

STATES OF JERSEY



DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 4) (JERSEY) REGULATIONS 201- (P.101/2012): AMENDMENT (P.101/2012 Amd.) – SECOND AMENDMENT

**Lodged au Greffe on 27th November 2012
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

DRAFT SOCIAL SECURITY (AMENDMENT OF LAW No. 4) (JERSEY)
REGULATIONS 201- (P.101/2012): AMENDMENT (P.101/2012 Amd.) –
SECOND AMENDMENT

PAGE 2, AMENDMENT 1 –

In the substituted paragraph (1)(b) of the inserted Article 54(C) for the words “has attained the age of 57” substitute the words “has attained the age of 50”.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Before examining the detail of the Minister's proposal, it is appropriate to consider the nature of the social security benefits scheme. This requires that all in our community contribute to the Social Security Fund in order to claim support in a variety of circumstances, ranging from ill-health to retirement. One of these contributory benefits is survivor's benefit.

The proposal P.101/2012 is the result of a backbencher proposition P.105/2011, Pensions: Survivor's Benefit – Review, brought by the current Minister for Social Security before he achieved that position.

The proposal's sole aim is to achieve "... a significant reduction in the current annual expenditure (on survivor's benefits) of £5 million, whilst honouring the claims of current recipients".

The main aim underlying proposition P.101/2012 is to deliver savings on those benefits which are funded from general taxation. The proposal will effectively (over a period of years) remove some £3.6 million of benefits paid out from the Social Security Fund, by drastically reducing the scope and reach of the survivor's benefits. This, in turn, allows a margin to enable the Minister to transfer a separate benefit (ICA) out of payment from general tax revenues and into payment from the Social Security Fund whilst having a broadly neutral impact on that fund.

There are 2 elements to survivor's benefit –

1. Survivor's Allowance – paid to the survivor at the rate of 120% of the standard benefit for 52 weeks following the death of a spouse.
2. Survivor's Pension – paid at the standard benefit rate to survivors after 52 weeks (subject to conditions) until pension age.

Having done some limited research, the Minister proposes to reduce the cost of these benefits by restricting the payment of survivor's pension *only* to those survivors who have dependent children. He appears to justify this move on the grounds that society has changed to such an extent that it is no longer appropriate to support survivors without children. In P.105/2011 he put it thus –

"Thirty seven years ago, significantly less (sic) married women were in full-time or part-time employment compared with the make-up of the labour market today".

He is of course correct when he states that patterns of employment have made the position of survivors markedly different today than they were 3 decades ago. We now have 77% of working age women who are economically active. But that still leaves almost one quarter of women who are not.

In support of his change, the Minister admits that the research he has been able to do has been limited –

"As anticipated, it was not possible to undertake a complete review of survivor's benefits within the timetable proposed by P.105/2011. However,

research has been undertaken on the international provision of survivor's benefits and an analysis of survivor's benefits currently in payment has been completed.”

“The generosity of existing survivor's benefits is quite clear when compared to the availability of similar benefits in other jurisdictions.”

The report to P.101/2012 sums up this change thus –

- Following the death of a spouse in October 2012, a survivor will be entitled to survivor's allowance from October 2012 to September 2013. The survivor will then be transferred to survivor's pension from October 2013 until they reach their own pension age or enter into a new relationship. She/he will not be affected by these changes.
- Following the death of a spouse in February 2013, a survivor will be entitled to survivor's allowance from February 2013 to January 2014. At that point, the survivor will only receive a survivor's pension if she/he is responsible for a dependent child. The survivor's pension will stop when the dependent child first leaves full-time education, or reaches the age of 25, whichever is sooner. The existing rules will also continue to apply, and the survivor's pension will also stop if the survivor reaches their own pension age or enters into a new relationship.

This proposal makes a simple change to the legislation, which will have a major impact on the overall cost of survivor's pensions over the coming years.

The problems with the Minister's proposals

Alarm bells should ring whenever anyone talks of a “simple” change to benefits legislation. There is no such thing.

The Minister's proposal for change argues that since so many married women now work, the survivor's pension is no longer relevant or appropriate. However, figures available from the census show that this may not be the case, and in some circumstances his proposals may cause hardship.

