

Review of the effectiveness of the current Social Security System in St Helena

Social Security Working Group

St Helena Government

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1. Aims and Principles of the Social Security System

In May 2018, the Social Security Review Working Group ('the Working Group') met to begin the process of reviewing the Social Security System.

The Terms of Reference for the review outlined that the Working Group would scrutinise the current Social Security Ordinance and recommend possible improvements and amendments in relation to the St Helena Government providing a more appropriate, justified, fair and proportionate financial assistance and support for the vulnerable people of St Helena. The support for the vulnerable people of St Helena is to include Income Related Benefit, Home Help, Home Care, Basic Island Pension, Better Life Allowance, Carer's Allowance and Unemployment Allowance and new benefits where necessary.

It was agreed amongst the Working Group that the principal aim of the Social Security System should be to protect vulnerable groups of people from living in poverty in St Helena. The priority according to St Helena's National Goals must be to provide adequate and appropriate assistance for the vulnerable within the community.

The vulnerable groups which were identified were: jobseekers/unemployed, people of pensionable age, people living with disabilities, people with medical issues which prevent them from working¹, people with young children up to 5 years old², parents during the antenatal (6 weeks prior) and postnatal period (3 months after) and widows/ers and partners of recently deceased people.

In June 2018, the Working Group agreed in principle the level of 'protection' which is required by vulnerable groups of people who are at risk of living in poverty in St Helena.

When outlining the principles, the Working Group considered the following questions relative to the vulnerable group:

- What does it mean by 'protecting people'? [What do we need to do to ensure a person within the vulnerable groups does not live in poverty?].
- Should the applicants within the group be means tested? [Should those who can afford to help themselves, do so?]
- Should the means test be based upon the affordability of the household, family, couple or individuals? [Is the state wholly responsible for a person's welfare, or does some of the responsibility sit with a spouse/partner, parent, child, or another person co-habiting the property?]
- Should the benefit cover the costs of:
 - Food and drink
 - Clothing and Personal Goods and Services
 - Utilities (water, sewerage, electricity and basic maintenance) prorated as to total number within the household
 - Household goods and services (including telephone rental) prorated as to total number within the household
 - Rent prorated as to total number within the household

¹ Such persons must be in receipt of proof from medical services and some way be addressing their issues if able to.

² Age of 5 being the compulsory school age as per the Education Ordinance.

- Local Transport
- Home Adaptations
- Staff Support?
- Should the benefit continue to be paid during medical leave?
- Should the benefit continue to be paid during holidays?

The Working Group agreed the answers to these questions in principle and these were summarised in the 'Social Security Policy Aims' document which is outlined in Appendix A. In summary, it was agreed by the Working Group that ideally:

- the majority of the monetary benefits paid should be means tested,
- It is expected that couples (married, cohabiting, and life-partners) should financially support each other and that parents would financially support their children until 18.
- Means tested benefits paid under the provision of Social Security should include enough provision for food and drink, clothing and personal goods and services, utilities, household goods and services, local transport, and where relevant, rent, home adaptations and staff support.
- Mobility is important for the wellbeing of vulnerable groups as it assists people to attend health appointments, provide autonomy in decisions pertaining to the provision of food and goods and allows people to interact with other members of the community.

The next step which was followed was to compare the existing Ordinance to the aims and understanding where there were gaps.

2. Review of the Existing System

Later in June 2018, the Working Group compared the current Social Security System to the principles to understand how well the existing system performed compared to expectations. It was found that the existing Social Security System (particularly the Income Related Benefit) provided protection to the majority of vulnerable groups. And that the magnitude of the benefit payment provided was mostly appropriate.

There, however, were some gaps where the existing system did not meet the aspirations set by the principles. There were four gaps which were common for most groups.

1. Currently the means test utilised for the IRB considers the income of the household. **The Working Group discussed who should be responsible for a person's welfare and it was agreed in principle that a spouse, cohabiting partner/life partner should and would naturally be responsible for providing financial support for their partner during challenging times.** And parents are responsible for the welfare of their dependent children³. However it was agreed that it was not strictly the responsibility of a person to have to provide financial support for their parents, grandparents, adult children, siblings, or housemate during challenging times, except that the utilities and other expenses are prorated so therefore another person would need to only contribute as to their upkeep.
2. The Basic Island Pension is currently acting as both a means to pay an income related pension (supporting those who would otherwise be living below the Minimum Income Standard), and an employment based pension (providing reward for number of years worked). Whilst the former is of importance to Social Security, the latter payment is not a support mechanism for vulnerable groups. **As a matter of principle, the SSRWG, in reviewing the Social Security Ordinance, must work according to the fact that Social Security is a government system that provides monetary assistance to people with an inadequate or no income.**
3. **The principle was agreed by the Working Group that the benefits system should ideally do more to facilitate improvements in the skills and quality of life of the claimants.** For example, people with medical issues which prevent them from working (including addiction, depression etc.) should be supported through the system to seek and receive the best possible support to improve their chance of recovery. And that unemployed people should be supported in reskilling and seeking placements which help them to become more desirable in a competitive job market.
4. The SSWG also were concerned at the cost of living for families and **agreed that families should be protected against the increasing costs of childcare.** It was noted that when the Minimum Wage increases, as does child care, and this affects those who haven't experienced an inflationary increase. The question arose to whether a child benefit would be cost effective.
5. In the current Social Security System, provision for local transport is provided; in terms of an allowance which accounts for 2 tickets per week (medium ticket 3-6 miles). **The principle was agreed by the Working Group that ideally more provision for public transport should be included within the benefits payment.** For jobseekers, this should help support the costs of travelling to interviews. For other vulnerable groups, this should help with travel to healthcare appointments and to provide independence for a better quality of life.

