

BRIEFING NOTE: BEREAVEMENT BENEFIT for the 21st CENTURY

The Department for Work and Pensions' (DWP) published the consultation document '*Bereavement Benefit for the 21st Century*' on 12 December 2011. The document was issued in Northern Ireland on 21 December 2011 under cover of a Ministerial letter.

The DWP Consultation closed on 5 March 2012 and the Northern Ireland consultation closes on 12 March 2012.

INTRODUCTION

A major review of the welfare system is currently underway, the aim of which is to reduce complexity and improve work incentives thereby encouraging greater personal responsibility. The anticipated result is a system which is fit for purpose for the 21st century. However, as Bereavement Benefits have fallen outside the wider review it is considered appropriate that they now be examined with a view to ensuring they fulfil their intended purpose of assisting people at a very difficult time in their lives.

BACKGROUND

Bereavement benefits are paid to surviving spouses in the event of their partner's death. They are intended to provide some replacement for the deceased partner's income, and reduce the impact of the disruption to the surviving partner's own earning capacity.

Previous reform of Bereavement Benefits has maintained a reasonably narrow focus – addressing specific issues rather than questioning the strategic role that Bereavement Benefits can play in a modern welfare state, and whether as they currently operate, they continue to provide effective support to bereaved people. Over the past number of years there have been radical social and demographic changes combined with far-reaching changes to the welfare system that have prompted the need to review the role for Bereavement Benefits.

A number of policy aims have been identified by DWP as the foundation upon which a new system of Bereavement Benefits should be based.

- they should be simple to understand and claim;
- they should provide fast, direct, financial help for immediate needs following the bereavement of a spouse or civil partner;
- they should give recipients the flexibility needed to regain control of their situation in the period immediately following bereavement;
- there should be additional support for families, to recognise the additional costs associated with raising children;
- they should allow recipients to access financial and work focused support provided by Universal Credit at a time that is right for them; and
- they should be fair and promote self-dependency.

CURRENT SYSTEM

At present, there are three different types of Bereavement Benefit. These are

Bereavement Payment – a one-off tax-free payment of £2,000 payable to someone after their wife, husband or civil partner has died.

Bereavement Allowance – a taxable weekly allowance paid for up to 52 weeks from the date of death if the claimant is over the age of 45 and under state pension age.

Widowed Parent's Allowance – a taxable weekly allowance payable to a surviving parent if they have at least one child for whom they receive Child Benefit. It is payable until the claimant reaches state pension age or upon cohabiting or remarriage/formation of civil partnership. *(The average lifespan of a Widowed Parent's Allowance claim is approximately 4 years)*

Annex 1 contains the eligibility rules for each of these benefits.

However, the current system is recognised as having two distinct flaws

1. The complexity of the system of Bereavement Benefits where people find it difficult to anticipate whether they will qualify and how much they will receive. At a time of emotional stress, when clear thinking is difficult, this is particularly inappropriate; and,

2. The system can serve as a disincentive to maintain contact with the labour market, and so hinder rather than help the process of readjustment following bereavement. Tailored employment support can be helpful in the period of readjustment, where people may need to change jobs to find work that is compatible e.g. with new childcare responsibilities. Some may need to renew qualifications after time spent out of the labour market caring for a late spouse or civil partner.

In addition, research commissioned by DWP and carried out over the last 12-18 months has shown that bereavement typically has a huge short-term impact on the surviving partner's finances, regardless of income levels.

The Bereavement Payment lump sum is generally used to offset funeral costs, and respondents found it extremely helpful when dealing with the immediate costs. The Bereavement Allowance and Widowed Parent's Allowance were seen as regular payments to be put towards general living expenses. For some these payments were essential but for some others, the payments were 'nice to have' but not deemed essential.

Lump sum and regular payments were viewed as having different advantages and addressing different needs. If a larger lump sum only was provided, respondents thought this may be spent too quickly or unwisely, and there was a preference for the security of regular payments.

People face a number of barriers to returning to or starting to work following bereavement, including childcare issues and a lack of jobs with suitable hours or flexibility. Those who had been out of work for some time prior to the bereavement faced additional barriers in terms of lack of skills, experience or qualifications.

However, for most people the benefits did not impact on whether or not they returned to work, with many stating either that they would have wanted or needed to return regardless of the benefits.

The results of the research support the view that there are grounds for reforming the eligibility and structure of bereavement benefits.

OPTIONS

In order to address the flaws identified and the issues raised through the DWP research the consultation puts forward the following two options:

1. Pay an increased lump sum payment in the region of £6,000 for all claimants without dependent children and £10,000 for claimants with dependent children or
2. Pay a lump sum in the region of £3,000 and a monthly allowance of £250 for a period of 1 year for recipients without dependent children; and a lump sum in the region of £5,000 and a monthly allowance of £400 for a period of 1 year for recipients with dependent children.

