Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT
(Hansard)

Pensions Bill:
Department for Social Development Officials

13 January 2015

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Mr Stewart Dickson
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Seamus Cassidy	Department for Social Development
Mr Gerry McCann	Department for Social Development

The Chairperson (Mr Maskey): Gerry, I am not sure what you will be able to cover from what you have heard this morning. Clearly, there are key messages around publicity and promotion of any such schemes. At the end of the day, we want greater public awareness and, therefore, uptake and clarity for older people, who need to understand what they are entitled to and how they can claim for it. There is obviously the issue of the appropriate level, and we are told that there is a disparity between one figure that says 6% and another that says 1%. There is also the issue of caring and how you qualify later on.

Just before we start, I am sorry, Mickey, you wanted in earlier to make a brief point.

Mr Brady: It is on the carers aspect. I think that the home responsibilities protection scheme was introduced about 1978. It was very specific, in that it dealt with women who had worked, stopped work to have children and then possibly gone back to work, so it was fairly specific. It goes back to Sammy's point about carers in general and the dissemination of information, for instance, that carer's allowance is available. A lot of people do not understand the implications and that if you claim carer's allowance you get credited and all of the stuff that goes with that. That is an important thing, because the uptake of the carer's allowance is way below what it should be. Carers here in the North save the system something like £3 billion a year, and a lot of them go unpaid. Therefore, it is about the dissemination of information. The home responsibilities protection scheme had a different context, if you like.

Mr Gerry McCann (Department for Social Development): Of course, that has now gone, and anybody that had earned entitlement has now been transferred over into a straight credit. I accept your point totally that it is important that people know that credits are available. Most people should be able to access them simply if they are getting any of the benefits that apply to it. However, it is also possible to make an application if you are not getting any benefits. I do not have the full details of that with me today, but, if you want me to write to you on that point, I can, if it would help with the Committee's deliberations.

Mr Brady: I think that we confuse pensions, in particular in terms of carer's allowance, because they are overlapping benefits, obviously. Then it was introduced that you could get the underlying entitlement, but, again, that is quite confusing. What does that mean? A lot of people who could qualify for the underlying entitlement do not know what it means.

Mr G McCann: Also, even with the overlapping benefits bit, you can still get the extra payment inside your state pension credit, even though you are not able to get both the retirement pension (RP) and the carer's allowance at the same time.

Mr Brady: It is maybe about making that easier for people to understand.

Mr G McCann: Will I start off with the issue of how we inform people?

The Chairperson (Mr Maskey): Dolores, did you want to come in?

Mrs D Kelly: I have a question on carers. Over the years, I have helped people to apply for carer's allowance, but, as you know, you rob Peter and pay Paul. Therefore, some people do not think that it is worthwhile, because they lose out in income support and it does not seem to be worth the bother, and others are anxious about meeting the 35-hour-a-week rule. The Commissioner for Older People talked about the uptake of carers legislation and the right to an assessment. That is something for social services. I am trying to point out that there is information there, but it is about Departments working together to collate it. I would like to hear from Gerry what measures or steps they have taken to work on a collaborative basis with the Department of Health, Social Services and Public Safety.

Mr G McCann: I cannot give you an answer to that because that issue falls elsewhere in the Department, but I can certainly follow up as to how that has been worked on.

Mrs D Kelly: That would be useful.

The Chairperson (Mr Maskey): OK. Thanks for that, Gerry.

Mr G McCann: I will start with the easier issue of communications and how we let people know about their entitlements. Chair, you pointed out that you had been briefed by the Social Security Agency, and I think that we all agreed that quite a comprehensive system would be put in place. It might be useful for us to write to the commissioner to outline that for her and make sure that she is fully updated.

The Chairperson (Mr Maskey): I did invite them to access that presentation.

Mr G McCann: I will move on to the other issues that were raised. One that you came back to time and again was how this will impact in Northern Ireland, and access to data. For example, the figure of 19,055 was mentioned for men and women who were born on the same day. Those figures are, in fact, from us. They are not from GB or based on any figures from GB.

GB has access to a pension simulation model, which we do not have in Northern Ireland. It means that they can outline various scenarios and look at them in detail. We cannot, but we are still able to make various calls after looking at the hard data that we have. I do not think that there is as much of a vacuum on that as has been outlined by the commissioner.

Most of the other issues that the commissioner raised have been raised by the Committee as we have made our way through the process. There were a couple of issues that you have raised with me, Chair. Do you want me to deal with the main issues?

The Chairperson (Mr Maskey): I think that it would be helpful, Gerry, if you do not mind, even if you covered them briefly.

