

<p>Title: Impact Assessment: Time limiting contributory Employment Support Allowance to one year for those in the Work Related Activity group</p> <p>Lead department or agency: Department for Work and Pensions</p> <p>Other departments or agencies: Her Majesty's Treasury Her Majesty's Revenue and Customs Northern Ireland Office</p>	Impact Assessment (IA)	
	Date:	
	Stage: Final	
	Source of intervention: Domestic	
	Type of measure: Secondary legislation	
Contact for enquiries: devolution.commsandbriefing@dwp.gsi.gov.uk		
Summary: Intervention and Options		RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option					
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as	
	N/A	N/A	No		N/A

What is the problem under consideration? Why is government intervention necessary?

Currently people in Northern Ireland can spend several years in receipt of contributory Employment and Support Allowance (ESA) in the Work Related Activity Group (WRAG), in some cases until they reach state pension age. It is considered that people should not remain on incapacity - related benefits once they are able to move back into employment if they are properly supported. It was always intended that ESA for those in the (WRAG) should be paid for a temporary period to those people who, by definition, are expected to move towards employment with help and support.

As part of the recent Fresh Start Agreement we agreed with the Northern Ireland Assembly that the current position on welfare was financially unsustainable and parity across the UK on social security must be restored.

What are the policy objectives and the intended effects?

The policy objective is to ensure that people do not remain on incapacity related benefits for longer than required by their circumstances. ESA should not create a culture that enables people to stay permanently in the WRAG, but should expect that they move towards work.

This simplification better aligns contributory ESA for those in the work related activity group with contributory Jobseeker's Allowance – which is time limited to 6 months- and ensures that money is targeted on those most in need.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The do nothing option was considered and rejected as this does not

- provide this group with the additional support and requirements that enable movement into work and accompanying wider benefits;
- extend parity across the UK.

Furthermore the Fresh Start Agreement set out that welfare reform would be implemented in Northern Ireland equivalent to those introduced in GB by the Welfare Reform Act 2012, as well as other measures these regulations would be passed through Westminster.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:**

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro No	< 20 No	Small No	Medium No	Large No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Priti Patel _____ Date: _____ 17/03/16 _____

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate				

Description and scale of key monetised costs by 'main affected groups'

Those who leave contributory ESA WRAG will have differing impacts according to their income and capital and whether their health conditions have changed. Those who are eligible may move on to income-related ESA; however some people will no longer be eligible as they have income or savings above the eligible level, they will therefore see benefit entitlement reduce.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	Optional
High	Optional		Optional	Optional
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups'

Reduced benefit expenditure to people who have income or savings will ensure that funds are focussed on those most in need and reduce the overall exchequer spending.

Other key non-monetised benefits by 'main affected groups'

Those moving from contributory ESA WRAG to income related ESA will become entitled to passported benefits, such as free school meals. Moving back into work should in the longer term result in positive wellbeing effects.

Key assumptions/sensitivities/risks	Discount rate (%)	
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BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs:	Benefits:	Net:	No	N/A

Introduction

The suite of policy changes are designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. These were implemented in Great Britain in 2012 and many have proved to be successful in increasing moves into employment by those affected.

Welfare Reform and Social Security remain devolved in Northern Ireland; however the Northern Ireland (Welfare Reform) Act 2015 enables the UK Government to legislate for welfare reform in NI for a specified period of time. This impact assessment accompanies the subsequent Order in Council which broadly mirrors the policies in the Welfare Reform Act 2012, with NI specific flexibilities agreed in the Fresh Start Agreement. Both the Northern Ireland (Welfare Reform) Bill and the Order in Council were consented to by the NI Assembly.

Alongside this mitigations have been assessed and will be put in place by the NI Assembly following the Evason report, published in January 2016.

The current policy

Expenditure on Employment and Support Allowance (ESA) and other incapacity benefits is forecast to be £830m in 2015-16. People can presently qualify for years of ESA up to state pension age on the basis of a small amount of National Insurance paid.

It was never intended that ESA for those in the Work Related Activity Group (WRAG) should be paid for an unlimited period to people who, by definition, are expected to move towards employment with help and support. Government intervention is required to help ensure that ESA is paid for a temporary period for those placed in the WRAG, thereby encouraging a return to work and preventing people being trapped on benefits for a lifetime. This change supports a move towards simplification of contributory benefits and a fairer benefit system.

