

**WRITTEN QUESTION TO THE PRESIDENT OF THE EMPLOYMENT AND SOCIAL SERVICES  
COMMITTEE BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

**ANSWER TO BE TABLED ON TUESDAY, 9th NOVEMBER 2004**

**Question 1**

Would the President –

- (a) confirm that a new (married) applicant for short term incapacity (sickness) allowance will henceforth receive only the single allowance of £145.53 a week in place of the previous allowance for couples of £241.57 a week?
- (b) provide an estimate of how many couples this will affect over the coming year?
- (c) inform members what advice will be available from within the Department to couples adversely affected by this policy on short term benefits?

**Answer**

- (a) I cannot confirm that a new applicant to short term incapacity allowance will henceforth receive a single allowance instead of a couples allowance for two reasons. Firstly, until October 2004 there has only ever been a single rate of benefit with an addition that married men could claim for a dependant *wife* and never a benefit for all couples regardless of the gender of the claimant. Secondly, a married (or indeed non-married) applicant after October 2004 can still receive an addition for a dependant spouse/partner whilst claiming short term incapacity allowance if the dependant is not working and remaining at home to look after children under the age of five.
- (b) It is impossible to give an exact estimate but the number is likely to be quite small in relative terms. Taking a snapshot, of the 2,578 short-term incapacity claims made in October 2004, since the reforms were introduced, 170 received an additional dependent component. These would all be in respect of women not working in receipt of Home Responsibility Protection (HRP). In the month preceding the change there were 2,090 sickness benefit claims of which 377 claimed a dependency increase. However, it should be noted that, often under the old system, the dependent wife was also working and in receipt of wages. Also, it is important to point out that, on average, between 80% to 90% of all medical certificates received are for a week or less and in many circumstances, the claimant's employers will provide a top up sick pay, often to the full salary level.
- (c) The nature of the advice given to any benefit claimants will depend upon their individual circumstances. This might include advice on claiming a long-term incapacity benefit, on job support and returning to work, advice on other benefits which may be claimed through Employment and Social Security or other States Departments or about other agencies which may be of help.

**Question 2**

Would the President -

- (a) explain why the Committee has reduced the benefit payable to a couple on long term incapacity to £145.53, which is below the "minimum essential budget standard" for couples without children, set at £196.03 a week by the Committee's advisers in the Centre for Research in Social Policy (Loughborough University)("CRSP") Report in 2000?
- (b) explain how the "minimum essential budget standard" is calculated, and whether it has changed in the years since 2000?

- (c) give an estimate of how many couples the reduction affect?
- (d) inform members what advice will be available from within the Department to couples adversely affected by this policy and who will have to cope on this reduced sum over a long period?

### Answer

- (a) I have already explained that there was no benefit rate for 'couples' and there is, therefore, no reduction in rate. The CRSP figures quoted in the question relate to the work being undertaken on the proposed new Income Support system which is looking at family budgets and is essentially a 'top-up' benefit for those unable to earn enough or who are unable to work for good reason. The minimum essential budget standard was not set by CRSP but, as was published in the methodology, was a budget devised by different groups of Jersey residents on a 'modest but adequate' basis. It varies for different groups and different couples. As the standard relates to the proposed new Income Support system, which looks at all household income, it was important to get an idea of household expenditure as well. These standards are not the basis by which Social Security benefits are measured. As I have already indicated to members, benefit rates have been increased not cut. Any change in payment is due to the removal of dependency increases for those whose partners are working or could work. I should point out that, if, as the question suggests, figures in the CRSP research set the level of the contributory benefits, this would mean substantial reductions in benefits to single beneficiaries and indeed couples with dependency increases.
- (b) The budgets proposed by the CRSP research were calculated using a consensual methodology by discussion with men and women in their respective household groups. The Groups compiled an essential basket of goods and services from which the budgets were derived and then challenged by a second group before formulation and pricing. Work is still ongoing to refine these budgets and update in line with current prices for the Income Support proposals.
- (c) Nobody who has remained on an old benefit has suffered a reduction in benefit. I can confirm that it is estimated that about 15 claims a month will move from short term benefits to long term benefits but the majority of these have been, and will be, for single rate benefits. In fact, of a potential 32 claimants who *may* move from short-term to long-term incapacity next month, only five are claiming a dependency increase which would not be applicable if they applied for a long-term benefit. Of those five, two have wives who are working and the other three have wives under the age of 50 who have no young children and do not work.
- (d) As explained in the previous question, the nature of the advice given to any benefit claimants will depend upon their individual circumstances. However, long-term incapacity claimants can make use of our Employment Services to help them retrain or find suitable work *without* losing benefit entitlement. And, in the unfortunate event of a permanent incapacity to work, they may move to incapacity pension and receive contribution credits until age 65 which will ensure a pension is paid in older age.

### Question 3

Would the President -

- (a) confirm that, under the rules adopted by the Committee on 1st October 2004, in the transfer from short-term to long-term incapacity allowance, a reduction in the benefit payable from the full benefit to a lower figure (say, 60% of the full amount) can occur?
- (b) explain the reasoning behind the application of this percentile rule to illness, as well as injury?
- (c) give an estimate of how many applicants will be affected by this ruling over the coming year, and by how much does the Committee expect the overall bill for those who were formerly invalidity claimants to be reduced?
- (d) confirm whether the Committee has considered the possibility that the effect of the changes will be

either -

- (i) to transfer the cost of incapacity allowance from the Committee to the Parish where applicants seek welfare in cases of hardship? or
- (ii) to force some sick people to return to work due to hardship?

