

**DWP Strategy, Information  
and Pensions Directorate**

## **Equality Impact Assessment**

**The Social Security (Additional Class 3 National Insurance  
Contributions) Amendment Regulations 2009 (S.I  
2009/659)**

# **The Social Security (Additional Class 3 National Insurance Contributions) Amendment Regulations 2009 (S.I 2009/659)**

## **The Department's Duties**

1. The Department is required to undertake assessments on the impact of its policies and legislation in the following areas:
  - For disabled people – the Disability Equality Duty under the Disability Discrimination Act.
  - For people who belong to an ethnic community – the Race Equality Duty under the Race Relations Act.
  - A Gender Equality Duty to promote equality of opportunity between women and men.

## **The Regulations**

2. The regulations will enable people to pay Class 3 National Insurance Contributions (Class 3 NICs) for “past periods” over and above the current arrangements for paying periods of Class 3 NICs.
3. This means that the current requirement of the “past period” being the last six tax years is to be waived. Instead contributors who have already accrued twenty Qualifying Years for basic State Pension purposes may pay a further six years of contributions in respect of missing years dating back to the 1975/76 tax year.
4. Only individuals reaching State Pension age between 6th April 2008 and 5th April 2015 will be entitled to pay Class 3 NICs for the extended past period. If a person reaches State Pension Age during this period and has at that point not paid for past period years they will be allowed up to 6 years into retirement to pay. A further easement is that people who pay for past years within two years of these measures coming into force can, under certain circumstances, have their new higher amount of pension backdated to State Pension Age.

## **The Policy Rationale**

5. These changes were first proposed during the passage of the Pensions Act 2007 and were intended to complement the significant improvements in women's basic State Pension outcomes through the reduction in the number of Qualifying Years required to receive a full basic State Pension.
6. The number of Qualifying Years required to become entitled to a full basic State Pension will be reduced from 39 years (for a woman) and 44 years (for a man) to 30 years and are notably intended to deliver fairer outcomes for women. The policy will be introduced without any staging on 6 April 2010. It should be noted that while this is intended to deliver higher pension outcomes to as many people as quickly as possible, a by-product of the policy is to produce a ‘cliff edge’, whereby outcomes can be significantly different for people with similar contribution histories but whose state Pension Age falls either side of 6 April.

7. By allowing people to extend the number of past years they can buy, the regulations will help provide better outcomes for those who fall this side of the 6 April 2010 cliff edge. They also provide an opportunity for people who retire in the period prior to 2015 to make up some deficiencies in their basic State Pension. The incidence of people with missing past years (prior to the last six) reduces significantly after this date and these regulations will then no longer be necessary.

## **The Impact under the Department's Duties**

8. It is estimated that around 550,000 people in the UK and overseas could stand to benefit from these regulations. Clearly though, not everybody would opt to pay for past periods. For example, it may not be financially worthwhile for people on income related benefits. Based on response rates associated with National Insurance deficiency notices we have, for the purposes of establishing a cost forecast for these measures, estimated that one in five of those eligible will pay additional contributions.
9. In line with the Government's commitment to improve parity of State pensions for women, it is women who are more likely to benefit from these regulations, which as mentioned above, will help to ameliorate any cliff edge effect of the 2007 State pension reforms.
10. Of the 38,000 people estimated to make extended past years payments in 2009/10, 26,000 (68%) are likely to be women. In the 2010/11 tax year (i.e. after the introduction of the thirty Qualifying Years rule) around 58% of those making additional payments are estimated to be women.
11. Our estimate of potential gainers (the 550,000 above) has been drawn from an analysis of National Insurance records and there is no information held on these regarding ethnicity or disability. Equally, the Family Resource Survey and other survey data would not hold enough detailed information from which we could identify ethnicity or disability. Given that the regulations provide a structure for what is effectively a one off exercise dealing with past events we do not propose any special arrangements to gather any further information.

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