(The figures quoted are not definitive but simply provide an indication of the level of payment envisaged under a reformed system)

The options are designed **to simplify the payment system** by moving to a uniform payment structure, with support focused on the period immediately following bereavement, **to simplify the contribution conditions** by basing full payment on a single year of National Insurance contributions and **to rename the benefit** so that the name reflects the function of the payment.

Annex 2 & 3 provide a breakdown of the financial impact of the changes.

IMPACT ON CURRENT SYSTEM

Reform of the current system may be perceived as a cost cutting exercise but this is not the stated aim of the review. The policy intention is to modernise current provisions to ensure that the appropriate support is available at the appropriate time.

Depending on the option taken forward there may be some reductions in current expenditure on these benefits however the proposed increase in the lump sum could realistically lead to an increase in expenditure.

Depending on the preferred option there may also be a reduction in the amount of weekly / monthly allowance as the timescale for payment would be reduced to 1 year. However, it is assumed that any possible further need would be addressed through other benefits, including Universal Credit, and that the lump sum would be disregarded from Universal Credit capital rules for one year.

The belief is that Bereavement Benefits should support people through the period of readjustment immediately following bereavement, and that this can best be achieved by focusing payment early on. It is recognised that any period of readjustment can vary considerably between individuals as might the amount of support required. However, it is thought that an increase in the amount of the lump sum payable would afford recipients more flexibility to work through any period of readjustment in the way that suits them best, as an individual.

IMPACT ON UNIVERSAL CREDIT

Ongoing, income-related support will be provided through Universal Credit. Any reforms to Bereavement Benefits will not come into effect before 2014 at the earliest, at which point the transition to Universal Credit will have commenced.

The introduction of Universal Credit supports the proposed refocusing of Bereavement Benefit payments on the period immediately following bereavement, with low-income households' ongoing needs being addressed through Universal Credit payments.

However, if the existing Bereavement Benefit system remains unchanged, the value of the weekly payment would be taken into account when determining entitlement to Universal Credit. This would mean that those people with no other sources of income would gain least from receipt of Bereavement Allowance or Widowed Parent's Allowance as these payments would be offset in any Universal Credit payment they receive.

WAY FORWARD

We are currently considering the implications of the proposals for Northern Ireland and the Minister has yet to take a view. We issued the DWP consultation document to afford organisations and individuals in Northern Ireland an opportunity to submit

views and comments and this mirrors the usual approach taken with Great Britain consultations. To date we have only received one response although some groups may respond directly to DWP.

Bereavement Benefits

Bereavement Payment

Bereavement Payment of up to £2000 lump sum can be claimed if the spouse or civil partner paid enough National Insurance contributions, or if their death was caused by their job, and:

- the claimant was under State Pension age when their husband, wife or civil partner died; or
- they were not entitled to Category A State Pension when they died.

Bereavement Payment is not available if, at the time the spouse or civil partner died:

- the claimant was divorced from them, or the civil partnership had been legally ended;
- claimant was living with someone else as if they were married or in a civil partnership with them; or
- while claimant is in prison or legal custody.

Bereavement Payment can be claimed up to 12 months after the date of death.

Bereavement Allowance

A taxable weekly benefit that can be paid to someone for up to 52 weeks from the date of death of their spouse or civil partner.

Bereavement Allowance can be claimed if all of the following apply to a person:

- they are a widow, widower or surviving civil partner aged 45 or over when their husband, wife or civil partner died;
- they are not bringing up children;
- they are under State Pension age; and
- their late husband, wife or civil partner paid National Insurance contributions or they died as a result of an industrial accident or disease.

Bereavement Allowance is paid on a sliding scale according to the surviving spouse or surviving civil partner's age at the date of death with the lowest maximum rate

being payable to those aged 45 (£30.21 in 2011/12) and the highest maximum rate to those aged 55 or over up to State Pension age (£100.70 in 2011/12). The actual amount payable to the surviving spouse or surviving civil partner depends on:

- the overall level of their late spouse's or late civil partner's National Insurance contributions;
- the surviving spouses or surviving civil partner's age at the time of their late spouse's or late civil partner's death; and
- if relevant, may be paid if Widowed Parent's Allowance stops within 52 weeks of bereavement, depending on the surviving spouses or surviving civil partner's age at death.

Widowed Parent's Allowance

This is a taxable weekly benefit which may be payable to a parent whose husband, wife or civil partner has died and if they have at least one child for whom they receive Child Benefit.