³ Dependent children defined as children who have completed education system and are in employment or eligible for employment minimum age of 16 years. Children can finish Schooling at 16 – compulsory is 16, 18 is optional.

6. Currently jobseekers who do not qualify for IRB are eligible for the Unemployment Allowance which is not means tested. The Better Life Allowance is not means tested. The Basic Island Pension is not means tested and it is noted that the Basic Island Pension would benefit from reform to split out its purpose as both a benefit and a retirement payment. **The principle was agreed by the Working Group that all benefits should be means tested to ensure that funding is being directed to people who need it most.** Additionally, the current unemployment allowance only supports food and drink, clothing and personal goods and services. The principle was agreed by the Working Group that **Jobseekers ideally should be provided with an allowance to also cover their utilities and household goods and services**, proportional to their household size.
7. The existing benefits are currently capped at the Government Landlord Housing Rate or £33.36 per week for rent or mortgage (equivalent to around £133 per month). **The principle was agreed by the Working Group that ideally the benefit provided to cover the cost of the home should be capped at £300 per month for private rent or mortgage.** (The full cost of rental should be divided by the number of adults/children in employment or eligible for employment and the appropriate amount given to the applicant.). £300 was chosen as it is currently representative of a low end private rental cost, however the amount given would be based on the circumstances of the individual. The Working Group also suggested that to avoid loopholes in any new system, rent paid to a relative would not be eligible for the higher private rental allowance above £33.36 per week. An individual living in Government Landlord Housing (GLH) would receive less as the GLH rental costs of the property is less than private rental.
8. Currently the IRB for individuals living with disabilities stops when a holiday is taken and the BLA policy currently states that the allowance will be paid for 12 weeks if the recipient opts to holiday abroad. **The principle was agreed by the Working Group that people living with disabilities should ideally be able to travel abroad up to 60 days without their benefits being affected.**
9. There was some concern that payments allocated for food could be misspent and the question arose whether an alternative to money allowances could provide better value for money. **Ideally, benefits should be used for the purpose in which they are intended.**

These issues have been worked through and options have been presented to tackle the issues. Not all of the 'do something' options, however, are recommended in the final chapters of this report (issues 7, 8 and 9). Notably the issue around rents will not be solved through the social security payments, because it would have the indirect negative effect of providing too much of an incentive not to work. Instead, the Housing Strategy will need to address these issues. Similarly it was decided that providing IRB alongside BLA for those with disabilities travelling abroad was not value for money since when 'physically present' changes with the redefinition of household then it will alleviate the household issue. Finally, there are too many practical issues and potential evasion if food vouchers were provided instead of cash.

The Appraisal chapter provides more discussion on these issues and what conclusions were reached and why.

3. Policy Objectives and Options

The review which compared the existing Social Security System to principles allowed the Working Group to outline a shortlist of policy objectives to focus upon. These are outlined as follows.

It is noted that no drastic change has been recommended to the existing benefit system. The analysis has been undertaken by outlining principles on 'a blank sheet of paper', but when compared against the existing Social Protection System, no large overhaul was required, rather a set of complementary changes to improve the system as a whole.

Objective 1: The means test for all applicants should be based upon the affordability of couples (married, cohabiting, or life partner).

- Option 1A: Change the definition of 'household' in the Social Security Ordinance s. 2 to consider incomes of only an adult and their spouse, cohabiting partner or life partner and their dependent children³. (However, ensure that costs for rent, or loan repayable, utilities and household goods and services for the newly defined household are considered proportionate to the total number of adults and dependent children costs represented in calculation who are also living in the dwelling).
- Option 1B: Include a new definition in the Social Security Ordinance s. 2 entitled 'family' which includes an adult and their spouse, cohabiting partner or life partner and their dependent children under the age of 16, or 18 if in full time education. Ensure that families, not households, are means tested. However, ensure that costs for rent, or loan repayable, utilities and household goods and services are considered proportionate to the household⁴.
- Option 1C: Develop a policy whereby anyone belonging to a vulnerable group identified, who is not eligible for IRB as a result of household income (as currently defined), could apply for special dispensation to receive benefit. Other than the means test, the same IRB rules would apply.

Objective 2: The purpose and principle of the Social Security Ordinance is to protect vulnerable groups. The Basic Island Pension should be divided to differentiate its primary purpose to support those over 65 who would otherwise be living below the Minimum Income Standard and its secondary purpose to reward for number of years worked.

