

## Employment-Related Benefit System in the UK

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### Abstract

Statutory Sick Pay, Jobseeker's Allowance, and Employment and Support Allowance are employment-related benefits in the United Kingdom (UK). They correspond to the Injury and Disease Allowance and Unemployment Insurance in Japan. The Government of the UK has reformed the welfare system to make it fairer and to ensure that there are always work incentives, under the slogan, "Welfare to Work", and in order to resolve poverty and dependency on welfare, the government started a new benefit, "Universal Credit", from April 2013, in which some non-contributory benefits were unified. The government has also reformed labor policies to provide work incentives for those who continue to work, for example by abolishing the Flexible New Deal program and integrating all the "Welfare to Work" policies into the "Work Programme".

**Key words:** Universal credit, The Work Programme, Statutory Sick Pay, Jobseeker's Allowance, Employment and Support Allowance (ESA)

### ❖ Introduction

In Japan, social security payments in fiscal 2010 totaled 103 trillion 487.9 billion yen, or 21.60% of the gross domestic product (GDP)<sup>1)</sup>. This is estimated to increase to about 151 trillion yen (approximately 25% of the GDP) in 2025<sup>2)</sup>. It is expected that changes in the population structure will lead to a decline in the working-age population, and not only will there be a reduction in the number of people paying social insurance premiums, but also a shortage of labor to provide medical and nursing care. Therefore, there is a need for social security policies addressing not only medical and nursing care, but also disability, industrial injury, illness and injury, and unemployment.

As indicated in Fig.1, social expenditure in the UK is similar to Japan when considered against the GDP and national income. However, as indicated in

Table 1, social expenditures related to the elderly account for roughly half, or 47.85% of Japan's total social expenditures, while social expenditures related to disability/industrial injury/illness and injury account for 5.01%. In contrast, the breakdown is considerably different for the UK, with the former at 29.32% and the latter at 12.11%.

This paper will discuss the payments and deductions related to industrial health of the social expenditures related to disability/industrial injury/illness and injury in the UK, as well as UK labor policies. The Industrial Injuries Disablement Benefit (IIDB), which is the equivalent workers' compensation insurance in Japan and related benefits will be addressed in a separate paper.

### ❖ Employment and Support Allowance (ESA)

Employment and Support Allowance (ESA) provides financial support and employment support in cases where workers are unable to work due to a disease or disability<sup>3,4)</sup>. It may be applied in cases where the worker is under the pension age, is not receiving

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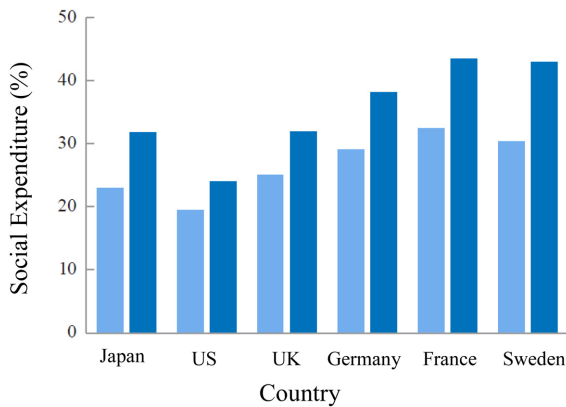


Figure 1 International Comparison of Social Expenditure (Fiscal 2009)

Excerpted from the Fiscal 2010 Social Security Payment Statistics [1]. ■: As percentage of gross domestic product (GDP), ■: As percentage of national income.

Statutory Sick Pay (SSP) or Statutory Maternity Pay (SMP), has not returned to work, and is not currently receiving the Jobseeker’s Allowance (JSA, to be addressed later). Workers who are receiving Income Support (IS: benefits for low-income workers) or the Incapacity Benefit (IB, repealed and replaced by ESA) are not eligible.

