1240/5(6751)

WRITTEN QUESTION TO THE MINISTER FOR SOCIAL SECURITY
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 6th MARCH 2012

Question

With respect to the Minister's recent statement on the reduction of incapacity benefits, does the Minister accept that when the new in-work benefit LTIA (Long Term Invalidity Allowance), for persons who suffer a permanent loss of physical or mental faculty as a result of disease or accident, was introduced in 2001, it was clearly stated that it would not apply to existing beneficiaries?

Does he consider that any attempt to amend this provision relating to existing beneficiaries (currently 1,036), would be a breach of trust?

Will the Minister confirm that for the 1,036 existing beneficiaries, a choice to transfer to LTIA would currently risk a reduction in their award from a 100% (£186 weekly) to some lesser percentage?

Does he further accept that any reduction in payments awarded on either of these schemes (funded from contributions to the Social Security Fund) would, in most cases, merely result in increased costs to the taxpayer in Income Support payments?

Does he finally accept that if he wishes to reduce the cost of the benefit bill to taxpayers he could raise contributory benefits by a margin significantly over inflation?

Answer

When Long Term Incapacity Allowance (LTIA) was introduced in October 2004, the amendments to the Social Security Law were such that existing claimants had the option to either move to the new benefit or to remain on their existing benefit. Article 54A provides that individuals entitled to various benefits prior to October 2004, were allowed to continue to receive these benefits (including Invalidity Benefit) after October 2004, whilst they continued to satisfy the eligibility conditions of the pre 2004 benefit.

It should be noted that the changes to incapacity benefits were made in October 2004, rather than 2001, as suggested by the question.

I do not consider that any attempt to amend Article 54A would be a breach of trust. Article 54A can be amended in the same way as any other legislation. Social attitudes and expert advice evolve and it is only correct that legislation should be updated from time to time. Any decision to amend legislation is taken by the States Assembly in a transparent and democratic manner.

At the end of December 2011 there were 968 invalidity claims remaining. Most Invalidity Benefit claims are paid at the standard benefit rate of £184.45 per week. Individuals can choose to transfer from Invalidity Benefit to LTIA at any time.

An individual receiving Invalidity Benefit is not allowed to perform any work related activities or to have any earnings (with some limited exceptions). An individual receiving LTIA is allowed to return to or continue in employment and receive the benefit and wages at the same time. The value of the LTIA award is based on an assessment of the loss of the faculty of the individual. This is determined on a percentage basis and awards can be made between 5% and 100%, depending on the extent of loss of faculty.

It is correct that the value of the LTIA benefit will never exceed the value of the Invalidity Benefit and in many cases; the value of LTIA will be less than the Invalidity Benefit, reflecting the inflexibility of Invalidity Benefit. However, an individual moving from Invalidity Benefit to LTIA is able to continue to claim a contributory benefit based on their loss of faculty and is also able to take up employment. For lower income households, a transfer from Invalidity Benefit to LTIA would result in a decrease in the incapacity benefit, and a corresponding increase in income support, with no (or minimal) net change to the individual.

However, whereas the transfer from invalidity to LTIA may have little short-term impact on the financial situation of the claimant, their long-term prospects are improved as they are able to undertake retraining and gradually move back into employment, progressively reducing their dependence on benefits. Many recent studies point to the positive impact of employment and the negative impact on individuals who are excluded from the workplace for significant periods. The positive impacts extend beyond financial aspects to include better health and social well-being.

The suggestion that we could increase contributory benefits “by a margin significantly over inflation” in order to reduce the cost of the benefit bill to taxpayers is wholly irresponsible. Members will be well aware of the existing pressures on the Social Security Fund and the increasing costs of pensions over the next two decades. The cost of contributory benefits is borne by local employers and employees, the same people who pay taxes.