

**WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 12th MAY 2015**

Question

Further to the answer to oral question No. 8 on 28th April 2015, will the Minister outline precisely for members how the earnings of year 1 apprentices on £5.09 per hour are treated in relation to the calculation of the earnings threshold for entitlement to sickness benefit?

Will she further explain how the lower threshold applies to the earnings of those on variable earnings attached to a zero hours contract on the minimum wage and state whether there is a minimum number of hours that such an employee must work in order to retain the right to claim short term incapacity allowance (STIA)?

Answer

Under the Social Security Law, an employee who has earnings of at least £848 per month will receive a contribution record for that month. The figure of £848 is known as the lower earnings limit and it is uprated at the beginning of each year in line with the earnings index for the previous year. With earnings of £848, the contribution from the worker and their employer will be a total of £106. The States will pay an extra £333 per month into the Fund to maintain a full Social Security record for this worker. The earnings of the worker that are counted in a particular month relate to wages received during that month. In particular, if a worker is paid weekly, the monthly total will vary depending on the number of weekly pay days during the month. An individual who is not employed or who is employed for less than eight hours a week is responsible for their own contribution record.

To claim short term incapacity allowance (STIA), an individual must have paid contributions and reached the lower earnings limit for at least three months at some time in the past. They must also have a contribution record in the "relevant quarter". The relevant quarter is the quarter six months before the date of the start of the illness. For example, if a worker is ill in August, the relevant quarter is the first quarter of the year and the contribution record for January, February and March will be used. If the worker has a contribution record for each of those months, the full rate of STIA will be paid (£28.06 per day). If the worker has a record for one or two months, but not all three months, a reduced rate of one third or two thirds will be paid.

If a worker is unable to work due to illness, they may receive sickness pay from their employer. The Income Support system is available to support local workers at times when their earned income does not meet their basic living costs. For example, a local worker who is not paid by their employer during a period of sickness may be eligible for means tested assistance from Income Support if the loss of wages has a significant impact on their total household income.

Only a small number of individuals receive the year one trainee rate. A trainee working a 40 hour week on this rate will earn on average £882 per month. An individual who works 40 hours at the standard minimum wage of £6.78 per hour receives an average of £1,105 per month. Both these figures are above the lower earnings limit. However, depending on the exact number of hours worked and the frequency of paydays, any worker may earn less than the lower limit in some months.

As the Minister responsible for the Social Security Fund, I must balance the needs of each individual against the population as a whole. The monthly lower earnings limit is the same for all workers. The

eligibility rules for contributory benefits, including sickness benefit, control the way in which the Fund is used. Inevitably, there will always be individuals who, for a variety of reasons, fail to satisfy the contribution requirements to claim a specific contributory benefit. For example, STIA is not paid to workers until they have been working for at least six months.

If the lower earnings level was reduced, the States would need to pay extra contributions or "supplementation" into the Fund. This would include additional supplementation for people who choose to work just a few hours a week as well as low earners. This would place a further pressure on tax funded budgets at a time when significant savings need to be found. In parallel, as Members are aware, we are already facing significant pressures that will require changes in the near future to keep the Social Security Fund sustainable over the next few decades.

A major review of the Social Security Fund is planned to commence later in 2015.