

STATES OF JERSEY

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HOUSING RENT SUBSIDY SCHEME: DISREGARD TO LONG-TERM INCAPACITY BENEFIT

Lodged au Greffe on 23rd November 2004
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Housing Committee to review the way it regards Long-Term Incapacity Allowance in calculating tenants' contributions under the private and public sector rent support schemes; and
- (b) to report back to the States within 3 months thereon.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Recent history

Throughout the debates over reforms to the Private and Public Sector Rent Support Schemes contained in P.74/2003 and the subsequent rescindment motion in 2004, the Housing Committee repeatedly stated that one element of changes to rental subsidy, namely the end of the disregard for Disablement Benefit and Invalidity Benefit, was based squarely on the premise that these 2 benefits were income replacement schemes.

Thus, the rapporteur on 16th July 2003, Deputy Crespel, stated in his opening remarks –

“These particular benefits are income replacement benefits in the same way as sickness benefit and pensions.”

This was not true, but given the complexity of the various benefit schemes, one might consider that the decision of the House to accept his description of the schemes on that day was understandable.

That this particular “fact” was a central plank of the logic that underpinned the Committee’s argument is revealed by its repetition throughout the Deputy’s speech –

“They’re really income replacements. They’re not meant to be providing money for extra medical attention, or what have you.”

“These 2 benefits are definitely income replacement because they (the recipients) can’t work.”

These 2 statements clearly show the rationale of the Committee –

They are not about “*extra medical attention or what have you*”; such as compensation for loss of faculty, perhaps.

They are “*income replacement because the recipients can’t work.*” The marker for income replacement in that one cannot be in receipt of the benefit and be in employment.

At the time, I pointed out that the Committee was mistaken in applying these statements to both benefits. Under one benefit, Invalidity Benefit, which results from long-term sickness, recipients are barred from working. This is clearly income replacement. Under the other, Disability Benefit, which results from accident or injury, recipients can continue to work and claim because the benefit is “compensation for loss of faculty.”

The current situation

Under the new scheme introduced by the Employment and Social Security Committee on 1st October 2004, both short-term and long-term benefits have been by unified schemes for new applicants:

Sickness and Injury Benefits – now Short-Term Incapacity Allowance (STIA) Invalidity and Disablement Benefits – now Long-Term Incapacity Allowance (LTIA), or Incapacity Pension (ICP), for those unlikely ever to return to work.

How is the Housing Committee to categorise the new LTIA? The Social Security Committee have a clear view. In the notification to employers under the banner headline “Incapacity Benefit is Changing!” we find the following –

“Long-Term Incapacity Allowance (LTIA) – Similar to Disablement Benefit, claimants will be awarded the benefit based on a percentage assessment of loss of faculty. The benefit is therefore compensation and not a replacement of earnings, which allows recipients to work and to retain all of their benefit.”

In case an employer is still unsure about LTIA, there is a further instruction –

“As an employer it is important to note that LTIA should not be deducted from salaries.”

This is absolutely clear. LTIA is compensation, not income replacement.

However, when asked about this on 9th November, the Deputy responded as follows –

“The applicant may work, with the LTIA topping up his income. The Housing Committee’s approach is consistent, in regarding both Short-term and Long-Term Incapacity Allowance in the same way. Deputy Southern quotes the E&SS leaflet which describes the LTIA as “compensation for loss of faculty” but that does not mean that it is not income, and there is no good reason why it should not be considered as contributing to meeting housing costs.”

The claim of consistency is absolutely spurious. The position of social security is clear –

“STIA – This is a replacement of earnings and so recipients are not allowed to work” and

“LTIA – This is therefore compensation and not a replacement of earnings, which allows recipients to work and retain all of their benefit.”

He then went on to further defend his Committee’s position thus –

“The information given when this was debated was technically correct. That was the position as it was regarded. We see, however, that there is no difference with this. I think if an individual cannot work or can only work part time, then the allowance he gets is to in effect compensate for thatThe Social Security Committee itself cannot pay what some would call unemployment allowance, there is no provision for that, so they are giving this allowance in this respect.”

What are we to make of this? In one sense there has been no change of attitude on the part of the Committee. The Deputy is technically correct when he said “there is no difference.” There is none. They were wrong in removing the disregard from only around one third of the families in receipt of these benefits, the 828 recipients of Disablement Benefit. Under the changes, they are now wrong about every recipient of LTIA.

Furthermore to claim that this is some form of under-the-counter unofficial unemployment benefit is to deny the facts. It is not: it is compensation for loss of faculty.

The Vice-President then went on to deny that there was any difference between his Committee and the Employment and Social Security Committee in their treatment of LTIA so therefore no point in holding further discussions. Even worse, he then went on to suggest that we could muddle along until 2006 in the hope that the arrival of the income support scheme would solve everything.

There are clearly major differences between the 2 committees responsible for delivery of this aspect of our support system. In 2003, there were 1,954 recipients of Invalidity Benefit and 828 in receipt of Disablement Benefit. They will continue to have the same conditions as apply today. Over the years, however the relative numbers on LTIA will grow, whilst those on the older scheme will reduce. The growth in LTIA numbers is estimated at between 15 and 20 per month. The logical and responsible thing to do is to disregard the new applicants for LTIA for rental assessment purposes, which will result in a gradual reduction in additional income from the effects of P.74/2003 over the coming 40 to 50 years.

Financial and manpower considerations

There are no manpower implications resulting from this change. Once the full regard (of the old Invalidity and Disablement benefits) is in place in 2 years’ time, then the Housing Committee might forgo increases in income of a maximum of £10,000 annually.