partner dies, and providing that they meet all other relevant eligibility criteria, as further detailed in paragraphs 6.5 to 6.6 of the Policy Letter.

12. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2024

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

8th September 2023

Dear Sir

1. Executive Summary

1.1. This annual Policy Letter contains proposals concerning contributions to, and benefits funded from, the Guernsey Insurance Fund and the Long-term Care Insurance Fund.

1.2. In its Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2023'[1], the Committee proposed, and the States approved, a continuation of a planned gradual increase of contributions rates to be paid into the Guernsey Insurance Fund and the Long-term Care Insurance Fund. Since its inception in January 2022, this plan has been reviewed annually, in consultation with the Policy & Resources Committee, to ensure that the need for increased contribution rates remained and that it aligned with the outcome of the debate on the Tax Review[2].

1.3. As the States did not agree to the Policy & Resources Committee's proposals in the Tax Review, which included proposals to restructure the Social Security contributions system, the Committee is seeking direction from the States to revisit these proposals and further investigate how the contributions system could be restructured in order to raise an equivalent amount of contribution income as the aforementioned plan to gradually increase contributions. The Committee notes that these proposals will likely depend on the outcome of

[1] Contributory Benefits and Contribution Rates for 2023 (Billet d'État XVIII of 2022, Article XVII).
[2] The Tax Review: Phase 2 (Billet d'État II of 2023, Article V).

the anticipated Funding & Investment Plan, which had not been published at the time of drafting.

1.4. In the meantime, the Committee proposes that the third increase in contribution rates be implemented with effect from January 2024. This will be a further step towards addressing the long-term financial sustainability of both funds.

1.5. As a further measure to address the sustainability of the Guernsey Insurance Fund, the Committee recommends that a new 'double lock' policy for increasing the rate of the States Pension (and some other contributory benefits) be formalised. This policy is more nuanced than the current, informal double lock whereby relevant benefit rates are increased by RPIX plus one third of the real increase in median earnings (the 'one-third policy') or, if greater, by RPIX. RPIX is currently used to increase relevant benefit rates when inflation exceeds earnings growth, so that a real-terms decrease is not applied. The proposed new policy would add a 'look back' element to the current double lock which would ensure that the one-third policy takes into account changes made in years when benefit rates were increased by RPIX. Under the revised double lock policy, increasing benefit rates by RPIX as an interim measure would have no long-term effect on the projected sustainability of the Guernsey Insurance Fund.

1.6. The Committee notes that the current double lock policy, which does not include a 'look back' element, is likely to have a negative impact on the actual financial position and is content that the proposed alternative remedies this issue.

1.7. In line with the new proposed double lock, the Committee recommends that contributory benefits funded from the Guernsey Insurance Fund and the Long-term Care Insurance Fund be increased in 2024 by 6.8%, this being the annual rate of 'core' inflation (RPIX) for the year to 30th June 2023, which is higher than the nominal increase in median earnings. The Policy & Resources Committee has confirmed its support for this proposal.

1.8. The Committee is proposing a change to the legislative provision that provides for the award of a contribution credit to non-employed persons who are excepted from liability to pay Class 3 (non-employed) contributions in respect of any week they are paid a family allowance. At present, a parent who meets these criteria is eligible to receive contribution credits until their youngest child reaches the age of 16. The Committee proposes that this age be reduced to 12. It is of the opinion this policy does not align well with the point at which a work requirement is imposed upon single parents (or the parent in a couple with primary responsibility for the provision of childcare) in receipt of income support and might inadvertently support workforce non-participation. It considers that a more targeted approach should be employed to protect the contribution records of people who, based on their circumstances, might need it the most.

1.9. The Committee is also proposing that the Social Insurance (Guernsey) Law, 1978 be amended by Ordinance to give the Committee a power, by Regulations, to adjust the aggregate period for which unemployment benefit is payable which, at present, is 30 weeks. The Committee is of the opinion that the duration of unemployment benefit should reflect economic circumstances; for example, the aggregate period should be reduced at times of low unemployment. Currently, this change would require an Ordinance to be made by the States, however, this would be a time-consuming process. The Committee is of the view that the ability to change the duration of unemployment benefit by Regulations would allow for a more dynamic approach. The Committee proposes that the aggregate period for which unemployment benefit is payable cannot be adjusted by Regulations of the Committee to be less than ten weeks or more than the current maximum of 30 weeks.

1.10. Finally, the Committee proposes to amend, by Ordinance, the Social Insurance (Guernsey) Law, 1978 to allow for unmarried bereaved parents to claim a widowed parent’s allowance, providing that they were cohabiting with their partner prior to their death and meet all other eligibility criteria. This is to ensure that the Law is compliant with the European Convention on Human Rights.

PART I: INTRODUCTION

2. Uprating Policy

2.1. The guideline policy for uprating the States Pension and all other contributory benefits, except Long-term Care benefit, has, since 2016[3], been RPIX plus one third of the real increase in median earnings. This is referred to below as 'the one-third uprating policy'. For 2024, the calculation of the one-third uprating policy would use the Quarter 2 2023 RPIX figure and the annual nominal change in median earnings as at Quarter 4 2022[4].

2.2. However, the June 2023 RPIX figure (6.8%) is higher than the nominal increase in median earnings as at 31st December 2022 (5.7%). In this instance, the application of the one-third uprating policy would result in a below-inflation increase to the rate of the States Pension.

$$(5.7\% - 6.8\%) \div 3 + 6.8\% = 6.4\%$$

2.3. The same situation occurred in 2018, 2019, and 2022 when the decision was taken to instead increase the rate of the States Pension (and other contributory benefits) by RPIX, in order to avoid a real terms decrease to the value of the relevant rates and benefits.

2.4. Although the approach of using whichever is higher out of the one-third uprating policy and RPIX was referenced as a 'double lock' in the 2020 Policy Letter entitled 'Uprating Policy for States Pension'[5], it was not included as a Proposition for approval by the States. In October 2022[6], the States noted that the Committee was minded to propose that the double lock be formally endorsed through a Resolution of the States, but that the Committee intended to examine the potential long-term financial implications to the Guernsey Insurance Fund of the double lock policy.

2.5. An underlying assumption of the long-term actuarial projections of the Guernsey Insurance Fund is that earnings will exceed inflation by an average of 1.0% a year. Therefore, the double lock policy does not negatively impact the sustainability of the Guernsey Insurance Fund as projected through five-yearly actuarial reviews. However, a double lock policy which considers each year in isolation does build in a ratcheting effect that would have a negative

---

3 Benefit and Contribution Rates for 2016 (Billet d'État XVIII of 2015, Article VIII).

4 The latest available figures when this Policy Letter was prepared.

5 Uprating Policy for States Pension (Billet d'État V of 2020, Article IX).

6 Contributory Benefits and Contribution Rates for 2023 (Billet d'État XVIII of 2022, Article VII). See Resolution 7.

impact on the actual financial position of the Guernsey Insurance Fund over the longer term.

2.6. The Committee, therefore, proposes a more nuanced policy be applied when increasing the rate of the States Pension and other relevant contributory benefits.