ESA can be divided into two types according to the source of funds. If the worker has made sufficient National Insurance Contributions (NICs), they would ordinarily receive the contribution-based ESA (taxable). In cases where the worker has a low income or has not made sufficient NICs, they would receive the non-contributory income-based ESA (not taxable). Table 2 summarizes the financial support available through ESA. Up to the first 13 wk, the amount receivable is determined according to age. This period is called the assessment phase, and during this phase, an assessment is made to determine whether or not a worker is eligible for ESA, and how high the work capability is if the worker is eligible. If the worker is

determined to be in the condition to work at this point, they will be unable to continue receiving the ESA and will need to apply for the JSA. From the 14th wk onwards, depending on the results of the assessment, workers will be assigned to either a Work-Related Activity Group or Support Group. In cases where the worker has been determined capable of working in the future, they will be assigned to a Work-Related Activity Group and will be required to be regularly interviewed by an advisor at Jobcentre Plus (a public employment security office) and to participate in Work-Related Activities such as skill training and condition management programs. If the worker fails to participate in these programs, the amount of the payments they receive will be decreased, or the payments may be discontinued entirely. In cases where worker’s capabilities are restricted due to disease or disability, they will be assigned to a Support Group. In this group, they will not be obligated to be interviewed, but workers are eligible for interviews if they want to participate.

The amount for which the worker is eligible differs according to circumstances (current income, etc.) and the type of ESA. If the worker has been assigned to a Work-Related Activity Group, they will be eligible to receive the contribution-based ESA only for 1 year from the application date, and if they are unable to stop receiving the ESA in some form, they will be switched to the income-based ESA. In addition, the benefit cap (upper limit of receivable benefits), which began in certain areas from April 2013, will apply, and based on this mechanism, the payment amounts will change according to other benefits received. No such limits have been set for Support Groups.

### ❖ Jobseeker’s Allowance (JSA)

The JSA is the main benefit for jobseekers, and is taxable <sup>5, 6</sup>. It may be applied in cases where the

Table 1 International Comparison of Composition Ratio of Social Expenditure by Policy Area (Fiscal 2009)

Social Expenditure (%)	Elderly	Survivor	Disability/Industrial Injury/Illness and Injury	Health	Family	Active Labor Market Policies	Unemployment	Housing	Other Policy Areas	Total
Japan	10.99	1.45	1.15	7.19	0.96	0.43	0.39	0.16	0.25	22.97
UK	7.34	0.10	3.03	8.08	3.83	0.33	0.65	1.45	0.22	25.03

Excerpted from the Fiscal 2010 Social Security Payment Statistics<sup>1)</sup>.

Table 2 Financial Support from the ESA

Time from start of payments	Status of the recipient	Amount of weekly ESA payment (£)
Up to 13 weeks	Under age 25	56.80
	Over age 25	71.70
Week 14 and after	Work-Related Activity Group	99.15 (Upper limit)
	Support Group	105.05 (Upper limit)

Excerpted from Employment and Support Allowance (ESA) (last update 16 April 2013): GOV.UK, <http://www.gov.uk/><sup>(4)</sup>.

Table 3 Financial Support from the Contribution-Based JSA

Recipient's Age	Amount of weekly JSA payment (£)
Age 16 to 24	56.80
Age 25 and above	71.70

Excerpted from Jobseeker's Allowance (JSA) (last update 16 April 2013): GOV.UK, <http://www.gov.uk/><sup>(6)</sup>.

Table 4 Financial Support from the Income-Based JSA

Household Status	Amount of weekly JSA payment (£)
Single household (under age 25)	56.80
Single household (over age 25)	71.70
Married couple, couple (over age 18, respectively)	112.55
Single parent household (over age 18)	71.70
Single parent household (under age 18)	56.80

Excerpted from Jobseeker's Allowance (JSA) (last update 16 April 2013): GOV.UK, <http://www.gov.uk/><sup>(6)</sup>.

worker is over 18 yr of age and under the pension age (exceptions have been made for 16 and 17 yr-olds), is not enrolled full-time in an educational institution, resides in England, Scotland, or Wales, is capable of working but unable to find employment, is actively seeking employment, and is not working more than 16 hours per week. Recipients are also required to go to the Jobcentre Plus office once every 2 weeks or as requested to report on their job search and report any changes in matters related to payment in writing.

Like the ESA, the JSA is divided into 2 types. Contribution-based JSAs may be received for a maximum of 182 days in cases where the recipient has made sufficient NICs in the past 2 yr.

Ordinarily, self-employed persons are not eligible for contribution-based JSA, and are recommended to instead apply for tax deductions or the ESA. In cases where the recipient has not made sufficient NICs or is

continuing to receive the JSA after the end of the eligible period for the contribution-based JSA, they will receive the income-based JSA. Table 3 and Table 4 show that the amounts can be received from the respective JSAs. In cases where the recipient has over 6,000 pounds in personal savings, 1 pound will be deducted from their payment for every 250 pounds in excess of 6,000 pounds. Those with over 16,000 pounds in personal savings are ineligible to receive the benefit.

