Department for Work & Pensions

Summary of the UK Social Security Benefit System

	Expenditure	Number of Claimants*	Fraud and Error
Income Support	£3.7bn	0.9m	4.0% £150m
Jobseekers Allowance	£4.4bn	1.13m	3.7% £170m
Employment Support Allowance	£10.5bn	2.46m	3.4% £360m
Pension Credit	£7.2bn	2.87m	5.7% £410m
Housing Benefit	£23.9bn	5.0m	5.8% £1380m
State Pension	£83.1bn	12.91m	0.1% £110m
Disability Living Allowance	£13.8bn	3.27m	1.9% £260m
Personal Independence Payment	???	0.19m	Not measured

**All figures from end Nov 13 expect Housing Benefit end Feb 14*

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Income Support (IS)

Income support is an income-related benefit in the United Kingdom for people who are on a low income. Claimants of Income Support may be entitled to certain other benefits, for example, Housing Benefit and help with council tax and health costs. A person with savings over £16,000 cannot get Income Support, and savings over £6,000 affect how much Income Support can be received. Claimants must be between 16 and state pension age, work fewer than 16 hours a week, and have a reason why they are not actively seeking work (on grounds of illness, disability, caring for children, or someone who is ill)

On 27 October 2008, the Employment and Support Allowance replaced Income Support claimed on grounds of sickness or disability. Claims for Income Support made before that date are not affected.

Income Support will be replaced by Universal Credit over the coming years.

Jobseekers Allowance (JSA)

Jobseekers Allowance is the main unemployment benefit in the UK paid to people who are unemployed and actively seeking work. Claimants must be between 18 years of age and the State Pension age.

There are two forms of Jobseeker's Allowance, *contribution-based* and *income-based*. Universal Credit will replace income-based Jobseeker's Allowance entirely.]

To be eligible for JSA, claimants must state that they are actively seeking work by filling in a Jobseeker's Agreement form and attending a New Jobseeker interview. They must also regularly attend a Jobcentre to "sign on", that is, to certify that they are still actively seeking work. Long term JSA claimants are subject to the Work Programme – intensive work placed activity to ensure they are prepared for and skilled for work.

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In certain cases, a claimant's Jobseeker's Allowance may be stopped. A person choosing to remain out of employment should a vacancy be available is obliged to give a "good reason" for the choice, or else their monies are to be withheld. Sanctions may also be imposed if a claimant is not available for or actively seeking work, fails to attend a Jobcentre appointment, leaves work voluntarily or refuses to attend a mandated scheme.

Employment Support Allowance (ESA)

Employment and Support Allowance was introduced on 27 October 2008. The benefit replaced Incapacity Benefit (IB), Income Support (IS) paid because of an illness or disability and Severe Disablement Allowance (SDA). Initially it only replaced new claims and the migration of existing claims did not begin until Spring 2011.

ESA can be either *contributory* or *income-related*. If claimants satisfy national insurance conditions they can claim contributory ESA for up to one year (if they get the *work-related activity component*) or indefinitely (if they get the *support component*). Income-related ESA is subject to a means test and certain other conditions. If they meet both sets of conditions, they can get contributory ESA topped up with income-related ESA.

The main change from Incapacity Benefit is that the old Personal Capability Assessment (PCA) has been replaced with a Work Capability Assessment (WCA), which gives a better view of the claimant's ability to undertake some form of work.

Usually ESA isn't affected if a claimant works and earn up to £20 a week or works and earns up to £101 a week doing work as part of a treatment programme, or supervised by someone from a local council or voluntary organisation. This is called 'permitted work'.

ESA will be subsumed into Universal Credit

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Pension Credit (PC)

Pension Credit provides additional income for those who have reached state pension age and whose income falls below a specified limit. It is made up of two elements:

- The Guarantee Credit is an income based benefit paid if the income of the applicant and partner (plus a notional income from savings) is below a certain level. The minimum age for claiming is rising in line with the increase in state pension age.
- Savings Credit is an inverse means-tested benefit; the higher the individual's private pension income, the more they receive in Savings Credit, up to a certain limit. This element is available once the applicant or their partner reaches 65. Savings Credit is designed to "reward" people who saved for their pension during their working life. It therefore provides additional benefit to retired people who are not necessarily well off, but do have savings or a personal pension, and may not qualify for the full Guarantee Credit.