2.7. It is proposed that, going forwards, RPIX will still be applied whenever it exceeds wage growth, ensuring that the real-terms value of benefits does not decrease. When wages increase by more than RPIX, the one-third uprating policy will be employed, alongside a retrospective 'look back' at the previous year or years (as appropriate). An above inflation increase would be adjusted by the amount by which RPIX exceeded the one-third uprating policy the year(s) before.

2.8. Put differently, when the rate of RPIX is applied to increase the rate of the States Pension and other contributory benefits, if it exceeds the one-third policy by, for example, 0.1%, that amount will be deducted the next time the one-third uprating policy is employed, so long as this does not bring the increase below RPIX. In that case, RPIX will be awarded, and any outstanding deductions carried forward to future years.

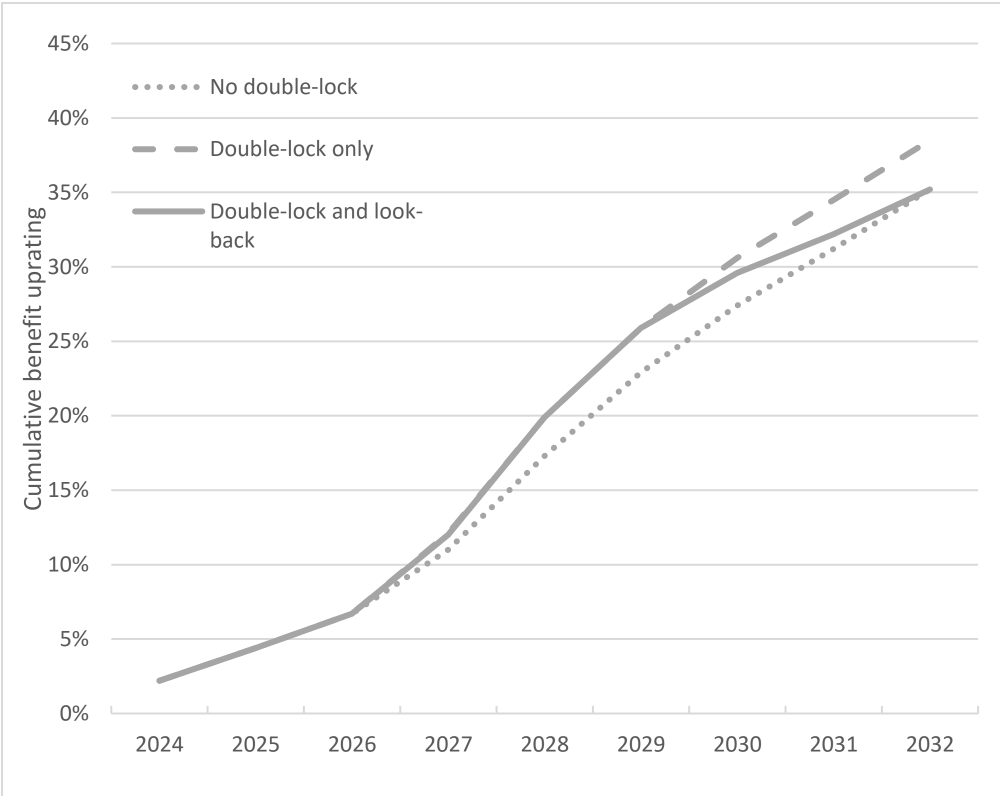
2.9. Using this method, the ratcheting effect would be removed, but the States Pension and other contributory benefits would still increase in line with RPIX plus one third of the real increase in median earnings over the longer term. Chart 1 overleaf provides an illustration of how this might operate in practice based on fictional data. It shows the cumulative increases that might apply over a sample nine-year period if the double lock policy was implemented in conjunction with the proposed look back provision (solid line). The cumulative increases of a double lock policy without the look back (dashed line), and no double lock policy (dotted line) are also shown for comparative purposes. The assumptions used in Chart 1 are set out at Appendix 1.

2.10. In the first three years (2024 to 2026 inclusive), the relevant increase in earnings is higher than the relevant RPIX increase, meaning that the one-third uprating policy can be applied and all three lines on the chart follow the same trajectory.

2.11. For the following three years (2027 to 2029 inclusive), RPIX is higher than the increase in nominal earnings. As such, benefits are uprated by RPIX rather than the one-third uprating policy. At this stage, the look back has not been required, so the solid and dashed lines follow the same trajectory.

2.12. For the final three years (2030 to 2032 inclusive), the nominal increase in median earnings is once again higher than RPIX. As there has been a period in which benefits have been uprated by more than the one-third uprating policy, the look back is now engaged. Benefits are uprated by less than the one-third uprating policy (but not below RPIX) until the cumulative increases awarded are the same as they would have been had the one-third uprating policy been implemented in the strictest sense. In this example, this occurs at the end of the nine-year period.

Chart 1 – Projected impact of the proposed double lock and look back uprating policy, compared with the existing informal double lock policy and no double lock policy.



2.13. In line with the proposed double lock and look back policy, the Committee recommends that, for 2024, contributory benefits funded from the Guernsey Insurance Fund be increased by 6.8%, this being the annual rate of 'core' inflation (RPIX) for the year to June 2023, which exceeded wage growth as at 31st December 2022. The Policy & Resources Committee has confirmed its support for this proposal.

PART II: INCOME

3. Contributions

Proposed contribution rates for 2024

3.1. In October 2021, following consideration of a Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2022'[7], 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. The first increase was applied in 2022, this being the first increase to contribution rates since 2017.

3.2. The ten- and four-year plans were implemented to address the findings of the actuarial reviews of the Guernsey Insurance Fund and the Long-term Care Insurance Fund, undertaken by the Government Actuary's Department, covering the period 1st January 2015 to 31st December 2019.

3.3. At the time, it was noted that the plans should align with the outcome of the debate on the Tax Review. As such, the States directed the Committee both to review, in consultation with the Policy & Resources Committee, its ten- and four-year plans each year and to report to the States each year on whether to pursue or adjust the plans, particularly in light of the outcome of the Tax Review, the economic circumstances of the island and other relevant factors.

3.4. Although the States did not achieve majority support for any one package of proposals to reform the Tax and Social Security systems, many States Members expressed support for various elements of the options put forward during the Tax Review debate in February 2023. In many cases, these options included proposals for reforming the Social Security contributions system.

3.5. In order to build upon the support expressed by States Members for the proposed reforms, the Committee proposes that further work be undertaken to determine how these reforms can be implemented.

3.6. The work required is likely to be significant and will involve financial modelling and further detailed policy work. Therefore, given the acknowledged limitations on officer resource, the Committee considers it prudent to request clear direction from the States to carry out this work before committing the resources required.

---

7 Contributory Benefits and Contribution Rates for 2022 (Billet d'État XX of 2021, Article XI).

3.7. For clarity, should the States approve the intention to carry out this work (Proposition 2), this would not constitute an endorsement of the detailed package of proposals the Committee will bring back to the States no later than 31st December 2024.