All the following conditions must apply:

- they are bringing up a child or young person under 19 (or 20 in some cases) for whom they are getting Child Benefit;
- they are under State Pension age;
- their husband, wife or civil partner has died; and
- their husband, wife or civil partner paid National Insurance contributions.

Widowed Parent's Allowance may also be payable if:

- a woman is expecting her late husband's baby or late civil partner's baby; or
- a spouse or civil partner died as a result of their work – even if they did not pay National Insurance contributions.

The maximum basic Widowed Parent's Allowance is currently £100.70 a week; a reduced payment is made if the National Insurance contributions record falls short of what is needed for full Widowed Parent's Allowance. There may also be entitlement to Additional State Pension.

Bereavement Allowance & Bereavement Payment – Age Related Payment

Annex 2

Current System (weekly benefit combined with lump sum)					Proposed System – Impact on Payments					
					Option 1 ¹		Option 2 ²			
Age Related	Weekly Benefit	Yearly Benefit	Current Lump Sum	Total	Total Payment	Difference	Lump Sum	Monthly Payment	Total Payment	Difference
55+	£100.7	£5,236	£2,000	£7,236	£6,000.00	- £1,236	£3,000	£3,000 (12 x £250)	£6,000.00	- £1,236
54	£93.65	£4,870	£2,000	£6,870	£6,000.00	- £870	£3,000	£3,000 (12 x £250)	£6,000.00	- £869
53	£86.6	£4,503	£2,000	£6,503	£6,000.00	- £503	£3,000	£3,000 (12 x £250)	£6,000.00	- £503
52	£79.55	£4,137	£2,000	£6,137	£6,000.00	- £137	£3,000	£3,000 (12 x £250)	£6,000.00	- £137
51	£72.5	£3,770	£2,000	£5,770	£6,000.00	+ £230	£3,000	£3,000 (12 x £250)	£6,000.00	+ £230
50	£65.46	£3,404	£2,000	£5,404	£6,000.00	+ £596	£3,000	£3,000 (12 x £250)	£6,000.00	+ £596
49	£58.41	£3,037	£2,000	£5,037	£6,000.00	+ £963	£3,000	£3,000 (12 x £250)	£6,000.00	+ £963
48	£51.36	£2,671	£2,000	£4,671	£6,000.00	+ £1,329	£3,000	£3,000 (12 x £250)	£6,000.00	+ £1,329
47	£44.31	£2,304	£2,000	£4,304	£6,000.00	+ £1,696	£3,000	£3,000 (12 x £250)	£6,000.00	+ £1,696
46	£37.26	£1,938	£2,000	£3,938	£6,000.00	+ £2,062	£3,000	£3,000 (12 x £250)	£6,000.00	+ £2,062
45	£30.21	£1,571	£2,000	£3,571	£6,000.00	+ £2,429	£3,000	£3,000 (12 x £250)	£6,000.00	+ £2,429

The table above shows the impact of the proposed options on current bereavement benefit payments for those without dependents.

¹ **Option 1:** Pay an increased lump sum payment in the region of £6,000 for all claimants without dependent children

² **Option 2** Pay a lump sum in the region of £3,000 and a monthly allowance of £250 for a period of 1 year for recipients without dependent children;

Widowed Parents Allowance & Bereavement Payment

Annex 3

Current System (weekly benefit combined with lump sum)					Proposed System – Impact on Payments					
					Option 1 ³		Option 2 ⁴			
No of Years of Claim	Weekly Benefit	Yearly Benefit	Current Lump Sum	Total £'s	Total Payment	Difference	Lump Sum	Monthly Payment	Total Payment	Difference
1	£100.7	£5,236	£2,000	£7,236	£10,000	+ £2,763	£5,000	£4,800 (12 x £400)	£9,800	+ £2,564
2	£100.7	£5,236	£2,000	£12,473	£10,000	- £2,473	£5,000	£4,800 (12 x £400)	£9,800	- £2,673
3	£100.7	£5,236	£2,000	£17,709	£10,000	- £7,709	£5,000	£4,800 (12 x £400)	£9,800	- £7,909
4	£100.7	£5,236	£2,000	£22,946	£10,000	- £12,946	£5,000	£4,800 (12 x £400)	£9,800	- £13,146

The table above shows the impact of the proposed options on current bereavement benefit payments for those with dependents.

³ **Option 1:** Pay an increased lump sum payment in the region of £10,000 for all claimants with dependent children

⁴ **Option 2:** Pay a lump sum in the region of £5,000 and a monthly allowance of £400 for a period of 1 year for recipients with dependent children