

Northern Ireland Employment and Support Allowance Information Booklet

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Issued by:

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Introduction

1. This booklet provides information on the change to Employment and Support Allowance (ESA) under Welfare Reform and the potential impacts on the population of Northern Ireland. It draws together analysis undertaken by Analytical Services Unit and other parts of the Department, to provide an evidence base for the change.
2. The booklet provides information on the following areas of ESA:
 - Background to ESA.
 - The change in policy.
 - Entitlement comparison between contribution-based ESA and income-related ESA.
 - Who could be impacted by the change.
 - Estimated impact of introducing the time limiting element to contribution-based ESA.

Headline statistics

- As of November 2015, **119,450 people in Northern Ireland were claiming ESA**.
 - 34,550 claimants were receiving contribution-based ESA (some claimants potentially affected)
 - 26,830 claimants were receiving contribution-based and income-related ESA (some claimants potentially affected)
 - 52,980 claimants were receiving income-related ESA (not affected)
 - 5,090 claimants were receiving National Insurance Credits only (no payment made, not affected)
- The Welfare Reform (Northern Ireland) Order 2015 limits to 365 days the period for which people not in the Support Group can receive contribution-based ESA.
- It is estimated that **6,590 claimants may be affected by the time limiting change. These claimants are within the Work-Related Activity Group or the Assessment Phase and have been claiming the contribution-based element of ESA for one year or more at November 2015.**
- Of these claimants, it is estimated that:
 - 4,270 claimants in receipt of contribution-based ESA only will lose all benefit payment
 - 2,090 claimants in receipt of both contribution and income related ESA will continue to receive the same amount of benefit payment on income-related ESA only
 - 230 claimants in receipt of both contribution and income-related ESA will receive a lower amount of payment on ESA only
- Those claimants who receive contribution-based ESA only and will lose all of their benefit under the proposed change may be entitled to income-related ESA. **The Department will contact all contribution-based ESA only claimants to assess if they can claim income-related ESA.** It is estimated that 22% (940) of current contribution-based ESA only claimants will be awarded income-related ESA.

What is Employment and Support Allowance?

1. ESA provides financial help to people who are unable to work because of illness or disability. It also provides personalised support to those who are able to work.
2. ESA consists of two phases – Assessment Phase (the first 13 weeks of a claim) and Main Phase.
3. There are two groups within Main Phase. Following a Work Capability Assessment claimants are placed in either the Work Related Activity Group (WRAG) or the Support Group depending on their medical condition or disability.
 - WRAG – claimants in this group will get support to help them prepare for work.
 - Support Group – claimants in this group will not be expected to take part in any work. This group is not affected by the proposed changes.
4. There are two types of ESA:
 - Contribution-based ESA (ESA (C)) – a working age benefit payable to people who have a limited capability for work and have paid enough National Insurance contributions.
 - Income-Related ESA (ESA (IR)) – paid to people who have an income below a certain level.

What is the change to Employment and Support Allowance?

5. The Welfare Reform (Northern Ireland) Order 2015 limits to 365 days the period for which people not in the Support Group can receive ESA (C).

Entitlement comparison between contribution-based ESA and income-related ESA

6. ESA is structured into two elements; ESA (C) and ESA (IR). If a claimant does not qualify for ESA (C) they can claim ESA (IR), provided they satisfy certain eligibility criteria.
7. The rules for the element of ESA which will be in payment are detailed below.
 - If the amount of ESA (IR) is greater than the amount of ESA (C), the payment will be made up of the ESA (C) award with the excess paid as ESA (IR).
 - If the amount of ESA (IR) is the same as the amount of ESA (C), the claimant will receive their ESA (C) first. No ESA (IR) will therefore be paid.
 - If the amount of ESA (IR) is less than the amount of ESA (C), the payment will be made up of the ESA (C) award only.
 - If no ESA is payable due to excess income and/or not satisfying the contribution conditions, the claim will have a nil entitlement and it will be a National Insurance Credits Only claim.

Breakdown of the current ESA Liveload by stage and element

8. Following a Work Capability Assessment claimants are placed in either the WRAG or the Support Group depending on their medical condition or disability.