3.8. The principles which underpinned the original proposals set out in the various Tax Review options debated in early 2023 are as follows:

- The addition of an allowance for all contributors, and built-in protection for individuals whose liability to pay contributions is removed as a result;
- That all individuals should be assessed on both earned and unearned income, including self-employed (Class 2) contributors, whose contribution rate should be aligned with that of employed (Class 1) contributors, plus a reduced employer's rate on their earned income reflecting their status as their own employer;
- That employers pay an increased rate which should be calculated based only on employees' earned income;
- That the lower earnings limit be removed in respect of employers' contributions;
- The addition of a 2% rate of employer contribution applied in respect of earned income greater than the upper earnings limit (currently £168,480 per year in 2023) and less than £250,000 per year;
- That non-employed contributors of working age (Class 3) pay a contribution rate that is aligned with the rate for employees; and
- That contributors of pension age pay a contribution rate that is lower than the rate for employees below pension age.

3.9. It is intended that these general principles will also underpin the Committee's proposed review.

3.10. The Committee acknowledges the unfortunate timing of the Policy Letter, in that it will be both published and considered by the States at the same time as the upcoming Funding & Investment Plan (F&IP).

3.11. The timing of the two Policy Letters adds a level of complexity to the Committee's initial proposals, making it more difficult to set out, with complete certainty, the exact contributions reforms which the Committee is most likely to pursue.

3.12. Put differently, if, when considering the F&IP, the States approves a package of tax reforms, including any changes in the structure of social security contributions, this will almost certainly influence the contributions reforms the Committee puts forward in due course.

3.13. If, when the States debates this Policy Letter, no such restructure of contributions has been approved, then the Committee must ensure that its subsequent proposals to restructure, potentially without the benefit of revenue raising within general revenue sufficient to make up any shortfall arising from the restructure, are revenue neutral when compared to the existing ten- and four-year plans mentioned in paragraphs 3.1 to 3.3.

3.14. In the meantime, the Committee considers it necessary to implement the third step of the ten- and four-year plans. The effect, from 1st January 2024, will be to increase the current contribution rates from 6.8% to 6.9% for employers, from 7.0% to 7.2% for employees (i.e. a combined Class 1 contribution rate of 14.1%), from 11.6% to 11.9% for self-employed persons, from 11.0% to 11.3% for non-employed persons under pension age, and from 3.6% to 3.7% for non-employed persons over pension age. Appendix 2 sets out current and future changes to contribution rates under the ten- and four-year plans.

3.15. The percentage contribution rates proposed for 2024 are set out in Tables 1, 2 and 3 below and overleaf, compared to the rates for 2023. These tables also show how the contribution income from each class will be split between the Guernsey Insurance Fund, the Long-term Care Insurance Fund and the Guernsey Health Service Allocation.

3.16. The estimated cost to General Revenue of increasing the employers' contribution rate by 0.1% in 2024 is £260,000 - £280,000 in respect of public sector employees. However, it is noted that the proposed increases in contribution rates will raise additional revenues of approximately £5.23m per annum.

Table 1 – Current contribution rates, proposed contribution rates for 2024, and the proportions of income split between the funds for employed persons (Class 1)

Employed persons (Class 1)	**2023**	**2024**
Employer	**6.80%**	**6.90%**
Guernsey Insurance Fund	6.80%	6.90%
Guernsey Health Service Allocation	-	-
Long-term Care Insurance Fund	-	-
Employee	**7.00%**	**7.20%**
Guernsey Insurance Fund	3.15%	3.25%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.00%	2.10%
Combined	**13.80%**	**14.10%**
Guernsey Insurance Fund	9.95%	10.15%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.00%	2.10%

Table 2 – Current contribution rates, proposed contribution rates for 2024, and the proportions of income split between the funds for self-employed persons (Class 2)

Self-employed persons (Class 2)	2023	2024
Totals	**11.60%**	**11.90%**
Guernsey Insurance Fund	7.75%	7.95%
Guernsey Health Service Allocation	1.85%	1.85%
Long-term Care Insurance Fund	2.00%	2.10%

Table 3 – Current contribution rates, proposed contribution rates for 2024, and the proportions of income split between the funds for non-employed persons (Class 3)

Non-employed persons (Class 3)	2023	2024
Under pension age	**11.00%**	**11.30%**
Guernsey Insurance Fund	7.00%	7.20%
Guernsey Health Service Allocation	1.90%	1.90%
Long-term Care Insurance Fund	2.10%	2.20%
Over pension age	**3.60%**	**3.70%**
Guernsey Insurance Fund	-	-
Guernsey Health Service Allocation	1.30%	1.30%
Long-term Care Insurance Fund	2.30%	2.40%

<u>Proposed contribution earnings and income limits, non-employed income allowance and voluntary contribution rates for 2024</u>

3.17. The Committee is recommending that all contribution earnings and income limits, the non-employed income allowance, and the overseas voluntary contribution rates for self-employed and non-employed persons are increased by approximately 6.8%, this being RPIX as at the end of June 2023. Tables 4, 5 and 6 overleaf show the effects of this increase for all contributor classes, compared with current (2023) limits and rates.

Table 4 – Proposed Class 1 contribution limits and rates for 2024 compared to 2023

Class 1 – Employed persons	2023	2024
Employer Employee	6.8% 7.0%	6.9% 7.2%
Upper Earnings Limit: Weekly Monthly	 £3,240.00 £14,040.00	 £3,459.00 £14,989.00
Lower Earnings Limit: Weekly Monthly	 £163.00 £706.33	 £175.00 £758.33
Weekly full rate (employee): Maximum Minimum	 £226.80 £11.41	 £249.05 £12.60
Weekly full rate (employer): Maximum Minimum	 £220.32 £11.08	 £238.67 £12.08

Table 5 – Proposed Class 2 contribution limits and rates for 2024 compared to 2023

Class 2 – Self-employed persons	2023	2024
	11.6%	11.9%
Annual Earnings Limit: Upper Lower	 £168,480.00 £8,476.00	 £179,868.00 £9,100.00
Weekly rate: Maximum Minimum	 £375.84 £18.91	 £411.62 £20.83
Overseas contribution (weekly)	£122.38	£130.70

Table 6 – Proposed Class 3 contribution limits and rates for 2024 compared to 2023

Class 3 – Non-employed persons	2023	2024
Under pension age Over pension age	11.0% 3.6%	11.3% 3.7%
Annual Income Limit: Upper Lower	 £168,480.00 £21,190.00	 £179,868.00 £22,750.00
Allowance (under and over pension age)	£9,527.00	£10,175.00

Class 3 – Non-employed persons	2023	2024
Weekly rate (under pension age): Maximum Minimum	 £336.25 £24.67	 £368.76 £27.33
Weekly full rate (over pension age): Maximum Minimum	 £110.04 £8.07	 £120.74 £8.95
Overseas contribution (weekly)	£110.69	£118.22
Voluntary contribution (weekly)	£24.67	£27.33
Special rate non-employed (weekly)	£24.67	£27.33

4. Class 3 contribution credits for persons in receipt of family allowance

4.1. A family allowance (FAM) is payable in respect of any child under 18 who is in full-time education, provided their parent(s) or guardian(s) have an annual household income below £120,000. FAM is not payable in respect of a child above school leaving age if they have ceased full-time education.

