

5.12 Deputy G.P. Southern of the Minister for Social Security regarding the calculations of the annual and quarterly contribution factors in respect of claiming sickness benefit compared to other benefits such as the maternity grant: [1(519)]

Yes, indeed. I have tracked it down. Will the Minister explain how the annual and quarterly contribution factors are calculated in respect of claiming sickness benefit and why these factors differ from the factors stipulated for other benefits such as maternity grants?

Deputy S.J. Pinel of St. Clement (The Minister for Social Security):

Annual and quarterly contribution factors are defined in Article 8A of the Social Security Law. Contributions are recorded on a monthly basis and the monthly contribution factor is a value between zero and one, representing the total contributions paid and credited to the person's records during that month. A full record has a value of one. The quarterly contribution factor then takes the factor for each month in a quarter, adds them up and divides by 3. So, a quarterly contribution factor of one means that a contributor has a full contribution record for the 3 months of that quarter. Likewise, the annual contribution factor adds up the 4 quarterly contribution factors and divides by 4. An annual contribution factor of one means that a contributor has a full contribution record for all 12 months of that year. Each benefit paid from the Social Security Fund has its own set of eligibility criteria, which include achieving a certain level of contributions as measured by quarterly and annual contribution factors. These rules are set out in schedule 2 of the law. A one-off payment such as a maternity grant has a single test against the contribution record. A periodic benefit like short-term incapacity allowance that can be paid over long periods of time typically has 2 qualifying tests as the total value paid under a single claim can be significant.

5.12.1 Deputy G.P. Southern:

I congratulate the Minister on producing an answer in approximately 90 seconds, which adds some complexity which I will pursue later.

The Deputy Bailiff:

Exactly 90 seconds.

Deputy G.P. Southern:

But, in effect, one of the things she was saying was that there is a lower contribution threshold under which if you do not earn that level of earnings you become ineligible for receiving sickness benefit. That lower contribution threshold is £880 per month. Given the preponderance, the drive towards zero hours contracts with low pay and low hours, is it not the case that many more of our employees are failing to reach the contribution threshold and are failing to be able to claim sickness benefit?

Deputy S.J. Pinel:

As the Deputy stated, if you earn less than the required amount for contributions in a month, the contributions can still create a full record for that month as long as they are above the lower earnings limit. As the Deputy said, this limit is set at £884 per month. If you have earnings below this limit, your contributions will still count towards your pension entitlement but they do not give you access to the other benefits. The fund has to achieve a balance between what is paid in and paid out.

The Deputy Bailiff:

Senator Ferguson?

Senator S.C. Ferguson:

Sorry, Sir, it was my folder which did the light. I apologise.

5.12.2 Deputy G.P. Southern:

Final supplementary which probably contains 2 elements. Is it not the case that if a low-paid worker reaches the threshold on one month or 2 months of the 3-month quarter that they are eligible for a third of the benefit or two-thirds of the benefit as appropriate, but someone who falls below the threshold, say £700 per month, in all 3 months cannot claim anything and, therefore, the system that we have does not support the worker in a claim for sickness benefit? Is it not time that she had a look at the system in order to get some form of equality, especially given the predominance of zero hours contracts nowadays?

Deputy S.J. Pinel:

The Deputy is quite right. If the contributions or if the hours worked during the week or the month have not reached that lower earnings limit, then the contributions paid will not allow the payment of a short-term incapacity benefit, which is the newer word for sickness benefit. As the Deputy has posed that question, it is a very good time to say that at the end of this week we are launching the Social Security review, which will be looking at all the benefits paid out of the contribution scheme.