9. Table 3.1 illustrates the breakdown of the ESA liveload at 27th November 2015 by stage and element.

Table 3.1 Breakdown of the ESA liveload by Stage and Element

Element	Stage				Total
	Credits Only	Assessment Phase	Support Group	Work-Related Activity Group	
Credits Only	4,410	190	400	80	5,090
Contribution Based Only	0	2,170	28,290	4,090	34,550
Contribution and Income Based	0	1,310	23,210	2,320	26,830
Income Related	0	5,830	41,300	5,850	52,980
Total	4,410	9,500	93,200	12,340	119,450

Source: ASU ESA MIDAS scan 27th November 2015

Introducing time-limiting to the contribution-based element of ESA

10. ESA was never intended to be a long term benefit, but an interim measure for those expected to move back into work. At present those who can claim ESA and are entitled to the contribution-based element will be awarded this for an unlimited time. The change will limit the length of time claimants in the WRAG can receive ESA (C) to 365 days (including any time spent in the Assessment Phase), after this time the benefit will cease to be paid.
11. ESA (C) claimants who are already in receipt of ESA (IR) will move seamlessly to that element of the benefit. Those not entitled to the income-related element will continue to receive National Insurance credits only provided that they continue to satisfy the conditionality.
12. Tables 3.2 and 3.3 below are intended to show the duration of claims for current ESA (C) claimants and the length of time that ESA (C) claimants have historically spent on the benefit before flowing off, and so give an indication of the percentage of past claims that may have been financially affected by time-limiting.
13. It is to be noted that the ESA liveload is made up of new claimants to the benefit and those who have migrated over from Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) (including those who claimed Income Support on the grounds of incapacity). The reassessment of IB/SDA claimants commenced in April 2011 and is now complete. Incapacity Benefit Reassessment (IBR) claimants currently make up almost half of the ESA liveload (49.1%).

14. Table 3.2 shows a breakdown of the duration the current ESA liveload with a contribution-based element in payment have been claiming the benefit. This table indicates that almost all claimants in the WRAG in receipt of either ESA (C) only or both contribution and income-related elements have been claiming the benefit for at least one year (93.5%). The table also shows that one quarter of claimants in the Assessment Phase in receipt of an element of ESA (C) have been claiming the benefit for at least one year. It should be noted that claimants may remain in the Assessment Phase for longer than 13 weeks if, for example, the WCA takes place after this time or if the claimant is appealing the decision that they have failed the WCA.

Table 3.2 Breakdown of ESA (C) liveload by Stage and Duration on Benefit

Duration	Assessment Phase			Work-Related Activity Group			Overall Total
	Contribution and Income Based	Contribution Based Only	Total	Contribution and Income Based	Contribution Based Only	Total	
Less than 1 year	74.7%	72.5%	73.3%	8.4%	5.4%	6.5%	30.0%
1-2 years	12.2%	11.8%	12.0%	30.1%	27.6%	28.5%	22.7%
2-3 years	6.9%	9.9%	8.8%	24.7%	32.1%	29.4%	22.2%
over 3 yrs	6.2%	5.8%	5.9%	36.8%	34.8%	35.5%	25.1%
Total	1,310	2,170	3,480	2,320	4,090	6,410	9,890

Source: ASU ESA MIDAS scan 27th November 2015

15. Table 3.3 shows a breakdown of historical ESA off-flows with a contribution-based element in payment by the length of time the customer had claimed the benefit. This table indicates that over two thirds of claimants who flowed off the benefit from the WRAG or Assessment Phase had been claiming for less than one year (67.4%) and so would have been unaffected by the changes.

Table 3.3 Breakdown of ESA (C) off-flows by Stage and Duration on Benefit between March 2011 and November 2015

Duration	Assessment Phase			Work-Related Activity Group			Overall Total
	Contribution and Income Based	Contribution Based Only	Total	Contribution and Income Based	Contribution Based Only	Total	
Less than 1 year	74.1%	79.7%	77.8%	32.5%	38.9%	36.2%	67.4%
1-2 years	18.4%	14.5%	15.8%	33.2%	33.7%	33.5%	20.2%
2-3 years	5.2%	3.9%	4.3%	19.4%	16.5%	17.7%	7.7%
over 3 yrs	2.3%	1.9%	2.1%	14.9%	10.9%	12.6%	4.7%
Total	10,480	20,360	30,840	4,270	6,020	10,280	41,120

Source: ASU ESA MIDAS History scan and Flows Database

The impact of introducing time-limiting to the contribution-based element of ESA

Estimated number of people affected by the proposed one year time-limiting based on the current ESA liveload

16. The planned implementation date for the changes is November 2016 however for the purposes of this analysis the potential impact has been estimated based on how current ESA claimants would be affected.
17. Table 3.4 shows the current number of ESA claimants who have been claiming the benefit for at least one year in either the Assessment Phase or the WRAG. These claimants have been in receipt of either ESA (C) only or both contribution and income-related elements.