4.2. Non-employed persons who are excepted from liability to pay Class 3 (non-employed) contributions are awarded a Class 3 contribution credit (for the purposes of death grant, survivor's benefits and States pension only) in respect of any week in which FAM is payable for a child under the age of 16. Family allowance contribution credits (hereafter 'FAM credits') are not awarded to people who are liable to pay a social insurance contribution through employment, self-employment or having sufficient un-earned income.

4.3. The Committee does not consider that this policy aligns well with the income support work requirement[8], which must be met by income support recipients in order to maintain eligibility for the benefit. Further, the Committee considers it important that policies, criteria and practices support the objective of maximising workforce participation.

4.4. It is important to note that many recipients of FAM credits are already likely to be engaged in some employed or self-employed work during part of the year. Data from 2018 and 2019[9] indicates that around 58% of people who received FAM credits did so for less than a complete calendar year. Indeed, in 2018 and 2019, 30% of all FAM credit recipients were allocated credits for 13

8 At present, a single parent or the member of a couple that is primarily responsible for childcare, is expected to work part-time (a minimum of 20 hours per week) from when their youngest child is aged 5.

9 Data from this period was used to avoid capturing a snapshot during, or soon after, the 2020 and 2021 COVID-19 lockdowns as it was considered likely that the data from this period would not be representative, as it was likely to reflect the impact of job losses or periods of furlough.

weeks or fewer. This small number of credits might have been accounted for by short gaps in employment, perhaps arising from brief spells of unemployment, unpaid maternity leave, or unpaid leave during school holidays.

4.5. Further, 46% of FAM credit recipients in 2018 lived in a household where the youngest child was under five years old. By contrast, parents who lived in a household where the youngest child was 11 or more years old made up only 22% of total FAM credit recipients in 2018.

4.6. The data from 2018 also indicates that FAM credit recipients with annual household incomes between £10,000 and £79,999 were more likely to have a youngest child aged below five than were recipients with annual household incomes between £80,000 and £199,999. This suggests that parents with household income below or roughly equal to the median for a two-adult household were more likely to receive FAM credits only until their youngest child reached primary school age.

4.7. Further, the largest number of FAM credit recipients in 2018 were those with an annual household income of £150,000 or more. These households have since been made ineligible to receive FAM (and, by extension, contribution credits) following the introduction of a household income cap of £120,000 in January 2022.

4.8. The Committee is therefore of the opinion that, as well as protecting the contribution records of people who need them, FAM credits protect the contribution records of some people who could reasonably be expected to maintain their own contribution records. While the Committee considers it a valid personal choice for parents who can support themselves financially to leave the workforce in order to fulfil childcare responsibilities, the Committee does not consider it just or equitable, except in limited circumstances, for the pension entitlement of parents of children attending secondary school to be subsidised by those Islanders who are economically active.

4.9. The Committee, therefore, intends to reduce by Regulations the age of an individual's child up to which FAM credits are awarded. As an initial step, the Committee will reduce this age from 16 to 12. This will ensure that parents of primary school age children will continue to be eligible to receive FAM credits, provided that they are eligible for the family allowance cash benefit and are not liable to pay a social insurance contribution on employed, self-employed or un-earned income[10].

4.10. However, a non-employed person who is excepted from liability to pay Class 3 contributions and whose youngest child has attained the age of 12 would no longer receive FAM credits. If they wanted to maintain their contribution record, they would either need to pay a voluntary Class 3 contribution[11] or enter employment or self-employment and pay a Class 1 or 2 contribution.

4.11. Based on the data from 2018 and 2019, it is anticipated that the number of people who might be unfairly impacted by this policy change will be low. However, the Committee is of the opinion that protection should be made available for parents whose circumstances limit their ability to maintain their contribution record.

4.12. The Committee has consulted with the Committee *for* Education, Sport & Culture on this matter, noting that parents who home educate their children or who have additional caring responsibilities are likely to be two groups who might be impacted by this change to FAM credit policy. In its response (included at Appendix 3), the Committee *for* Education, Sport & Culture confirmed its support for this proposal, while suggesting that the contribution record protection scheme could go further to also include parents who work on a term-time only basis.

4.13. The Committee has considered this suggestion but is of the opinion that FAM credits should be awarded in respect of children aged 12 and over only in very limited circumstances. Members are of the view that contribution credits or record protection schemes should not support workplace non-participation, except when a person's circumstances prohibit them from engaging in employment or self-employment, or from paying a Class 3 voluntary contribution. The Committee does not think the provision of contribution credits would have any bearing on a parent's decision to work only during term-time, and, therefore, would have no positive impact on addressing anti-social behaviour of the nature referred to in the letter from the President of the Committee *for* Education Sport & Culture, attached at Appendix 3. The Committee notes that, in any case, many term-time only workers, such as teachers and Civil Servants, are paid throughout the year, meaning that they do not have gaps in their contribution records during the school holidays.

---

10 Individuals who are liable to pay an employed, self-employed, or non-employed contribution are not eligible to receive a FAM credit because they are responsible for the maintenance of their contribution record. Employed (Class 1) and self-employed (Class 2) contributions carry an entitlement to a wider range of benefits, providing individual contributors meet the relevant eligibility criteria.

11 The voluntary contribution rate in 2023 is £24.67 per week.

4.14. As such, the Committee intends to introduce a contribution record protection scheme for parents in receipt of FAM who would otherwise be ineligible to receive FAM credits due to their youngest child being aged 12 to 15 (inclusive) and:

- who home educate their child(ren),
- whose child(ren) has/have significant care needs, or
- who can otherwise demonstrate to the Administrator's satisfaction that it would be fair and equitable in all the circumstances for them to be eligible for the protection scheme.

4.15. For the avoidance of doubt, anyone who qualifies under the protection scheme will continue to receive FAM credits for the purposes of death grant, survivor's benefits and States pension only, until such time as their circumstances change in a way that means that they can maintain their own contribution record, or their youngest child reaches the age of 16.

4.16. To ensure that parents who may be impacted by this change have sufficient time to prepare and, if they wish, to take measures to protect their contribution records, the Committee intends to introduce these changes with effect from 1st January 2025.

4.17. It is anticipated that withdrawing FAM credits from persons who are excepted from liability to pay Class 3 contributions and who are parents of secondary school age children will increase contribution income to the Guernsey Insurance Fund, as some of those persons will choose to protect their contribution record through the payment of voluntary contributions or by entering the workforce. Overall, it is considered that the financial impact of this policy change to the Guernsey Insurance Fund will be a small net gain.

PART III: EXPENDITURE – CONTRIBUTORY BENEFITS

5. Expenditure financed by the Guernsey Insurance Fund

5.1. As set out in paragraph 2.13, the Committee is recommending that the rates of the States Pension and other social insurance benefits are increased by 6.8%, in line with RPIX as at the end of June 2023.

5.2. The proposed new weekly rates of benefits and grants, to be effective from 1st January 2024, are set out in Table 7 overleaf. These rates of benefits and grants apply to persons who have fully satisfied the relevant contribution conditions. Reduced rates of benefit are payable on incomplete contribution records, down to threshold levels, after which, no benefit is payable.