Mr G McCann: Certainly. As I mentioned, one of the issues was about men and women born on the same day. This comes down to the fact that state pension ages for men and women are different.

Therefore, a woman born on a given day will able to get her pension under the old system, whereas a man born on the same day will fall under the new system. There has been a lot of talk about this not being fair somehow. In fact, I think that this is an issue that you could look at from either point of view. You could argue, on one hand, that it is not fair for the woman, but you could equally argue that it is not fair for the man in that she is able to get her pension earlier whereas he does not have that option and has to wait until he is 65. I am just saying that you can argue from either point of view that it is not fair.

I think that that issue is more apparent than real. I will give you some figures. Women in that category will get their pension between two and four years earlier than a man born on the same day. Therefore, those women shall have a pension age between 61 and 63, whereas the man will have to wait until he is 65. Therefore, over the course of their lifetime, based on the average amount that we pay at the moment for a woman on state pension, she will get between £12,000 and £24,000 more than a man born on the same day. A man has to live to 80 before he will, as it were, catch up with her. That is why I am saying that there is an argument that it is actually the men who lose out, as opposed to the women.

The Chairperson (Mr Maskey): Dolores will be glad to hear that.

Mrs D Kelly: It is a rare occasion, I can tell you. *[Laughter.]*

The Chairperson (Mr Maskey): You would have a hard job catching up with Dolores. *[Laughter.]*

Mr G McCann: OK. I will get back to where I was.

Mrs D Kelly: Cry on the other shoulder.

Mr Wilson: Given that we outnumber her, can we propose an amendment? This is discrimination. *[Laughter.]*

Mr G McCann: I think that the other point for those women is that they will have access to all the other things that are inside the current system: pension credit, savings credit etc. All those will carry on for those women and will not be available to men after 2016. The other thing is that any woman is able to opt not to take her state pension. She can defer it and earn more pension. Take, for example, the case of a woman who would be entitled to the full state pension of £113 a week. If she were to defer for two years, which is the period that we are talking about — the gap — she would have a pension of £136·60. If she were to defer it for three years, she would have a pension of £148·35, which is virtually the same. If she were to defer it for a four-year gap, which we were talking about, she would have a pension of £160 per week. So, in fact, any woman in this category has the option of waiting until 2016, and they could have their pension bumped up even more and get onto the new system. I am just saying that this issue may be more apparent than real. I can go on much longer if you want, or are you happy with that?

The Chairperson (Mr Maskey): No, I think that is broadly —

Mr Wilson: We are appalled by it, actually, but — *[Laughter.]*

Mr G McCann: The other issue is that of the 10 years; that is, if you have not paid in for 10 years, you will not get it. I should explain why that 10-year rule has been brought in. The new pension is aimed at those who have made a significant contribution to the country, and that is either through having been in work, so you have worked and paid National Insurance contributions, or you have been a carer, for example. So, under this, you do not ever have to have worked. If you have been a carer, you could end up with a full state pension simply through that, but the key is that you have made, as it were, a significant contribution to society. That is what it is meant to reflect.

Mr Wilson: Provided that you have been identified as a carer.

Mr G McCann: Yes. That brings us back to the issue that was raised earlier. I said that we would write to the Committee on that.

The actual numbers involved are very small. For the last year for which I have data, 2012-13, there were only 110 people who were actually getting a pension of less than the 10-year amount. Sorry, I meant to say that there were only 110 people who actually put in a claim in the year 2012-13 who were actually getting less than the 10-year amount. So the numbers are small. Based on the figures calculated by GB as to how many people may be affected, we estimate that it would be somewhere between 225 and 300 people a year. However, the figure that we have for Northern Ireland for the last year was actually far lower than that. As I said, that estimate is based on the figures for Britain.

There have been questions about what is available to mitigate that. That brings us back to the issue of carers. However, there are credits if you have a child, not only for the parent but for the grandparent if the grandparent is the one who cares for the child. Also, if you are getting any of the various benefits — such as employment and support allowance (ESA), jobseeker's allowance (JSA) and working tax credits, for example — those will all bring you credits. Also, if you want to opt to pay a voluntary contribution, you can pay the class 3 contribution. That is also available.

At the end of the day, the people who will be affected by this are those who have opted to, say, go abroad and work for all their life, people who have only moved to the country or people who choose not to work. If you are a carer, for example, you can access credits; if you are out of work sick, there are credits for you; and if you are in work you will pay National Insurance contributions. Are we all happy with the 10-year issue?

Mr Brady: If somebody has nine years, can they make it up to 10 with voluntary contributions?