Table 3.4 Number of ESA (C) claimants in the Assessment Phase or WRAG who have been claiming the benefit for at least one year

Group	Element		Total
	Contribution and Income Based	Contribution Based Only	
Assessment Phase	270	470	740
Work-Related Activity Group	2,050	3,800	5,850
Total	2,320	4,270	6,590

Source: ASU ESA MIDAS History scan to 27th November 2015

18. Table 3.5 illustrates the potential impact on current ESA claimants due to time-limiting the contribution-based element. The claimants have been in receipt of the contribution-based element of ESA in the Assessment Phase or WRAG for at least one year. Claimants who have been in receipt of ESA (C) only for at least 365 days will lose all payment and move to National Insurance Credits Only. Those claimants who have been in receipt of both contribution and income based elements will lose the contribution-based element and move to the amount they are entitled to from the income-related element.

Table 3.5 Potential impact of Time-Limiting on current ESA (C) claimants who have been claiming the benefit for at least one year

Group	Potential Impact			Total
	Contribution and Income Based		Contribution Based Only	
	Stay on same payment - IR only	Drop to lower payment - IR only	Lose all payment - Credits Only	
Assessment Phase	260	10	470	740
Work-Related Activity Group	1,830	220	3,800	5,850
Total	2,090	230	4,270	6,590

Source: ASU ESA MIDAS History scan to 27th November 2015

This table shows that two-thirds of those ESA (C) claimants in the WRAG or Assessment Phase, claiming for at least one year, will lose all benefit payment and move to National Insurance Credits Only

(4,270). Approximately 32% of ESA (C) claimants, claiming for at least one year will receive the same amount of payment and move to ESA (IR) (2,090). The remaining 3% will drop to a lower amount of payment on ESA (IR) (230).

Estimated financial impact of the proposed one year time-limiting based on the current ESA liveload

19. Table 3.6 illustrates the total weekly benefit cost for current ESA claimants in receipt of the contribution-based element for at least one year and the estimated savings with the introduction of time-limiting.

Table 3.6 Total Weekly and Annual Benefit Cost of current ESA (C) claimants who have been claiming the benefit for at least one year

		Total Weekly Payment	Weekly Savings	Total Annual Payment	Annual Savings
Contribution Based Only - Lose all payment	Pre Time Limiting	£429,555		£22,336,854	
	Post Time Limiting	£0	£429,555	£0	£22,336,854
Contribution and Income Based - Drop to lower payment	Pre Time Limiting	£24,517		£1,274,893	
	Post Time Limiting	£16,932	£7,586	£880,447	£394,446
Contribution and Income Based - Stay on same payment	Pre Time Limiting	£288,308		£14,992,033	
	Post Time Limiting	£288,308	£0	£14,992,033	£0
Total	Pre Time Limiting	£742,380		£38,603,780	
	Post Time Limiting	£305,240	£437,140	£15,872,481	£22,731,300

Source: ASU ESA MIDAS History scan to 27th November 2015

Note: Annual payment based on the assumption claimants would have remained on same weekly payment rate throughout the one year period

The table shows the total weekly benefit cost for current ESA claimants who have been in receipt of the contribution-based element for at least one year is approximately £742,380. The proposed time-limiting of the contribution-based element is estimated to reduce the total weekly benefit cost to just over £305,240. This equates to a projected saving of over £22 million on the Annual Benefit Cost had the affected claimants continued to receive ESA for a further year. To place this figure in context, the total expenditure on ESA in 14/15 was £734 million.

Percentage of those expected to lose all payment that will be fully or partially compensated by income-related ESA

20. The ESA Legislative Changes Project are working with ESA Centre management to put in place a team that will undertake a special exercise prior to the changes taking place to determine if claimants who are in receipt of ESA (C) only can also be awarded ESA (IR). The DWP Volumetrics Resource Model along with adjustments made by project stakeholders is forecasting that this intervention from the ESA Centre will result in 22% of ESA (C) only cases being awarded ESA (IR). Table 3.7 illustrates the impact of the intervention on the above estimated figures, moving entitled claimants from ESA (C) only to ESA (IR).

Table 3.7 ESA (C) only claimants who have been claiming ESA for at least one year at 27th November 2015

Intervention Stage	ESA (C) only claiming for at least 1 year		
	Assessment Phase	Work-Related Activity Group	Total
Pre-Intervention – ESA (C) only	470	3,800	4,270
Project Intervention - awarded ESA (IR) (22%)	100	840	940
Post-Intervention - remain ESA (C) only	370	2,960	3,330

Mitigating Measures for those ESA claimants who are financially impacted as a result of the change to the contribution-based element of ESA

21. The majority of those who will be financially impacted by Welfare Reform in Northern Ireland, including those claimants no longer entitled to ESA (C), will receive a time-limited mitigation payment to help them adjust to a reduced entitlement. The report produced by the working group chaired by Professor Eileen Evason detailing the mitigation schemes is available via the link below:

<https://www.ofmdfmi.gov.uk/sites/default/files/publications/ofmdfm/welfare-reform-mitigations-working-group-report.pdf>