Policy objective

To reduce overall spend on incapacity benefits whilst still providing support for those that need it in the short term by:

- Underlining the fact that ESA is a temporary benefit for the majority of claimants;
- Ensuring support is targeted at the poorest and most severely in need;
- Simplifying the benefit system by aligning contributory ESA WRAG more closely with contributory Jobseeker's Allowance in the run up to the introduction of Universal Credit.

ESA was never intended to be a long-term benefit except for the most severely ill or disabled people for whom work is not a viable option. Those people are being protected and are not affected by this measure. People on income-related ESA in the WRAG are also unaffected by this measure.

Exchequer Impact

As a result of not mirroring the measures contained in the Welfare Reform Act 2012, in Northern Ireland the Executive has had to provide 'savings forgone' to HM Treasury. In 2015/16 and prior to the Fresh Start Agreement, these welfare related deductions were estimated to be £114 million and to significantly increase on an annual basis. As a result the non-implementation of welfare reform was putting significant and growing pressure on the Executive's budget.

Impact on Households

The change in emphasis towards ESA being recognised as a short term benefit is likely to see an increased movement into work. The scale of any such movement is very difficult to estimate at this stage, but will form part of the cultural change toward incapacity related benefits being assessed as temporary for those in the WRAG.

Where claimants are eligible for income related ESA, they can then move on to that benefit. The vast majority of the ESA caseload (75%) are attributed to the support group. Of those in the WRAG almost half are solely income related and a further 10% are both income and contributory. As a result fewer than 5% of the overall caseload will therefore be affected by this time-limiting, around 5,500 individuals.

Those who have household income or earnings below that which enables them to move to income related ESA can then move to that benefit.

Methodology

The breakdown of those currently in receipt of ESA WRAG contributory in Northern Ireland was supplied by the Department for Social Development's Analytical Services Unit. All estimates are taken from the ESA Midas scan dated August 2015.

Impact on Income for Protected Groups

Households that include someone with a protected characteristic (as defined by the Equality Act 2010) will be affected by this policy if they receive ESA WRAG contributory. However as this is a work related benefit, none are viewed as needing permanent support. Where support continues to be required after the one year for which claimants remain entitled, this can be assessed for income related benefit. The protected groups according to the Equality Act 2010 are:

- Age
- Disability
- Gender
- Ethnicity
- Gender reassignment
- Pregnancy and maternity
- Sexual orientation
- Religion or belief
- Marriage and civil partnership

Age

The age profile of ESA WRAG contributory claimants shows a greater proportion older than 55 (45%) relative to the overall ESA claimant group (31%). There are also far fewer young ESA WRAG contributory claimants 6% under 35, relative to the overall ESA claimants 19%. This may be intuitive as older claimants are more likely to have a work history and therefore eligible for the contributory benefit.

Where these individuals do not have capital or other income they will be able to claim the income related benefit. If the temporary health condition has improved then individuals may move to JSA or into work, where this is not the case they may move to gain more support in the support group for ESA.

Disability

All of those placed in the ESA WRAG group are deemed as having the capacity to perform those tasks which will assist them in moving into employment. Where additional support is required individuals can apply for the benefit that provides that support. ESA WRAG contributory claimants have a broadly similar recorded primary medical condition as the overall ESA caseload, though are slightly more likely to have musculoskeletal system related diagnosis than mental health related.

Gender

Those in the ESA WRAG contributory group are quite evenly split between male and female (47%& 53% respectively).

Analysis can only be provided for some of the equality groups. We do not, as a matter of course monitor religious belief, political opinion, racial background or sexual orientation for the purpose of administering the social security system in Northern Ireland. However we would not expect claimants to be adversely affected on these grounds.

Life Chances

The new Life Chances legislation (incorporated into the Welfare Reform and Work Bill) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. Evidence indicates that these will be the two main factors leading to child poverty now and in the future (respectively).

These changes support the life chances of children as they aim to ensure that incapacity related benefits support people when they are in need and are not seen as a permanent option. People who claim work related activity benefits are undertaking activity to maintain a trajectory back into work and this change support this. This change enables people to lead fuller working lives. It is envisaged that those who go into work will gain from an increased sense of overall wellbeing over the longer term.