Mr G McCann: Yes, they can.

Mr Seamus Cassidy (Department for Social Development): Of course, if they had a work record in another member state, or whatever, it would be pro rata.

Mr G McCann: The actual rate that you pay for the voluntary contribution is £13·90.

Mr Brady: But you would have to work out whether it will benefit you in terms of your longevity.

Mr G McCann: Yes. Probably the best indicator of that is that the actuarially fair rate that you would pay would be £59, so it is actually a very good deal. I think that that answers your question.

Mr Wilson: That is to make up one year's contribution.

Mr G McCann: No; it is £13·90 per week. The actuarially fair rate that you would pay would be £59, so it is actually a very good deal. If you were to go outside the system to try to buy that back somewhere else, that is the kind of money that you would be talking about.

Mrs D Kelly: For the self-employed, are there any —

Mr G McCann: The self-employed pay a class 2 contribution, which is actually much lower than £13·90. Sorry; class 2 pay two contributions: there is a flat rate, and then they pay a class 4, which is based on how much they have actually earned during the year. If you are on an ordinary flat-rate contribution, the class 2 is much lower. I have a figure somewhere but I would have to hunt for it.

Mrs D Kelly: My query is really about people who are self-employed. They can have very lean years. Is there an opportunity for people to buy additional —

Mr G McCann: Yes, they can pay voluntary contributions also. To slightly digress, one of the good things about the Bill is that, for the first time, self-employed people shall be getting a pension on exactly the same basis as people in work. People who are self-employed will get a far bigger pension now than they would have ever got under the old system.

Mrs D Kelly: And the evidence that they have to provide for that is only their —

Mr G McCann: It is the fact that they have paid their National Insurance contribution — their class 2 contribution — which will go onto the system as soon as it is paid.

Mrs D Kelly: You mentioned people who have left the country. Given the mass exodus that there has been in the last few years, what are the implications for those people?

Mr G McCann: One assumes that people who have left the country will be in work where they are and will be earning a right to a pension there.

Mrs D Kelly: A lot of our young people have gone to Australia, for example.

Mr G McCann: Yes. While they are in Australia, one assumes that they will be paying into the system there, so they will have a pension from Australia, I assume, at some point in the future for whatever number of years. If you are young and have gone away only for a couple of years, if you consider a person who leaves school aged 16, for example, the state pension age is going up to 66, so they will have a 50-year period. All they need to get is 35 years. Even if they are out of the country for a couple of years, that should not stop them getting 35 years.

Mr Brady: I think that there is a reciprocal agreement with Australia in terms of —

Mr G McCann: Actually, there is none.

Mr Brady: There was, because —

Mr G McCann: Yes, but it ended —

Mr Brady: Years ago, someone came into the advice centre who had worked in Australia for 30 years and had contributions there and was able to access benefits here.

Mr Cassidy: That ended a number of years ago.

Mr G McCann: It was not us who ended it. It was Australia that opted to end that reciprocal arrangement.

Mr Brady: There are arrangements for pensions in Canada.

Mr G McCann: Yes. There are for various countries, including all those in the European Economic Area. For those countries, you can aggregate your years into one pension. Are you happy enough with that point?

The Chairperson (Mr Maskey): Yes. Thank you for that.

Mr G McCann: Moving on, one of the other issues was people who work a number of jobs and earn less than the lower earnings limit (LEL) of £111. They, in total, may earn more than £111, but they are not paying contributions. Therefore, they are not getting anything out of the system.

Mrs D Kelly: What about the trend of zero-hours contracts at the moment? What are the implications for people on those sorts of contracts in relation to pensions?

Mr G McCann: Your liability for a National Insurance contribution is triggered once your earnings go over a certain limit. If you are out of work, unemployed and actively seeking work, you can make a claim for JSA, depending on your period of time out of work etc. However, it is possible that somebody on a zero-hours contract then works for x number of months and earns quite a big salary during the year and, therefore, shall have a full qualifying year anyway. I am not sure I can say what the impact would be for each case. That would be down to each person. If you are on a zero-hours contract, you can, if you want, pay a class 3 voluntary contribution for the weeks that you are not working.

Mrs D Kelly: That just underscores the need for clarity and giving good information on the flexibilities in the system.

Mr G McCann: This comes back to what was done by our colleagues from the SSA when they briefed the Committee. They pointed all that out and what they would be doing.

