

Technical factsheet T2 – Effect on existing Incapacity Benefit customers

This fact sheet explains how existing Incapacity Benefit (IB) customers are affected by the introduction of Employment and Support Allowance (ESA).

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Effect on existing customers

■ Incapacity Benefit –

What will happen to existing customers in receipt of IB?

Existing customers on Incapacity Benefit (IB) and Income Support (IS) because of incapacity or disability will continue to receive their existing benefits, so long as they continue to satisfy the entitlement conditions. The intention is to migrate existing customers on IB and IS because of incapacity or disability on to ESA over time.

■ Time limits –

What are the time limits for claiming IB?

Although ESA comes into force on 27 October 2008, in certain circumstances a claim for IB will still be possible up until 26 January 2009. This is because an existing IB claim can be backdated for up to three months.

Linking rules also apply for IB claims. For further information on time limits and linking periods please see Factsheet 04.

■ Work Capability Assessment (WCA) –

Will people on IB be required to do a WCA?

The WCA will apply to new benefit customers when ESA is introduced on 27 October 2008. From 2009 we expect to be extending the WCA to existing customers under age 25. From 2010 it will be extended to all long-term incapacity benefits claimants, as their benefit entitlement falls due to be reassessed.

■ Permitted Work –

Will there be changes to Permitted Work for IB and IS customers?

ESA customers will benefit from the alignment of the Permitted Work higher earnings limit across the contributory and income related elements. Existing IB customers will continue to be able to take advantage of the permitted work rules in largely the same way as future ESA customers. There are no plans to apply this rule to existing IS customers claiming IS on grounds of incapacity or disability; they will only benefit from this new rule if they are migrated onto ESA.

■ Rates – How will IB rates be adjusted each year?

We will change the basis on which incapacity benefits are uprated. Future uprating will be according to the Rossi index rather than Retail Prices Index (RPI) on current projections. The Rossi index is calculated by subtracting housing costs, which can vary considerably, from RPI. In the first few years from April 2009, this measure is expected to result in an increase in benefit payments overall, compared to uprating under the previous formula. Uprating both incapacity benefits and ESA by the same index will prevent differences in benefit rates widening over time. This will ensure that customers with similar circumstances are treated equally.

■ Why don't you move people off IB and onto ESA straight away?

There are 2.6 million people on existing incapacity benefits and it would be operationally impossible to move them all on to ESA at once. We plan to move them over time and complete the process by 2013.

■ Differences – What are the main differences between IB and ESA?

Benefits

IB/IS: Two benefits exist - IB (contributions-based) and IS (income-based).

ESA: ESA is an integrated contributory and income-related allowance. ESA has a simplified structure – one allowance for customers who can claim based on Income and/or Contributions. It also has simplified claims maintenance processes and notifications

Capability Assessment

IB/IS: Personal Capability Assessment (PCA) process produces a Capability Report and a PCA Medical Report, focusing on a customer's incapacity.

ESA: WCA process produces two reports – 1) a Limited Capability for Work (LCW) Report (which identifies what activities the customer can or cannot do), and 2) a Work Focussed Health-Related Assessment (WFHRA) report (an initial assessment of the customer's aspirations for a return to work, and health related needs that helps PAs in identifying barriers to work). The result will be a holistic view of the customer's health and any barriers to work, enabling easier identification of suitable opportunities for work.

Appeals

IB/IS: Pending an appeal, the customer can claim reduced rate IS, or JSA (without prejudicing their appeal).

ESA: On appeal, the customer will receive ESA payments at the Assessment Rate, until the tribunal decides the appeal.

Rates

IB/IS: Increases in benefit were paid over extended periods of time.

ESA: ESA payment rate remains constant whilst the customer remains in a particular group in the main phase of ESA (aside from changes resulting from change of circumstances). The main phase is the period starting from the 14th week during a period of limited capability for work. It provides a simpler long-term payment regime.

Permitted work

IB/IS: There are different permitted work rules for IB and IS.

ESA: Single rules for permitted work for both contributory and income related ESA customers. It is easier for customers to understand and there is improved back-to-work support for customers.

Grouping

IB/IS: Some customers are PCA exempt, based solely on their medical condition.

ESA: All customers undertake the WCA to determine how their health condition affects their capability for work/work related activity. Allocation to the Support Group is based on an individual's functional capability, rather than on medical condition.

Disclaimer

This factsheet is only a guide and does not cover every circumstance. We have done our best to make sure that the information in this leaflet is correct as of December 2008. It is possible that some of the information is over simplified, or may become inaccurate over time, for example because of changes to the law. Names in the examples have been used for illustrative purposes only. The rates mentioned in these factsheets are applicable to December 2008 and may change thereafter.