Figure 2.8: Marital status by age (years) of Jersey residents

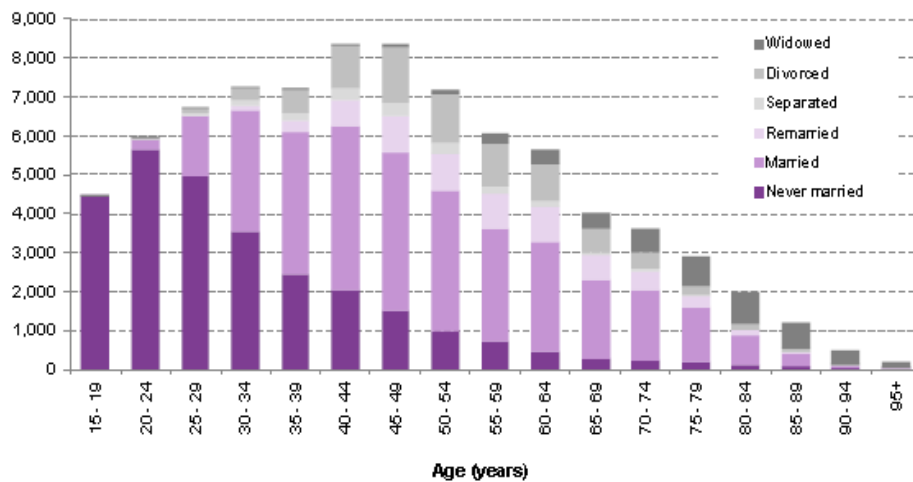


Figure 2.8 shows negligible numbers of survivors below the age of 45, and that “widowhood” increases with age. In more general terms, it illustrates a population bulge in those aged 40 to 50. This group will, in their turn, increase the numbers affected by changes to eligibility rules for survivor’s pensions over the next decade. These figures are further explored below.

| Marital status on census day | | “Widowed” | “Widowed” | “Widowed” |
|--|---------|-----------|-----------|--------------|
| Gender | | Male | Female | Both genders |
| Age (years) | <45 | 23 | 64 | 87 |
| | 45 – 49 | 20 | 69 | 89 |
| | 50 – 54 | 24 | 103 | 127 |
| | 55 – 59 | 66 | 185 | 251 |
| | 60 – 64 | 96 | 280 | 376 |
| Over-65s – Normal pension rules apply | | | | |
| | 65 – 69 | 112 | 323 | 435 |
| | 70 – 74 | 152 | 477 | 629 |
| | 75 – 79 | 165 | 564 | 729 |
| | 80 – 84 | 161 | 676 | 837 |
| | 85 – 89 | 152 | 550 | 702 |
| | 90 – 94 | 60 | 298 | 358 |
| | 95+ | 20 | 119 | 139 |

First, it is important to note that those eligible for survivor’s pension are predominantly female, by a factor of 3 to 1. Since survivor’s pension only applies to those below pension age, it is also notable that the majority (81%) of those eligible are over 50, a total of over 750 households. The impact of the Minister’s proposal will be felt most by these age-groups.

One then might ask whether these households are those which are living the Minister’s modern lifestyle, where both partners work full-time. One indicator of this change is contained in the census figures here, in those who define themselves as “looking after home or family” –

| Age | Count of those ‘looking after the home and/or family’ | Count as percentage of age-group |
|---------|---|----------------------------------|
| 16 – 24 | 184 | 1.6 |
| 25 – 29 | 297 | 4.4 |
| 30 – 34 | 463 | 6.5 |
| 35 – 39 | 567 | 8.0 |
| 40 – 44 | 557 | 6.7 |
| 45 – 49 | 427 | 5.1 |
| 50 – 54 | 390 | 5.4 |
| 55 – 59 | 365 | 6.1 |
| 60 – 64 | 306 | 5.5 |

The point here is that, while many of those in the younger age-groups, those under 45, will be looking after children, there remain many over-50s, apart from those who cannot work, who choose not to work but to look after the home. All of these may be vulnerable to changes in the changes to survivor's pension proposed by the Minister.

