Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Pensions Bill: Access to Benefits Briefing

2 February 2012

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Members present for all or part of the proceedings:
Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Sammy Douglas
Mr Mark H Durkan
Mr Fra McCann

Witnesses:
Ms Zoë Anderson Access to Benefits

The Chairperson: I formally welcome Zoë Anderson, from A2B. Do you want to make your presentation?

Ms Zoë Anderson (Access to Benefits): Thank you very much for the invitation to be here today. I will take you briefly through the submission that we have given you. It is a summary of our response to the equality impact assessment (EQIA), with a few broader points added at the end. We could also maybe raise a few things that Bumper touched on.

The change in pension age will affect an estimated 146,000 people here. As Bumper said, people plan well in advance for their retirement. They do not just wake up one day, hit state pension age and start to think, "What am I going to do?" They think about it well in advance. However, it is not just the state pension age that is changing. There is a knock-on effect on the qualifying age for pension credit and for winter fuel payment. So, a lot of change is taking place. That will have a substantial adverse impact on the incomes of those people, particularly if they are not working due to unemployment at an older age, ill health, caring responsibility or early retirement.

The difference in applicable amounts between working-age and pension-age benefits is substantial. Somebody on a set income may not qualify for a working-age benefit, for which the applicable amount is £67·50, but may well qualify for pension credit, for which the single person amount is £137·35. That is a substantial difference. Somebody with a part-time job could be earning £70 a week and not receive any help from the state. If they were over the state pension age, however, they could receive £67 a week to make up the difference. It must also be remembered that there are not many jobs available and that older workers face more difficulties and discrimination staying in and finding employment, particularly once they are over the age of 50.

In Northern Ireland, 23% of older people already live in poverty, which is much higher than in the rest of the UK. Pensioner poverty will be only worsened by the changes, and we will, inevitably, find more older people who cannot afford to adequately heat their homes or feed themselves. Increases in the age for winter fuel payment, above and beyond those already announced, will lead to more older people living in fuel poverty, which is already higher than ever here. Increases in state pension age will also have a disproportionate impact on those from deprived areas or living with ill health, who do not have as high a life expectancy.

Particular concerns have already been raised about the impact on women. The EQIA listed the numbers of those who will have to wait more than a year longer than previously expected to become eligible for state pension, pension credit and winter fuel payment. In our response to the EQIA, we wrote:

"The 800 women who will have to wait an extra two years for State Pension are of particular concern. Over 140,000 more will have to wait between one and two years. The numbers may seem small in comparison to the total caseload but these women will suddenly have to change all their retirement plans at very short notice and work, if they do work, for two years longer than planned. This may mean a lost income of several thousand pounds."

Saying that, we welcome the move by the coalition to soften the blow for those who will be worst hit, by limiting the waiting period to 18 months. However, many will still struggle and 18 months is still a long time to have to wait. Those people must now be assured that there will be no further changes to their state pension age, so that they can begin to plan for working longer. Recent research by Age UK shows that many women still have no knowledge of the impending changes and expect to retire at 60. Increasing life expectancy for women does not mitigate those changes.

We have heard a lot about age and women but the impact on people with disabilities has not been fully explored. We welcome the increase in the qualifying age for disability living allowance, which will allow more people to claim the mobility component along with the care component and to wait until a later age before they make their initial claim for attendance allowance.

However, people living with poor health will not necessarily benefit from the increase in life expectancy. With the difference in applicable amounts between working-age benefits and pension credit, someone who will not qualify for working-age benefits may, due to a disability premium, qualify for pension credit, and there would be a huge difference in their income. The policy will, therefore, have a greater impact on people with disabilities as they will not be able to access pension credit and all the other passported benefits that go with it.

As changes to the state pension age are taking place, the wider benefits system is also being radically reformed, as you will be well aware. A proposal that causes us great concern is the idea that pension credit will be based on the qualifying age of the younger member of a couple. As it stands, the woman in the partnership could be 50 and the man over state pension age, and the couple therefore qualifies for pension credit. Under what is proposed, it will be the age of the younger member of the couple. Therefore, you could have a couple waiting up to maybe 12, 15 or 20 years to get the higher income that comes from pension credit. That, in addition to the qualifying age rising at the same time, means that thousands of people will miss out on the important safety net of pension credit. Meanwhile, they will be stuck in a system of universal credit that puts a huge amount of conditionality on jobseekers at a time when there are fewer jobs and it is much more difficult for somebody over 50 to get a job if they have been out of work.

We welcome the move towards a flat rate state pension for all. However, as Bumper said, £140 a week would not be anywhere near enough. We think that there should be a more informed debate on that issue, and we would like to see it extended to cover all existing pensioners, not just new ones. A two-tier system would not serve our older population very well and would lead to more confusion when we are trying to simplify the benefits system.