Table 7 – Proposed rates of contributory social insurance benefits for 2024 compared to 2023

Weekly paid benefits	2023 (actual)	2024 (proposed)
States Pension		
Insured person	£250.22	**£267.23**
Increase for dependant wife[12]	£125.34	**£133.86**
Total	£375.56	**£401.09**
Survivor's Benefits		
Widowed Parent's Allowance	£263.13	**£281.02**
Bereavement Allowance[13]	£226.26	**£241.65**
Maternal Health Allowance, Newborn Care Allowance, and Parental Allowance	£250.67	**£267.75**
Unemployment Benefit, Sickness Benefit, and Industrial Injury Benefit	£184.17	**£196.70**
Incapacity Benefit	£221.27	**£236.32**
Industrial Disablement Benefit (100%)[14]	£201.64	**£215.35**
One off grants:		
Maternity Grant and Adoption Grant	£461.00	**£492.00**
Death Grant	£720.00	**£769.00**
Bereavement Payment	£2,273.00	**£2,428.00**

5.3. If the proposals for benefit rates are approved, the 2024 estimated expenditure from the Guernsey Insurance Fund will be £196.9m (2023 forecast: £182.8m), as shown in Table 8 overleaf.

5.4. This estimate includes:

- the proposed 6.8% increase in the general rate of benefit (2023: +7.0%),
- an anticipated increase in the number of pension claims as a result of the aging demographic,
- other policy decisions previously approved by the States, such as increasing pension age,
- estimated administration costs for 2024 of £5.3m (2023 forecast: £5.2m).

5.5. Benefits paid from the Guernsey Insurance Fund are statutory entitlements based, almost wholly, on the number of contributions paid. States pension expenditure accounts for over 87% of the total benefit expenditure of the

12 For people whose marriages took place before 1st January 2004, and who reached pension age before 1st January 2014.

13 Widow's pension is also payable at this rate. New applications cannot be made but there are still historic cases continuing.

14 Lower rates are payable based on degree of disability.

Fund. As of 1st July 2023, there were 18,807 people in receipt of a pension from Guernsey (1st July 2022: 18,727).

5.6. Table 8 below shows annual benefit and administration expenditure for the Guernsey Insurance Fund for the years 2020 to 2022, the budget forecast for 2023 and projected expenditure for 2024.

Table 8 – Summary of expenditure from the Guernsey Insurance Fund

	2020 Actual £m	**2021 Actual £m**	**2022 Actual £m**	**2023 Forecast £m**	**2024 Budget £m**
Pension	133.9	138.4	143.0	154.2	166.5
Incapacity	9.5	10.3	10.5	11.2	12.0
Sickness	4.7	4.7	5.0	5.5	5.8
Parental	2.6	2.5	2.7	2.6	2.8
Travelling Allowance Grant[15]	2.5	3.3	-	-	-
Bereavement	1.7	1.9	1.8	1.9	2.1
Unemployment	2.1	1.0	0.7	1.2	1.3
Industrial	0.9	0.9	0.9	1.0	1.1
Total benefit expenditure	**157.9**	**163.0**	**164.6**	**177.6**	**191.6**
Administration	4.3	4.1	6.2	5.2	5.3
Total expenditure	**162.2**	**167.1**	**170.8**	**182.8**	**196.9**

6. Eligibility for widowed parent's allowance

6.1. The Social Insurance (Guernsey) Law, 1978[16] states that:

> "30. Subject to the provisions of this Law, and subject to such further or alternative exceptions and conditions as regulations may provide, a person shall be entitled to a bereavement payment if his deceased spouse satisfied the relevant contribution conditions:
>
> Provided that he shall not be so entitled if, at the date of death his deceased spouse, the Administrator is satisfied that he was cohabiting with another person as if they were married."

and that:

15 The Travelling Allowance Grant has transferred to the Committee *for* Health & Social Care (see section 7 for further information).

16 The Social Insurance (Guernsey) Law, 1978.

"31. (1) Subject to the provisions of this Law, and subject to such further exceptions and conditions as may be prescribed, a person ("the claimant") shall be entitled to a widowed parent's allowance if the claimant's late spouse satisfied the relevant contribution conditions […]"

6.2. In other words, a person might be eligible to receive a bereavement payment, a bereavement allowance, or a widowed parent's allowance should their spouse die[17]. However, the Law does not allow for bereaved individuals to receive these benefits if they were cohabiting, but not in a legal union, at the time of their partner's death.

6.3. Two successful legal challenges in the UK and Ireland established that it contravenes the European Convention on Human Rights (ECHR) to refuse payment of bereavement benefits intended to benefit children, to bereaved parents who were cohabiting with, but not married to, their partner. In both cases, the courts concluded that this policy was a breach of Article 14[18] of the ECHR, read in conjunction with Article 8[19] of the ECHR.

6.4. Consequently, in 2022, the UK expanded eligibility criteria for a particular bereavement benefit that is largely analogous to Guernsey's widowed parent's allowance. Unmarried parents in the UK who had been bereaved of their cohabiting partner became eligible to receive the relevant benefit, provided they also fulfilled all other eligibility criteria.

6.5. In order to remedy the current human rights incompatibility in the Social Insurance (Guernsey) Law, 1978, the Committee proposes that the Law be amended by Ordinance to enable unmarried bereaved parents to claim a widowed parent's allowance, providing that they were cohabiting with their partner prior to their death and meet all other eligibility criteria[20]. For the avoidance of doubt, the Ordinance would not apply in respect of the bereavement payment or bereavement allowance.

6.6. It is proposed that the Ordinance provide for bereaved parents who were cohabiting with their late partner to apply to receive a widowed parent's allowance from the date the Ordinance enters into force, providing they still

---

17 In all cases, the deceased person must have satisfied the contribution conditions for each benefit.

18 European Convention on Human Rights – Article 14: prohibition of discrimination.

19 Article 8: right to respect for private and family life.

20 Widowed parent's allowance is payable to people under pension age if they have a dependent child and are receiving family allowance for them. Their deceased spouse or civil partner needs to have satisfied the contribution conditions, unless their death was caused through an accident at work. If the bereaved parent remarries or begins cohabiting, the allowance is no longer payable.

meet all other eligibility criteria. It is not proposed that the Ordinance provide for retrospective payments of the allowance.

6.7. For a number of reasons, it is difficult to calculate the financial impact of this change. These are:

- an absence of data relating to the number of married and cohabiting couples in Guernsey;
- an inability to anticipate the number of deaths of unmarried parents under pension age per year;
- the fact that the amount of widowed parent's allowance paid depends on the contribution record of the deceased parent; and
- the fact that the duration of each widowed parent's allowance claim varies due to:
  - the age of the child(ren) at the time of the bereavement; and
  - the fact that a parent's claim ceases when they remarry or begin cohabiting with a new partner[21].

6.8. The current maximum weekly rate of widowed parent's allowance is £263.13[22]. As at 17th August 2023, there were 41 active widowed parent's allowance claims accounting for a total annual expenditure in the region of £454,000. Given that, on average, nine new claims for a widowed parent's allowance are approved annually, and based on the assumption that cohabiting, unmarried parents make up 15-20% of households with children[23], it is anticipated that the financial impact of making widowed parent's allowance non-discriminatory on grounds of marital status is likely to be immaterial. Further, the Committee considers this change to be essential to ensure that Guernsey complies with its human rights obligations.