### ❖ Statutory Sick Pay (SSP)

Statutory Sick Pay (SSP) is a system whereby recipients are eligible for illness and injury benefits in an amount determined by law. Recipients are eligible for benefits from their employer in cases where they are unable to work for a continuous period of 4 d due

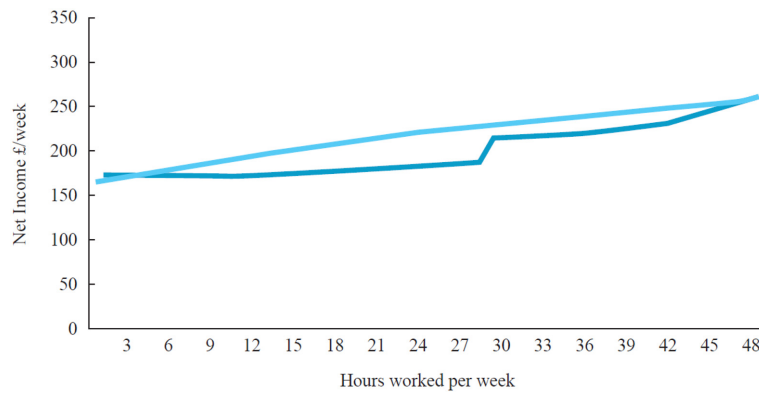


Figure 2 Relationship between the hours worked and UC benefits for a single individual over age 25

Department for Work and Pensions (2010) Existing system UC, Universal Credit—Excerpted from welfare that works<sup>8)</sup>.

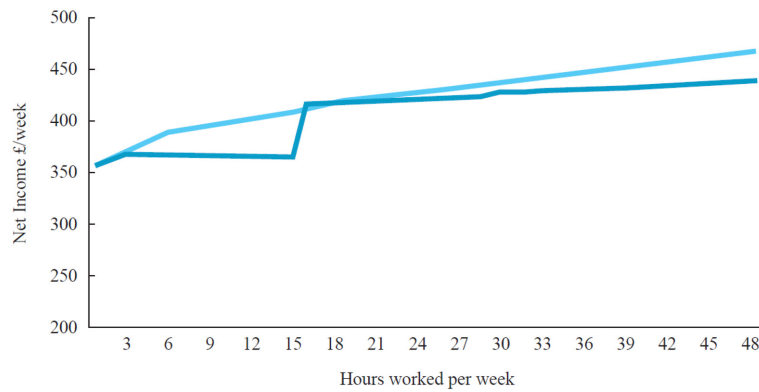


Figure 3 Relationship between the hours worked and UC benefits for a couple with 2 children

Department for Work and Pensions (2010) Existing system UC, Universal Credit—Excerpted from welfare that works<sup>8)</sup>.

to illness, up to a maximum of 28 wk<sup>7)</sup>. Although the weekly benefit must be at least 86.70 pounds as determined by law, in cases where the employer has their own scheme, recipients may be eligible for larger amounts. It may be applied in cases where the individual is employed, has missed work for over 4 consecutive days due to illness, is receiving at least 109 pounds per week in income, and has informed their employer by the deadline set by their employer or within 7 days of failing to come to work that their absence is due to illness. However, individuals will not be eligible in cases where more than 3 yr have passed since the onset of their illness or in cases where they are receiving maternity benefits.

### ❖ Universal Credit (UC)

A white paper was published in 2010 that proposed the new establishment of Universal Credit (UC) in order to “resolve poverty and dependency on welfare” in a manner that is “fair” and “affordable”<sup>8, 9)</sup>. Later, with the Welfare Reform Act 2012, it was implemented in certain regions (Greater Manchester and Cheshire) from April 2013. UC combines the 6 allowances, benefits, and deductions, replacing the previous income-based Jobseeker’s Allowance, income-related Employment and Support Allowance, Income Support, Child Tax Credits, Working Tax Credits, and Housing Benefit. The major changes from the previous system were that application and