**Answer**

- (a) I cannot confirm your statement as reductions have occurred in this way since 1952 and not just since 1st October 2004. A person suffering an accident could have received injury benefit for a year and then, on assessment for loss of faculty, receive a much smaller percentage benefit rate. The new benefits, however, do not draw any distinction between illness and accident.

The Short-term Incapacity Allowance is a replacement of earnings for a period of incapacity where, typically through a self-limiting illness, an individual is unable to do any work and, where appropriate contributions have been paid, is paid at the full rate of benefit. Where someone has a permanent loss of faculty, they can apply for a long-term incapacity benefit. The amount of compensation that they will receive is dependent on the degree of that loss of faculty. So where there is a lesser incapacity, it is compensated for accordingly. It is expected that many people will take advantage of being able to move to LTIA before a year has elapsed to enable them to return to work on a gradual or part-time basis. Indeed, during the last major public consultation there was considerable pressure to reform the system to enable people to do so.

- (b) The new system is fairer as it treats everyone the same. The old system treated people with the same incapacity differently depending on whether it had resulted from an illness or an injury. If through injury, a person could return to work and continue to receive benefit as a compensation for a continuing loss of faculty. If the incapacity resulted through illness, then the claimant would lose all benefits when returning to work. This acted as a disincentive for people to return to employment and also meant that people were paid a full rate of benefit for lesser degrees of incapacity where they might reasonably be expected to return to the workplace and, with some compensation for their loss of faculty, support themselves. In essence, the cause rather than the effect of the condition drove the benefit.
- (c) Again estimates are difficult. Previously, between 15-20 people each month moved to Invalidity Benefit. It is not possible to tell how many of those who will claim a long-term allowance will have a reduction of benefit due to their loss of faculty assessment. However, with the new system, many will be advantaged by being able to return to work on a gradual or part-time basis while still receiving benefit.

Claimants receiving Invalidity Benefit on 1st October 2004, have retained rights and will continue to receive the same rate of benefit therefore there will be no reduction in the overall bill for these claimants.

- (d) (i) The parishes and their Welfare Officers were advised of the changes and I have welcomed a letter from the Chairman of the Comité acknowledging the possible effect and the promotion of the Home Responsibility Protection system (HRP).
- (ii) The Committee totally refutes the suggestion that these changes will force people back to work because of hardship. People who are genuinely sick, either short or long-term, have nothing to fear from the changes. For those on long-term benefit, hardship should be lessened as claimants are helped back into work with a combination of earnings and benefit.

**Question 4**

Would the President advise on the steps taken to explain the impact of this measure to the general public and to States members; if so, when did the Committee do this; if not, will he do so now?

**Answer**

This change, part of a series of reforms which arose from a major public and political consultation exercise in the mid 1990's, was approved by the States in 1996 (P.132/1996 'Social Security Scheme : Continuity and Change'). The Draft Social Security (Amendment No 14) (Jersey) Law 200- (P.137/2000) was subsequently the subject of another States debate.

More specifically, prior to the implementation of the changes to incapacity benefits, the Committee wrote, explaining relevant changes to over 4000 employers and key stakeholders and Departmental Officers have held countless presentations to States Departments, charitable organisations and other interested bodies. A leaflet and some Frequently Asked Question are available on the Employment and Social Security website as a result of questions asked during that period. The Department has also been advising customers of changes to the system for some considerable time. In addition a Press Conference was held in the lead up to the change, attended by all media groups.

Most importantly, however, beneficiaries who would not be affected by the changes because of retained rights were also contacted individually to reassure them that they would *not* be adversely affected by the changes.

### **Question 5**

Has the Committee considered whether -

- (a) limiting Home Responsibility Protection to a maximum of 10 years for the care of under fives will effectively bring an end to either parent choosing to be the home-maker for school-age children, and may damage traditional family life, and
- (b) female pensioner poverty may continue under his scheme as significant numbers of women will continue to stay at home beyond the prescribed period,

and if so, what measures will the Committee put in place to prevent this?

### **Answer**

- (a) The debate at the time centred round family life, choice as to which parent stayed at home and career aspirations of parents but notably women. The feedback that the Committee received and the evidence of the high participation rate of women in the workplace pointed to the fact that the traditional 'male head of household' family unit had already changed before Home Responsibility Protection was introduced. Indeed, many women were working at the time of the debate and continue to do so. So, rather than deterring a parent to stay at home, HRP was introduced to give support to parents to stay at home during the child's early years, knowing that their pension is protected. A maximum of 10 years was felt reasonable (and affordable without increasing contributions further) as it generally covered the period of a three child family until the youngest child reached the age of five.
- (b) I do not believe it will increase female pensioner poverty, rather it should help to ensure women can receive a decent pension in their own right. It had been realised by the States many years ago that women were being affected where they relied solely on the husband's contribution record, particularly where matters became complicated by other factors such as divorce – hence the removal of the married women's option which previously enabled this group to opt out of paying contributions if they so chose. In order to help women build up a full contribution record, additional support has been built into the system, for example, by way of the home responsibility credit arrangements (which also apply equally to men who opt to stay at home to care for young children). How much anyone earns by way of benefits and pensions depends on the contributions made. Women and men are now treated on an equal basis.