7. Duration of unemployment benefit

7.1. At present, unemployment benefit is payable to eligible persons for an aggregate period of 30 weeks, after which a person cannot requalify for unemployment benefit until they have been in employment as an employed person for 13 weeks[24] since the last day they were entitled to unemployment benefit. This provision is set out in Section 24 of the Social Insurance (Guernsey) Law, 1978[25]. The States may also provide by Ordinance for

21 Of the 44 closed widowed parent's allowance claims from 2015-2019, less than 14% were marked as closed due to cohabitation.

22 Only 44% of current claimants receive the full rate.

23 This assumption is based on UK data published by the Office for National Statistics.

24 Earning at least 40 times the Young Person's Minimum Wage Rate.

25 The Social Insurance (Guernsey) Law, 1978.

unemployment benefit to be received for longer than 30 weeks where a person has qualified to receive additional days of benefit in accordance with the Ordinance.

7.2. At present, an amendment to the period set out in the Law could be done by Ordinance of the States, however, this would be a time-consuming process. The Committee is keen to establish a more dynamic approach to setting the duration of unemployment benefit, whereby the relevant aggregate payment period could be adjusted quickly by Regulations of the Committee if it were of the view that the economic circumstances warranted such adjustment.

7.3. The Committee recognises that when the employment market is buoyant the current aggregate payment period of 30 weeks may be considered to be unnecessarily long and, therefore, overly generous. At such times, a reduced aggregate payment period may incentivise some claimants to re-enter the workforce more swiftly than they might otherwise have done, thereby benefiting the economy and reducing expenditure on unemployment benefit. The income support safety net would continue to be available, on a means-tested basis, for jobseekers who are unable to secure work within the aggregate period. Recognising that it may be more difficult to secure employment during an economic downturn, the Committee could increase the aggregate period back to its current level of 30 weeks if it had the requisite power to do so.

7.4. The Committee, therefore, proposes that Section 24 of the Social Insurance (Guernsey) Law, 1978 be amended by Ordinance to give the Committee a power, by Regulations, to adjust the aggregate period for which unemployment benefit is payable, from time to time, subject to this being no less than 10 weeks and no more than 30 weeks. The power to exceed 30 weeks by Ordinance would be retained.

8. Expenditure financed by the Long-term Care Insurance Fund

8.1. The Long-term Care Insurance Scheme pays benefits to assist with fees in private residential and nursing homes.

Co-payment (personal contribution) from person in care

8.2. Under the Long-term Care Insurance Scheme, it is a condition of entitlement to benefit that the person in care should make a co-payment.

8.3. On 19th August 2020[26], the States agreed that the total of the co-payment aggregated with the long-term care benefit rate for the provision of

26 Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article V).

residential care beds, residential dementia care beds and nursing beds should be increased to the mid-point indicated by the LaingBuisson benchmarking[27] by 2023 with allowance made for inflation (RPIX) in the intervening period. The increase was implemented gradually, with the final step taking effect from 2nd January 2023.

8.4. The Committee proposes that the rate of the co-payment be increased by 6.8%, this being RPIX as at the end of June 2023, to £327.32 per week (2023 rate: £306.46) with effect from 1st January 2024. It is necessary that the co-payment and all long-term care benefits be divisible by seven.

Long-term care benefit rates

8.5. The Committee recommends that the rates of long-term care benefit be increased by 6.8%, this being the rate of RPIX as at the end of June 2023, with effect from 1st January 2024. The proposed rates are set out in Table 9 below.

Table 9 – Current and proposed weekly rates of long-term care benefit

	2023 (current)	**Proposed rates (w.e.f. 1st January 2024)**
Residential care benefit	£570.29	**£609.07**
Residential – dementia (Elderly mentally infirm)	£745.43	**£796.11**
Nursing care benefit	£1,028.93	**£1,098.93**

Respite care benefit

8.6. People needing respite care in private sector residential or nursing homes are not required to pay a co-payment. The Long-term Care Insurance Fund pays instead. The respite care benefits, therefore, are the sum of the co-payment and the residential care benefit or residential-dementia care, or nursing care benefit, as appropriate.

8.7. The Committee recommends that the rates of respite care benefit are set as shown in Table 10 overleaf, with effect from 1st January 2024. These amounts reflect the aggregated total of the proposed co-payment and proposed rates of long-term care benefit.

27 The LaingBuisson toolkit is a market standard toolkit used for calculating a fair market price for care.

Table 10 – Weekly rates of respite care benefit

	2023 (current)	**Proposed rates (w.e.f. 1st January 2024)**
Residential care respite benefit	£876.75	**£936.39**
Residential- dementia respite benefit	£1,051.89	**£1,123.43**
Nursing care respite benefit	£1,335.39	**£1,426.25**

Summary of expenditure financed by the Long-term Care Insurance Fund

8.8. Table 11 below summarises the impact of the proposed benefit rates on projected expenditure from the Long-term Care Insurance Fund for 2024, along with the 2023 revised forecast at the time of writing, compared with the actual expenditure figures for 2020 to 2022.

Table 11 – Summary of expenditure from the Long-term Care Insurance Fund

	2020 Actual £m	**2021 Actual £m**	**2022 Actual £m**	**2023 Forecast £m**	**2024 Budget £m**
Residential care	10.4	11.9	11.1	12.1	13.1
Nursing care	10.0	10.8	11.0	11.0	11.8
	20.4	**22.7**	**22.1**	**23.1**	**24.9**
Administration	0.4	0.4	0.3	0.4	0.4
	20.8	**23.1**	**22.4**	**23.5**	**25.3**

9. Expenditure financed by the Guernsey Health Service Allocation

9.1. Even though matters concerning benefits under the Guernsey Health Service Fund have, since 1st June 2020, been the responsibility of the Committee *for* Health & Social Care (HSC), a proportion of social security contributions paid by employed persons, self-employed persons and non-employed persons is transferred to HSC as the 'Guernsey Health Service Allocation'.

9.2. In the future, the Committee would be keen to explore options whereby only those benefits payable under the provisions of the Social Insurance (Guernsey) Law, 1978, and the Long-term Care Insurance (Guernsey) Law, 2002 are funded through social security contributions.

PART IV: FINANCIAL POSITION

10. Financial position of the Guernsey Insurance Fund

10.1. The recent financial performance of the Guernsey Insurance Fund is shown in Table 12 below. It is estimated that the operating deficit, before investment returns, will be £29.4m in 2024 (2023 forecast: £25.5m deficit). The Fund has now been in deficit, before investment returns are taken into account, since 2009.

10.2. The operating deficit arises when expenditure on benefits and administration exceeds contribution income. This shortfall is met by drawing down the Fund's reserves and, although the drawdown has been planned, it results in the number of years' expenditure cover remaining in the Fund reducing. It also reduces the extent to which investment income can contribute to the financing of the scheme.