We now come to examine the Minister's statement that those affected by his proposed changes may be protected by income support –

“Survivor’s benefits are paid to claimants living in Jersey and outside Jersey. Removing survivor’s pension from Jersey residents who do not have dependent children will create some additional cost to the income support budget. In future, a survivor with a low household income may require additional income support, compared to the current position in which the survivor’s pension makes up a proportion of the total household income”.

Income support **will** pick up those affected by the Minister's proposal who might find themselves in some difficulty following the death of their spouse, but only to a limited extent. Survivor's pension is not means-tested; income support is tested against earnings, savings and other benefits.

For example, over 60% of those in the older pre-pension age-groups are in owner-occupied properties (see below). This means that if, following the death of their spouse, they were to apply to Income Support, their entitlement (barring a disability) would be limited to a maximum of –

| | | |
|---------------|--------|-----------------|
| Adult | £92.12 | |
| Household | £51.31 | |
| Accommodation | £11.83 | Total = £155.26 |

This leaves them £32 per week worse off than they would be on a survivor's pension.

Age distribution by tenure (all residents):

| | Owner-occupied | Qualified rent | States, housing or parish rent | Non-qualified accommodation | Communal establishment | All tenures |
|----------------|----------------|----------------|--------------------------------|-----------------------------|------------------------|-------------|
| 50 – 54 | 4,516 | 1,192 | 811 | 616 | 63 | 7,198 |
| 55 – 59 | 3,885 | 932 | 792 | 377 | 56 | 6,042 |
| 60 – 64 | 3,886 | 724 | 770 | 215 | 55 | 5,650 |

The approach adopted in the main proposition suffers 3 fundamental defects –

- Income Support will not be able to meet the needs of all survivors who require it. A survivor in rented accommodation can claim a rental component, but those in owner occupation are only eligible to claim up to £12 weekly for help with accommodation costs.
- Whilst it is reasonable to expect survivors without children to return to, or to find, paid employment, that process may take some time, especially for those who have been away from the workplace for a long period. This is especially true for:

- Those over 50, who may have already be “scaling down” following the children leaving and the mortgage becoming less burdensome, and looking forward to retirement in full or in part.

The requirement to actively seek full-time work is intrinsic to Income Support. The 55 year-old widow who has been looking after the home will be required to produce her CV, to apply for any jobs that seem suitable to the Income Support staff, and to attend job interviews, etc., if she is to receive support one year after she is bereaved.

The Minister’s amendment puts some survivors in a vulnerable position, and as such, it is not viable. Whilst it may on the surface appear simple, it fails to respond to the human condition.

The Minister’s amendment (P.101/2012 Amd.)

The Minister’s amendment to P.101/2012 appears to accept some of the arguments above and extends some transitional protection to all individuals (men and women) who are at least 57 years old on 31st December 2012. In the event that a spouse of one of these individuals dies before the individual reaches pension age, then the individual will be entitled to receive a survivor’s allowance for one year, followed by a survivor’s pension until the individual reaches their own pension age.

The report then goes into the increases in pension age introduced over recent years –

“For most survivors this will be 65, but some women in this age range will have a pension age of 60. Individuals born in 1955 will have their 57th birthday in 2012, and this group will have a pension age of 65 years and 2 months (born before 1/11/1955) or 65 years and 4 months (born on or after 1/11/1955).”

“As this additional protection is limited to individuals who will all be at least 57 years old, the maximum period of survivor’s pension that could be paid will be just over 7 years, in respect of someone who has their 57th birthday at the end of December 2012 and who has a spouse who dies in early 2013.”

My amendment extends this maximum period of transition from 7 to 14 years. Calculating the total cost of this protection involves a complex interaction between the numbers of those eligible in each age-group and the changes in pension age from 60, through 65 and on to 67. The total estimated cost of the Minister’s amendment is between £2 million and £2.5 million over the 7 year transitional period.

Financial and manpower implications

As with the Minister’s amendment, there are no manpower implications.

The cost of the provision of additional support to individuals within this group who become survivors before they reach their own pension age, ignoring those who become eligible for a pension below 65, but including an increase in the numbers in the age-groups due to population growth, I estimate to be around £13 million in total between 2014 and 2028, during which period this transitional support will have effect. This cost will be met by the Social Security Fund.