

2015.04.28

3.8 Deputy J.A. Hilton of St. Helier of the Minister for Social Security regarding apprentices in their first year of training:

Will the Minister take action to review the policy which leaves apprentices in their first year of training, who earn £5.09 per hour, out of pocket if they have the misfortune to fall sick and require time off work because they have not earned enough to pay contributions to the minimum earnings threshold for entitlement to sickness benefit?

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

As Members will be aware, we will need to make significant changes in the near future to keep the Social Security Fund, or Pension Fund, sustainable over the next few decades. For example, we will need to look at options that could include an increase in contributions to maintain the current benefits, a reduction in the range of benefits, a reduction in the value of benefits provided. As Minister responsible for the Social Security Fund I must balance the needs of individuals against the needs of the population as a whole. 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 requirement to claim a specific contributory benefit. 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 will get means-tested assistance from Income Support if the loss of wages has a significant impact on their total household income. Minimum Wage rates are currently subject to annual review by the Employment Forum. The role of the forum is to make recommendations to the Minister, having balanced a number of factors, including the economy, competitiveness and jobs in order to maintain an appropriate level of Minimum Wage in the Island. The 2 trainee rates are set as part of this process. A review of the Minimum Wage rates for 2016 will commence shortly and a major review of the sustainability of the Social Security Fund is planned for later in the year. Both reviews are open to comments from States Members and the public at large and I would encourage anyone interested in this area to make a submission.

3.8.1 Deputy M. Tadier:

The Minister said that she would consider increasing contributions as one way to solve the problem. Would she give an assurance that if contributions are increased that the first people to face the increase will be those who have their current liability capped at the standard earnings threshold because they could certainly be the ones paying a flat rate of 6 per cent, after all the rest of the population - the majority - have to pay that rate, and that could be a very good way, not even a progressive way but a proportional way, to help them solve finance issues. I am sorry I did not have my microphone on but I will not repeat that.

Deputy S.J. Pinel:

I thank the Deputy for his question. Just very briefly, a trainee or anyone else on Minimum Wage working a 40 hour week is earning above the lower earnings limit.

3.8.2 Deputy M. Tadier:

I think the Minister perhaps misunderstood. When we are talking about the standard earnings limit of roughly £47,000 to £48,000 a year, anyone earning above that does not pay any extra so could that be something to be looked at as a fair and sustainable way of funding the system?

Deputy S.J. Pinel:

We are doing exactly that in our review.

3.8.3 Deputy G.P. Southern:

Just for the sake of clarity, because the Minister failed to answer the question in the first place at all, I wish to just confirm that an apprentice in the first year of training who earns £5.09 per hour, the minimum apprentice rate, would be paying sufficient contributions to entitle himself, should he fall sick, to claim sickness benefit? That is the case, is it not?

Deputy S.J. Pinel:

It is very difficult, the way it is worked out. The social security contributions, as the Deputy will well know, are based on the number but one of the quarter; so not the preceding quarter but the one in advance of that as it is the only way that it can be worked out in order to provide the contributions. It is also very dependent on whether a trainee, or any employee, is paid weekly or monthly. Some months have 5 Fridays in them, some have 4. If, in the event that only 38 hours is accumulated in that week instead of 40 the trainee or employee may fall slightly short of the contributions for the quarter that was paid for 2 quarters ago.

3.8.4 Deputy G.P. Southern:

Does the Minister not find it embarrassing that we should set apprentice rates which with the slightest variation in terms of a bit of illness would result in people falling out of the safety net that we have established in the sickness benefit to support those workers who fall ill in the course of their work? Does she not think that the system is predicated on too fine margins and that we should not be stopping people from claiming sickness benefit when that is our safety net that this House has put in place?

Deputy S.J. Pinel:

I can give the Deputy a couple of figures to allay his fears a little perhaps. The weekly equivalent of the lower earnings limit is £195.69. Now, a Minimum Wage on a 40-hour week, which is what we are talking about here, is £271.20, so that is well above the lower earnings limit. A minimum trainee rate, which is year one, is £203.60, again above, and the trainee rate year 2 is £237, which again is above. There is also the option that employers could help pay for the sickness benefit of their employee.

3.8.5 Deputy J.A. Hilton:

There are a huge amount of figures talked about there. My understanding is that there will be a group of young trainees who would be left out of pocket. One of my big concerns is that you could possibly have a trainee in the first year who is living independently of their parents in bedsit accommodation and under low income support anybody aged under 25 does not qualify for rent relief. So they could be left in an extremely difficult situation.

The Deputy Bailiff:

Could you ask a question?

Deputy J.A. Hilton:

So my question is; I am pleased to hear that the Minister has said there is going to be a review of all the benefits and everything else and I would like to know what sort of timeline she is referring to that she can come back to the House and that we know that our young people are being properly cared for.

Deputy S.J. Pinel:

I have a very complicated table of figures which I can provide the Deputy with later which will answer some of the questions. There is always, in any system, going to be somebody who at some stage falls through a net when a system is designed to cope with the whole of the population. As regards to social security review we are doing that this year so it should be available, hopefully, by the end of the year.