Table 12 – Financial performance of the Guernsey Insurance Fund

	2020 Actual £m	2021 Actual £m	2022 Actual £m	2023 Forecast £m	2024 Budget £m
Income	127.6	135.5	144.6	157.3	167.5
Expenditure	(162.2)	(167.1)	(170.8)	(182.8)	(196.9)
Operating deficit	(34.6)	(31.6)	(26.2)	(25.5)	(29.4)
Investment returns	(3.6)	75.8	2.0	31.0	40.7
Net surplus/(deficit) for the year	(38.2)	44.2	(24.2)	5.5	11.3
Net assets at 1st January	743.5	705.3	749.4	725.2	730.7
Net assets at 31st December	705.3	749.4	725.2	730.7	742.0
Expenditure cover in years	4.3	4.5	4.2	4.0	3.8

11. Financial position of the Long-term Care Insurance Fund

11.1. The financial performance of the Long-term Care Insurance Fund is shown in Table 13 overleaf. The 2024 budget estimates that the operating surplus will be £14.4m (2023 forecast: £12.9m surplus).

Table 13 – Financial performance of the Long-term Care Insurance Fund

	2020 Actual £m	2021 Actual £m	2022 Actual £m	2023 Forecast £m	2024 Budget £m
Income	28.1	29.2	32.6	36.4	39.7
Expenditure	(20.8)	(23.1)	(22.4)	(23.5)	(25.3)
Operating surplus	7.3	6.1	10.2	12.9	14.4
Investment returns	-	11.3	0.6	5.6	8.7
Net surplus/(deficit) for the year	7.3	17.4	10.8	18.5	23.1
Net assets at 1st January	93.7	101.0	118.4	129.2	147.7
Net assets at 31st December	101.0	118.4	129.2	147.7	170.8
Expenditure cover in years	4.9	5.1	5.8	6.3	6.8

12. Investment performance

12.1. On 15th July 2021, the Machinery of Government (Transfer of Functions) Ordinance, 2021[28], came into force, transferring the responsibility for the management of investments attributable to the Guernsey Insurance Fund and the Long-term Care Insurance Fund from the Committee to the Policy & Resources Committee. The management is carried out by the States' Investment Board Sub-Committee of the Policy & Resources Committee.

12.2. The targeted return of the investments on a 10 year forward view, as set by the States Investment Board, is UK RPI +5%. Actual performance in the calendar year 2022 was +0.28%. Performance for the period January to June 2023 was +2.6%[29].

12.3. As States Members have previously been advised, there was an error in the investment return report included in the Committee's Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2023'. It was reported that:

> "The expected return of the investments on a 10 year forward view is LIBOR plus 3.7%. Actual performance in the calendar year 2021 was 11.5%. For the period January to June 2022, there has been a negative return of 9.9%."

12.4. However, for the period January to June 2022, there was a negative return of 0.73%. Relative to the market conditions at the time, this represented a good return.

28 The Machinery of Government (Transfer of Functions) Ordinance, 2021.

29 This figure includes preliminary data.

PART V: RULES OF PROCEDURE

13. Compliance with Rule 4 of the Rules of Procedure

13.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, propositions laid before the States.

13.2. In accordance with Rule 4(1)(a), it is confirmed that Proposition 1, in respect of increasing contribution rates to the Guernsey Insurance Fund and the Long-term Care Insurance Fund, aligns with the priority set out in the Government Work Plan[30] to 'sustain government finances' under the 'reshaping government' workstream.

13.3. In accordance with Rule 4(1)(b), it is confirmed that the Committee has engaged with the Policy & Resources Committee throughout the preparation of this Policy Letter. The Policy & Resources Committee has advised that it is supportive of the Committee's proposals to increase contribution rates, as set out in Part II this Policy Letter, and to increase the rates of contributory benefits by 6.8%, as set out in Part III of this Policy Letter.

13.4. In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

13.5. In accordance with Rule 4(1)(d), estimates of the financial implications to the States of carrying the proposals into effect are set out in Tables 8 and 11 of this Policy Letter.

13.6. In this Policy Letter, the Committee has set out its proposals for benefit rates and contribution rates and limits for 2024. In accordance with Rule 4(2)(a), it is confirmed that the propositions accord with the Committee's purpose:

> "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."

13.7. In accordance with Rule 4(2)(b) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions have the unanimous support of the Committee.

---

30 The Government Work Plan 2021 – 2025 (Billet d'État XV of 2021, Article I).

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

APPENDIX 1

Table 14 – Assumptions used to illustrate the impact of the double lock and look back policy, compared with no double lock policy or a double lock only policy (i.e. with no look back)

Year (June)	Earnings				RPIX				No double-lock				Double-lock only				Double-lock and look-back		
2024	2.5%	102.5%	2.5%		2.0%	102.0%	2.0%		2.2%	102.2%	2.2%		2.2%	102.2%	2.2%		2.2%	102.2%	2.2%
2025	2.5%	102.5%	5.1%		2.0%	102.0%	4.0%		2.2%	102.2%	4.4%		2.2%	102.2%	4.4%		2.2%	102.2%	4.4%
2026	2.5%	102.5%	7.7%		2.0%	102.0%	6.1%		2.2%	102.2%	6.7%		2.2%	102.2%	6.7%		2.2%	102.2%	6.7%
2027	2.0%	102.0%	9.8%		5.0%	105.0%	11.4%		4.0%	104.0%	11.0%		5.0%	105.0%	12.1%		5.0%	105.0%	12.0%
2028	3.0%	103.0%	13.1%		7.0%	107.0%	19.2%		5.7%	105.7%	17.3%		7.0%	107.0%	19.9%		7.0%	107.0%	19.9%
2029	4.0%	104.0%	17.7%		5.0%	105.0%	25.2%		4.7%	104.7%	22.9%		5.0%	105.0%	25.9%		5.0%	105.0%	25.9%
2030	5.0%	105.0%	23.5%		3.0%	103.0%	28.9%		3.7%	103.7%	27.4%		3.7%	103.7%	30.6%		3.0%	103.0%	29.6%
2031	5.0%	105.0%	29.7%		2.0%	102.0%	31.5%		3.0%	103.0%	31.2%		3.0%	103.0%	34.5%		2.0%	102.0%	32.2%
2032	5.0%	105.0%	**36.2%**		2.0%	102.0%	**34.2%**		3.0%	103.0%	**35.2%**		3.0%	103.0%	**38.5%**		2.3%	102.3%	**35.2%**

APPENDIX 2

Table 15 – Current and anticipated future contribution rates for 2024 to 2031

	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Class 1	**13.8%**	**14.1%**	**14.4%**	**14.6%**	**14.8%**	**15.0%**	**15.2%**	**15.4%**	**15.6%**
Employer	6.8%	6.9%	7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	7.6%
Employee	7.0%	7.2%	7.4%	7.5%	7.6%	7.7%	7.8%	7.9%	8.0%
Class 2									
Self-employed	11.6%	11.9%	12.2%	12.4%	12.6%	12.8%	13.0%	13.2%	13.4%
Class 3: Non-employed									
Under pension age	11.0%	11.3%	11.6%	11.8%	12.0%	12.2%	12.4%	12.6%	12.8%
Over pension age	3.6%	3.7%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%

Committee *for*
Education, Sport & Culture

Sir Charles Frossard House
La Charroterie
St Peter Port
GY1 1FH
+44 (0) 1481 224000
ESC-Office@gov.gg
www.gov.gg

Deputy P Roffey
President
The Committee *f*or Employment & Social Security
Edward T. Wheadon House
Le Truchot, St. Peter Port
Guernsey
GY1 3WH

By email

25th July 2023

Dear Deputy Roffey

Family Allowance: Contribution Protection Scheme

Thank you for your letter seeking feedback on possible changes to contributions and the potential impact of this on families where their children are either home educated or have additional learning needs which limits the parent or carer's flexibility to work, and for your flexibility by providing an extended timeframe within which to respond.