To come back to Michael's question: we would certainly welcome automatic payment of pension credit. We were disappointed that the pilot in GB was not extended to here. However, I believe that the results of that pilot have been very poor. That needs to be looked into in more detail. Automatic payment may be made more possible in the future with the move to universal credit and HM Revenue and Customs' (HMRC) real-time information system.

It is difficult to get a figure for the amount of benefit that is unclaimed because we do not know who is not claiming. Not many statistics are available from the Department. So we commissioned independent research, which shows that the minimum amount that is unclaimed is £62 million a year in Northern Ireland. That equates to more than £1 million a week.

That covers everything that I wanted to say initially.

The Chairperson: You said that you thought that the findings from the pilot were very poor. Will you explain what that means?

Ms Z Anderson: A full evaluation has not yet been done on it. What they did was write to people and tell them that they would be paid pension credit based on what the government thought they would get. People had the option to opt out. If they did not, the additional pension credit was paid into their bank account for 12 weeks — it may have been 16 weeks. At the end of that period, they allowed people to go ahead and make a claim for pension credit, have a proper assessment done and go through the full claims process. They found that very few people actually did so. It was thought that that might have happened for a number of reasons. Some people may have thought that they did not need the extra money. Some may have been confused by the letters. Some may have forgotten to make the claim. Some may still have been daunted by the process. So, there was a range of reasons why that was seen to be not successful, but I do not believe that a full evaluation has yet been carried out.

The Chairperson: Fair enough. That is helpful. Thank you.

Mr Brady: Thanks very much for your presentation. That pilot scheme is an example of selective parity. We asked why it could not be operated here for even the three-month period but we were not given any reasonable excuse as to why it could not be.

I have a couple of points. You talked about the huge difference between £67·50 and £137·35 related to the change in the qualifying age for pension credit. The person who is living alone and remains on the £67·50 or whatever will have to run a household and do all of that without being paid any additional benefit.

Disability living allowance (DLA) and personal independence payments (PIPs) will be paid at working age, as far as I know. However, people who previously qualified at working age and carried that extra money through into their pension years will, under personal independence payment — this morning, we saw how that would be assessed — find that much more difficult to get. So that will have a knock-on effect and affect huge numbers of people who previously might have qualified. They will now be assessed on how they cope as opposed to how their condition affects them. All those changes have a knock-on effect right through.

Bumper talked about the transitional period, during which women in particular will lose out, by up to two years in some cases. That does not seem to have been addressed. Bumper mentioned the move from April 2020 to November 2020. That move is paying lip service to something without having an effect. What are your views on that?

Ms Z Anderson: Absolutely. While we said that we welcomed the move to bring the date back a little so that people would not have to wait quite so long, 18 months is still far too long to have to wait if you have made plans for your retirement. Even if you have not made plans, it is still too long to wait. We would like to see some kind of transitional protection be put in place, but I have not heard anybody in the government suggesting that.

I previously appeared here as part of the welfare reform group when Kevin Higgins from Advice NI talked about the cumulative effects of the cuts, which is something that you mentioned, Mickey. We have big concerns about the changes from DLA to PIP, particularly around the different indicators and the way that they are weighted and assessed. One of the problems surrounding all these changes, whether in the Welfare Reform Bill or the Pensions Bill, is that there are so few case studies. Nobody in the Department for Work and Pensions (DWP) or the Department for Social Development (DSD) has presented a genuine case and determined how the person concerned will be, for the most part, worse off. I am not aware of any cases where people would be better off.

Somebody needs to see the bigger picture; that it is not just about someone moving to a higher state pension age but about their disability benefits, their carer's allowance and all the other elements concerning their health and their family, including the needs of their children, especially if they have disabled children. Nobody has ever really taken the initiative and determined the impact of all those cuts on top of one another, in addition to cuts to the health service and in light of the wider economic situation.

Mr Brady: The cumulative effect will, obviously, be greater on people as they get older. It will run into what would have been the pension age previously, because people are living longer but not necessarily more healthily. It goes back to the point that I made earlier; people who live in the Kensington, Knightsbridge or Chelsea areas of London or in Finaghy, to use an example of our own, can expect to live, on average, for 10 years longer. I am fixated with Finaghy, and I have never even been there. *[Laughter.]*

The point that I am making is that the people who can afford to make provision for their future are able to do that because, statistically, they are going to live longer and more healthily, and they will have the money to manage that. They are not worrying about the price of oil or petrol or food, whereas here, the regional variation is so stark. I heard somebody on the radio the other day say that the cost of living here was lower. I am not sure how that person came to that conclusion, because we pay more for electricity, gas, oil, which is unregulated, food, transport — everything.