Mr Wilson: On that point, Gerry, it concerns me how you deal with people who have two or three jobs and are underneath the level. Very often, those will be younger people. When we talked to the SSA about the communication strategy, it is really mostly directed towards people coming up to retirement age and what to do if you want to take out some of your lump sum and everything else. Has any thought been given to how you feed that further down to people who are maybe not even thinking of a pension? If they are in a situation where they are doing two or three jobs, that is probably the last thing on their mind. They are just making sure that they get enough money to keep body and soul together. Has any thought been given to how it is communicated at an early stage to people that they can keep their pension entitlement alive by doing a, b and c?

Mr G McCann: I am saying this with a very big caveat because I would like to check, and I do not want to tell you something that is not true, but, as far as I know, as this programme works out, we will be looking at people all down the age profiles.

I was more directly involved in the work we did around the pension schemes and to tell people that they would be put into a pension scheme if they worked and earned more than, currently, £10,000. I was more actively involved in that. There, we used a whole range of media. We were aiming to get people as young as we could because the earlier you start paying into your pension, the more you get at the end. It is a simple equation. Therefore, we used social media, Sky or if you go onto various websites, you will get hit with issues about automatic enrolment, for example. I am just saying that it is not something that we do not look to try to do. I was more involved in that project and that is why I can speak on it, but we used a whole range of ways to try to get to young people. However, I can certainly look into that point further and write back to the Committee.

To come back to multiple jobs, really we are straying into the field of HMRC. This is down to whether or not a person is liable to pay a National Insurance contribution, which, as you know, is an excepted matter. Part of the problem is, if you are an employer and your employee is earning less than the LEL, you do not have to put that onto the system. At the moment, that is not caught in the real-time information system used by HMRC. Therefore, one of the big issues with this is how we would actually do it. I think that you asked the Older People's Commissioner if she had any ideas about how we could achieve that. That is a serious issue. DWP and HMRC have been looking at this as something for the longer term. At the moment, it is not possible.

In terms of mitigation for those people, there are credits. We think that a large number of the people who fall into this area would have a child, for example women who work part time, maybe because they have childcare. They would be getting a credit anyway, so they will have a qualifying year.

We have people who have other caring duties and who also work part-time to supplement their income. Again, they are, hopefully, being caught. You have people who are getting working tax credits etc, or maybe getting JSA because they are working only a small number of hours. All those people shall be getting credits anyway.

I think those were the main points. Is there anything else that you want to raise?

The Chairperson (Mr Maskey): You have covered most of it. I will bring Dolores back in a moment but I am conscious of the time because we are beyond plenary time.

Mrs D Kelly: I just wanted to ask about the definition of a carer. Are you saying that, under the rules, it has to be someone who is in receipt of carer's allowance or can prove their status?

Mr Cassidy: Yes. There are rules regarding other adults, other than direct family members, who are providing, I think, 20 hours of care for a disabled person. They may not be getting a carer's benefit themselves, but if they are providing care they can apply for a credit.

Mr G McCann: Yes, but they have to provide proof that they are a carer from someone like a social worker or a healthcare professional. Again, I would feel happier if we could come back to you on this point to make sure of what we are saying.

Mrs D Kelly: I would be very interested in that.

Mr G McCann: I just want to make sure that we are not telling you something that is not absolutely right. Can we come back to you on that?

Mrs D Kelly: Yes, that is fine. Thank you.

Mr Wilson: I just have one question. It was mentioned that the guaranteed pension would be 5% above the current pension credit limit. Has any work been done on what that would cost?

Mr G McCann: This system is aimed not to cost any more than the existing system. As we move forward into the future, there shall be some savings, but those will not start to accrue until about 2040. The aim is really to keep it as a proportion of GDP. Currently, it is about 9% of GDP and the aim is to keep it under 9%. The rate to be set is done with that in mind to make sure that it is affordable.

I understand the point that has been made by Mr Brady quite frequently that the rate, he feels, is far too low. But, in terms of what we are doing, we know at the very least that the rate should be higher than the rate for state pension credit. Using our rates today, we know that it is going to be at least £148·40, which is quite significantly more than £113 a week. It is quite a hike. That is something that is very positive.

When it comes to the cost of pensions at the moment, we pay out about £37·5 million a week in state pensions. In pensioner benefits alone — this does not take account of other pensioner benefits such as help with housing costs — we pay out £2·5 billion a year in Northern Ireland. By any stretch of the imagination, the amount of money we spend on pensions and pensioner benefits is absolutely huge. In fact, even with the welfare reform issue that has been going on for some time, the big money inside the system is actually for pensions. That is where the money is.

The Chairperson (Mr Maskey): OK. If members are happy enough with that, I will thank Gerry and Seamus for being here this morning and helping us to focus on the evidence we received earlier from Claire Keatinge and her colleague. Thank you very much.