Table 5 Work Programme Participants

Type of benefit/ deduction	Group	Length of Work Programme participation	Format of Work Programme participation
JSA recipients	Ages 18 to 24	9 months after application	Required
	Over age 25	12 months	Required
ESA recipients	Those at a disadvantage in the labor market, such as those with a history of receiving IB payments	3 months	Partially required
	Those categorized into a Work Related Activity Group	When close to being fit for work	Required
IS or IB recipients	Others	Voluntary	Voluntary
	All (Restricted to 2011 to 2014 in England)	Voluntary	Voluntary

Excerpted from JSA: Jobseeker’s Allowance, ESA: Employment and Support Allowance, IS: Income Support, IB: Incapacity Benefit, Department for Work and Pensions (2012): The Work Programme<sup>10</sup>.

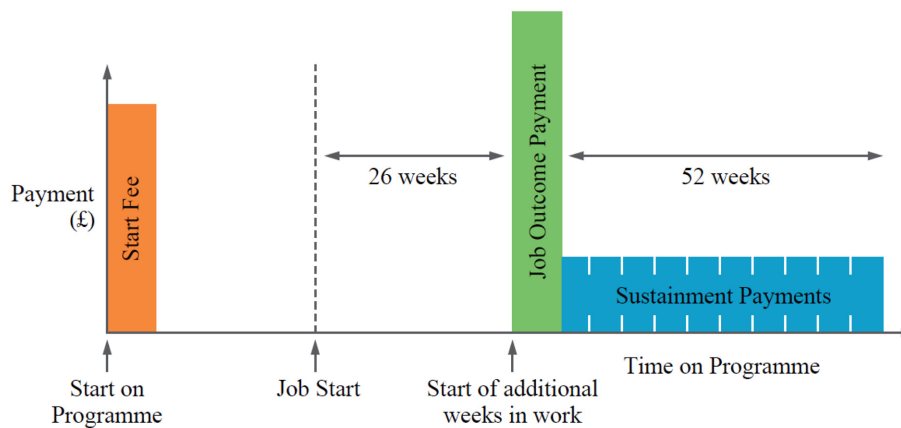


Figure 4 One example of compensation paid to Work Programme consignee companies  
Excerpted from Department for Work and Pensions (2012): The Work Programme<sup>10</sup>.

management could be conducted with an online account, that benefit amounts were set to ensure that there was always an incentive to be working, and that recipients were now able to receive monthly benefits in one installment. In integrating into UC, the UK government particularly emphasized making it a “fairer system”. Figure 2 and Figure 3 show a comparison of benefits under the previous benefit system and under UC for an unmarried individual over age 25 and a couple with 2 children, respectively. Under the existing system, an unmarried individual would work up to 30 hr per week with no change in income, while a couple with 2 children would work up to 16 h with no change in income. With UC, however, as indicated in Fig. 2

and Fig. 3, benefits are set to ensure a “single taper”. By making this type of reform, it is evident that there was a desire to further solidify the flow “from welfare to work”. In addition, the points of contact that had previously been divided among many institutions were centralized (and almost all applications can be submitted and managed online), streamlining the administration.

### ◆ General Employment Policies

From June 2011, the previous employment policies including the “Flexible New Deal” were abolished, and all programs related to “Welfare to Work” policies

were combined into the Work Programme<sup>10, 11</sup>). The Work Programme provides support for recipients of the JSA, ESA, IS, etc. Table 5 indicates Work Programme participants, period of participation, and whether or not there is an obligation. The Work Programme is conducted by dividing the country into 18 regions, and is commissioned to private providers in the respective regions who conduct it. Compensation to the consignees is indicated in Fig. 4, and they are unable to receive anything more than the initial compensation unless it leads to continuous work.

## ❖ Conclusion

The welfare reform currently underway in the UK seeks to improve it into a fairer system. The Welfare Reform Act has been revised frequently, in 2007, 2009, and 2012, and its flexibility to system reform is evident. Furthermore, these reforms are not limited to changes in the content of allowances and deductions, which is considered to lead to changes in the source of funds, or the relationship between taxes and social security and their roles. Currently in Japan, the comprehensive reform of taxes and social security is underway. In Japan as well, there are glimpses of unfair conditions, such as the wrongful receipt of social security, and the relationship between minimum wage and social security. The reforms enacted in the UK will serve as a reference in considering the future state of social security in Japan and ways of supporting it.

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