Ms Z Anderson: I had a look at the Joseph Rowntree Foundation's research on minimum income figures for Northern Ireland. While some things appear to be cheaper, as you say, it is the things that are most important — the things that we cannot live without, such as food and fuel — that are the most expensive.

Life expectancy appears to be being used as an excuse to raise the state pension age because the assertion is that everybody is going to live longer. Not everybody is going to live longer, however, because people in less well-off areas do not live longer, and, as you say, it is the quality of your extended life expectancy that matters. You could live to 90, but if you have been in ill-health since you were 50, what help is that going to be to you?

Mr Brady: And you may not qualify for disability living allowance as it is.

Mr Douglas: Thanks for your presentation. I want to return to what Bumper said earlier about the 23% of older people in Northern Ireland who are living in poverty. Do you have a male/female breakdown of that figure?

Ms Z Anderson: I do not. I will try to get that for you. It is not our figure; I believe that it came from Age Sector Platform. Because women tend to live longer than men, and because women are more likely to be living alone because they have been widowed, we did some work with the Department of Finance and Personnel (DFP) and Land and Property Services a few years ago to look at the targeting of lone pensioner allowance and the reasons why it is set at 70 years of age. There is a huge drop-off in income between the recently retired, who are between 60 and 70, and those older than 70. More of those people tend to be women who are living alone, so I would imagine that the greater part of that 23% is women. I will find out for you.

Mr Douglas: Thanks, Zoë.

Mr F McCann: On the back of what Mickey said earlier, we probably need to find a different terminology for the way in which we look at this issue. Everybody talks about welfare reform, reform of pensions and so on, but the fact is that it is about cuts to what people get. Sometimes, we need to say it as it is. Quite a number of media outlets have bought into the need for reform, but, as you say, no one is looking into the consequences of what will happen next year, the year after or 10 years down the line, especially with the pension cuts. There is a trigger in the pension system whereby someone earning £7,000 a year will have to automatically pay into the system. If you are a single person, you are probably already sitting above the rate at which you can get help. There are severe and dire consequences right across the board. That is where we all need to be coming from.

Ms Z Anderson: Absolutely. I completely agree.

Mr Durkan: You said that the pilot scheme on qualification that was run in GB was not particularly successful and that work would need to be done if we were to look at having something like that. Do you know why it was not successful?

Ms Z Anderson: As I said, I am not aware of a full evaluation having been done, but part of the problem was that people were given the pension credit payments for a certain number of weeks and then told that they had to apply. It may have been that people forgot to fill in the forms or were still daunted by the forms. Some people may simply not have wanted it; you get people who say, "I have enough to get by". To my mind, the fact that they still had to apply would be the most off-putting thing.

Mr Durkan: Could they have thought that, if they filled out the form and were deemed ineligible, they may have had to repay what they had got?

Ms Z Anderson: Yes, that is also possible. There was just a lot of confusion and misinformation. Maybe it could have been done better. I have not seen any of the letters or communication that went out to people. However, the whole plan with universal credit was that there would be an all-singing, all-dancing computer system, which would work in harmony with HMRC and include a real-time enabled system, mostly for people's earnings and the pay as you earn (PAYE) tax. If there was some way that the system could look at people's state pension, occupational pension and what else they are paying tax on, it may mean a better way of automatically paying pension credit that would work in the future.

Mr Brady: Is it possible, Zoë, that, if you are really cynical, you would think that the Department for Work and Pensions did not follow up on it? Could that be a factor?

Ms Z Anderson: I do not know.

Mr Brady: Far be it from me to suggest that it did not, but it seems to me that it initiated a scheme but did not explain it to people properly and follow up and say, "You may be entitled. We will do a full assessment". It would be interesting to find out the figures for how many people were actually asked about that.

Ms Z Anderson: That is just the way it goes with pilots sometimes. People do not put their full effort into something if they think that it is just a pilot.

Mr Brady: With respect, that is not the way that it should be.

Ms Z Anderson: Absolutely.

Mr Brady: If you are genuine about improving the lot of people and doing a pilot scheme that may enhance their entitlement, you should follow up on it.

Ms Z Anderson: Something else that may have been missing was the use of the voluntary sector. As you know, often, people do not like to talk to or interact with government, whereas it is different if somebody from a charity or a voluntary sector community group tells them, "You should be claiming that. It is your money".

Mr Brady: It would be —

The Chairperson: We are now speculating on people's motivations and intentions. We heard about a pilot scheme, but it does not bind us to anything. It was not held here, so it is almost irrelevant. We were told that the view was that that scheme was not satisfactory. We will have no further discussion on that.

Zoë, no other members have indicated that they want to speak or ask any new questions. Thank you for your presentation. No doubt we will engage again.

Ms Z Anderson: Thank you very much.