The value of Guarantee Credit, and Savings Credit are automatically uprated each year, in line with inflation, as is the basic State Pension, and Second State Pension (*S2P*). However, they are uprated by different inflation measures:

The Government has intends to replace Pension Credit and the State Pension with a single flat-rate pension.

Housing Benefit (HB)

Housing Benefit is a means tested benefit intended to help meet housing costs for rented accommodation. Excluding the State Pension it is the single biggest cost for the UK taxpayer.

HB is administered by the local authority in whose area the property being rented lies though is funded by the Department for Work and Pensions

Council tenants' housing benefit is awarded as a rebate; reducing the level of rent payable by the tenant. Private tenants' benefit is normally paid to the claimant, who has the right to decide to whom payments are made, and in some cases to the landlord. Local

authorities reclaim the housing benefit that they have paid from the Department for Work and Pensions by means of submitting heavily audited subsidy claims. DWP pays local councils an administration grant based on the numbers of new claims and overall case-load; as well as various other cost factor adjustments to take into account the relative staff and accommodation costs. Some elements of the subsidy claim are subject to penalty, to encourage local authorities to control that element of expenditure. Overpayments of benefit are not fully funded in order to ensure that the local authority takes recovery action where appropriate.

Since April 2008, new private sector benefit claimants receive housing benefit under revised rent restriction rules called Local Housing Allowance which means that the maximum level of HB available is linked to average rental prices for homes of particular types in an area. The Government has also introduced restrictions on the size of property HB will pay for (linked to household composition) – the Spare Room Subsidy - and capped the total amount of HB available.

People who are single and under 35 can only get Housing Benefit for bed-sit accommodation or a single room in shared accommodation.

Housing costs for people of working age will become part of Universal Credit.

State Pension (SP)

The State Pension is a "contribution-based" benefit, and depends on an individual's National Insurance (NI) contribution history. For someone with the 30 qualifying years (years in which NI contributions were paid), it is payable at a flat rate of £113.10 a week (2014-15). A smaller, pro-rata, pension is paid to someone with fewer qualifying years. An "age addition" of 25p a week is paid to people over 80.

The Basic State Pension is increased in April each year to pensioners living in the UK and in certain overseas countries which have a Social Security Agreement with the UK that includes British pension uprating. Pensioners living in other overseas countries without a current agreement have their pensions frozen at the rate in effect on the date when they left the UK, or on the date when they applied for a pension, whichever is later.

The age at which both men and women can claim the State Pension is being aligned and raised.

Disability Living Allowance (DLA)

Disability living allowance (DLA) is a non-means-tested, non-contributory benefit introduced in 1992 and scheduled for phase-out between 2013 and 2016, in relation to adults only, for whom it is to be replaced by a new Personal Independence Payment.

DLA can be claimed by a UK resident aged under 65 years who has personal care and/or mobility needs as a result of a mental or physical disability. It is tax free.

DLA is restricted to people who fall into all of the in the following categories:

- They must ordinarily be resident and present in the UK
- They must meet the rules concerning age: typically they must be under 65 when they claim; the lower age limit depends on which component they are claiming

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- They must not be living in certain types of residential accommodation
- They must have had a disability for at least 3 months, and expect it to continue for at least six more months
- They must have care and/or mobility needs.

Individuals can qualify for DLA whether or not they are working. Earnings do not affect the amount of DLA received. People who are terminally ill typically qualify for the highest rate of Care component of DLA under what is termed "special rules"

Personal Independence Payment (PIP)

Personal Independence Payment is a benefit which is available to help with costs caused by a health condition or disability. It is non-means-tested, non-contributory, and can be paid whether the recipient is employed or not. PIP is based upon the effects of a condition on a person rather than the condition itself.

PIP was introduced in 2013 by the Welfare Reform Act 2012 and replaces the Disability Living Allowance (DLA) from 8 April 2013 for people aged 16 to 64 and is being phased in for all adults over the following few years. PIP replaces the Disability Living Allowance.

Universal Credit (UC)

Universal Credit is a new benefit in the United Kingdom that will replace six of the main means-tested benefits and tax credits. The Government is introducing UC over the period 2013 to 2017. UC merges existing means tested benefits and tax credits into a single monthly payment which, unlike some existing benefits, such as Income Support, that have a 100% withdrawal rate, will be gradually tapered away, as is so that people can take a part-time job and keep some of the money they receive.