The Committee has given careful consideration to the potential policy change that would, in general terms, see eligibility for Class 3 Family Allowance (FAM) credits cease once the youngest child of the FAM recipient reaches the age of 12.

Generally, the Committee can see the merits of withdrawing FAM credits once the youngest child of the recipient has reached 12 years of age as a possible way to incentivise greater workforce participation, and recognises the consistency between this proposal and the guidelines for the minimum work requirement of a parent/guardian receiving Income Support.

The Committee has looked at this proposal from the perspective of the two groups of parents that you have identified as possibly requiring targeted protection if general eligibility for FAM credits is revised as per your letter:

Home Educators

The Committee recognises Home Education as a legitimate choice for parents and carers and as such acknowledges that their ability to home educate should not be disproportionately restricted through States of Guernsey policies. This would be particularly so if, when it returns to the Assembly with refreshed proposals for a new

Education Law, the States of Deliberation at that time recognises Home Education as a legitimate choice.

For parents/carers for whom home education does not feel like a choice (because they believe that their child's needs are not met - or are unlikely to be met - in a school environment), the Committee expects that the proposed changes to FAM credits would be of particular concern, and would support the introduction of a scheme that continues to provide the long-term protection offered to the FAM recipient by the Class 3 credit until their youngest child reaches the age of 16.

The Committee does not believe that protection at the level suggested would encourage greater numbers of parents to home educate, or to continue to home educate, once their child is 12 in order receive or retain a Class 3 contribution credit.

Those with increased caring responsibilities

For parents and carers who provide higher levels of support for their child to regularly attend school which restricts their flexibility to undertake employment, the removal of FAM credits as proposed would undoubtedly place an increased pressure on families who might already be facing an exceptional number of challenges. Furthermore, the limited opportunities for out of school care, including holiday clubs, will further constrain the employment options available to parents/carers with increased caring responsibilities for young people who are less independent than their peers between 12 and 15 years of age.

In respect of the two groups identified above, and mindful of the number of families who might benefit, the Committee would be supportive of the introduction of a contribution protection scheme as you have described because it targets those families who would be impacted and who, through their child's education circumstances, have less ability to counter the changes through employment or self-employment.

The Committee also notes that some young people will continue to need increased support beyond compulsory education age and into adulthood, and would like to understand if options to extend the existing support of FAM credits, or the possible contribution protection scheme you have suggested, have been considered for parents whose disabled children are older than 15 years of age?

Term-time employment

The Committee has identified a third group who it is concerned might be impacted by the proposals: those parents/carers who work on a term-time only basis, or who opt to take some periods of unpaid leave during school holidays.

Your letter identifies that 41% of those who receive one or more FAM credits receive them for the entire year. Your analysis of the remaining 59% does not provide information about whether there is a discernible pattern in respect of the weeks where a Class 1 or 2 contribution or credit is absent. The Committee would welcome further analysis of your data to establish whether the contribution gaps that you have alluded to coincide with school holidays for some FAM recipients.

I have spoken publicly, most recent during the Committee's Scrutiny Hearing on 3rd July, about the community's collective responsibility to address anti-social behaviour emanating from a small group of children and young people outside of school. Whilst the Committee reiterates that this this is a small minority, it nevertheless would be concerned at any policy change that disincentivised parents/carers from taking an active day-time parenting role for children as young as 12 during school holidays, as it considers these periods to be potential 'hot spots' for unwanted behaviour, and recognises that not all parents/carers have a wider support network or can afford to make alternative care arrangements, such as those provided by holiday clubs.

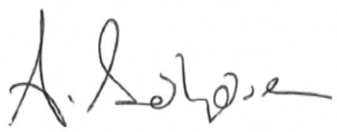
The Committee would be supportive of a scheme that also protected, via the award of Class 3 FAM credits, any contribution gap that arises during school holidays for FAM recipients with a child under 16 years of age.

The Committee recognises that there is not a standard approach to school holiday dates for all education providers in the islands. However, following the demise of the 11+, special placeholders at the Grant-Aided Colleges will shortly commence Year 12 studies, and thus be beyond the age for which FAM credits are awarded. Given this, and given the Committee believes that, generally, those paying for their children to be educated in the Grant-Aided Colleges will not fall into lower/middle-income brackets, the Committee would suggest that any such scheme should be based around States-maintained school holiday dates.

Finally, please note that the Committee has considered this matter from the perspective of its mandate and is not sighted on the potential financial implications of the protections it has referred to above.

Should you and your Committee want to meet to discuss this matter further, we would be happy to do so. Such request should be made via Esther Ingrouille, Committee Secretary (email esther.ingrouille@gov.gg) in the first instance.

Yours sincerely



Deputy Andrea Dudley-Owen
President
Committee *for* Education, Sport & Culture

<u>THE STATES OF DELIBERATION</u>
<u>of the</u>
<u>ISLAND OF GUERNSEY</u>

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

CONTRIBUTORY BENEFIT AND CONTRIBUTION RATES FOR 2024

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port
GY1 1FH

8th September 2023

Dear Deputy Ferbrache

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Employment & Social Security ("the Committee") requests that the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2024' be scheduled for consideration at the States' meeting that is due to commence on 17th or 18th October 2023 (yet to be determined).

In order that contribution rates and limits can be uprated in 2024, it is imperative that the above-named Policy Letter is considered by the States before the end of October. This is to allow sufficient time for essential processes to be carried out by the Revenue Service before the end of the year, in order that the new rates and limits can be implemented from 1st January 2024, which is the only time of year that contribution rates and limits can be adjusted.

The Committee notes that, in accordance with Rule 3(8) of the Rules of Procedure of the States of Deliberation and their Committees, the Policy & Resources Committee shall have the right to propose the order of debate within each Meeting. The Committee is of the opinion that there is a significant risk that the States will not have sufficient time to consider the above-mentioned Policy Letter at the meeting scheduled to begin on 17th or 18th October 2023 should the Propositions relating to the Funding & Investment Plan be considered first. The Committee notes that, earlier in the year, debate of the Policy Letter entitled 'The Tax Review: Phase 2' spanned two States meetings. The Committee anticipates that the debate of the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2024' will be relatively short and would not substantially delay consideration of the Funding & Investment Plan at the same meeting.

The Committee kindly requests that the Policy Letter entitled 'Contributory Benefit and Contribution Rates for 2024' be scheduled for consideration before the Propositions relating to the Funding & Investment Plan.

Yours sincerely

Peter Roffey
President

Lindsay De Sausmarez
Vice President

Tina Bury, Steve Falla, John Gollop

Ross Le Brun, Mark Thompson
Non-States Members