- Option 2A: Means test all individuals for eligibility. No longer require qualifying years for entitlement. Either a) Retain the name 'Basic Island Pension', b) Change the name to 'Income Related Pension' to align with IRB or c) Call the benefit 'IRB' and marry this with the existing IRB scheme.
- Option 2B:
 - Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.

⁴ Note that the legislation also restricts people with full time employment applying for IRB. This should be changed because being in full time employment does not mean that the family is not living below the poverty line.

- Create an 'Employment Based Pension' (EBP) which is not means tested and qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance).
- Increase IRP by inflation each year. Set EBP in year 1 to match IRP but do not increase by inflation each year.
- Option 2C:
 - Same as 2B except EBP is set in year 1 as 50% of IRP and increases by inflation each year.
- Option 2D:
 - Same as 2B except that a National Insurance Contribution Scheme is also put in place. 'Employment Based Pension' (EBP) is designed so:
 - Those born on or before a set date, for example 31 March 1975⁵, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance)
 - Those born on or after a set date for example 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.
- Option 2E:
 - Same as 2C except that a National Insurance Contribution Scheme is also put in place. 'Employment Based Pension' (EBP) is designed so:
 - Those born on or before a set date for example 31 March 1975, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance)
 - Those born on or after a set date for example 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.

Objective 3: Benefits payments should facilitate improvements in the skills and quality of life for vulnerable groups.

- Option 3A: Enable the benefits office to refer claimants to other services for support.
- Option 3B: Add stipulations within the Social Security Regulations so that for IRB:
 - The benefits office are enabled to refer claimants to other services for support.
 - People aged 16-65 who are job seekers should be offered a place on a government run Work Scheme.
- Option 3C: Develop a jobs and skills service called 'Career Access St Helena' which facilitates temporary work placements and skills training and enable the benefits office to refer claimants to these services for support.
- Option 3D: Create a Community Work Training Programme (CWTP) which is a structured training programme geared to return the unemployed to work. This programme does not include temporary job placements – only skills development.

⁵ This date will need to be far enough from retirement age to ensure that NIC contributions can amount to a reasonable pay out. In practice the services of the actuary will be used to develop the details of a scheme.

Objective 4: Parents should be protected from the rising cost of childcare.

- Option 4A: Provide a tax allowance for working parents of children up to school age (5 years)⁶.
- Option 4B: Provide a tax allowance for working parents of children up to 12 years old⁷.
- Option 4C: Remove the existing IRB payment towards children and replace it with a general child benefit scheme. Increase the means test threshold to capture more families. Parents of children up to 5 years old eligible.
- Option 4D: Remove the existing IRB payment towards children and replace it with a general child benefit scheme. Increase the means test threshold to capture more families. Parents of children up to 12 years old eligible.

Objective 5: Greater provision for local transport should be provided within the benefit package.

- Option 5A: Provide reimbursement of bus tickets (up to 8 a week) as part of the IRB payment.
- Option 5B: Increase local travel costs as part of the Minimum Income Standard calculation from 2 tickets per week to 6 tickets per week.
- Option 5C: Provide a free bus pass for all over 65 and increase MIS allowance to 8 tickets a week under IRB.
- Option 5D: Reimburse travel costs to health appointments for people claiming IRB or BIP.

Objective 6: Those registered as unemployed should be provided an allowance to cover their utilities and household goods and services (their current allowance covers only food and drink, clothing and personal goods and services).

- Option 6A: Address Objective 1 so that jobseekers would more likely be available for benefit under IRB (after means testing). Keep the Unemployment Allowance.
- Option 6B: Remove the Unemployment Allowance (if job seekers can claim IRB based upon a family means test if objective 1 is met).
- Option 6C: Increase the unemployment allowance amount to align with IRB allowance.

Objective 7: Benefit which was provided to cover the cost of the home should ideally be capped at £300 per month for rent/mortgage (divided by the number of adults within the household).

- Option 7A: Change the Social Security Regulations 7(3) (h) so that the cap of rental benefit receives matches £300 per month for private rental/mortgage payments. Change the legislation which restricts people with full time employment applying for IRB.
- Option 7B: Develop a separate Housing Benefit policy⁸.

Objective 8: People living with disabilities should be able to travel abroad without their benefits being affected.

⁶ IRB will still include payments for children as it does now, so this will support working age parents

⁷ IRB will still include payments for children as it does now, so this will support working age parents

⁸ There is currently a housing policy which supports rent for up to 3 months. This would need to be reviewed and developed into a policy which addressed objective 2.

- Option 8A: Change the Social Security Regulations 9(2) (c) so that people living with disabilities (showing a medical certificate) can claim IRB for up to 60 days if the recipient opts to holiday abroad. The maximum of 60 days should cover holiday, not for working overseas.
- Option 8B: Develop a policy which allows people living with disabilities to apply for benefits to cover housing costs on island whilst on holiday overseas.

Objective 9: Benefits should be used for the purpose in which they are intended.

- Option 9A:
 - Provide food coupons instead of money for the food allowance.

4.Appraisal

The benefits and disbenefits of each option are hereafter set out against a ‘do nothing’ policy option to ensure that any changes will indeed improve the existing system.

The financial implications of each of these options to SHG have been outlined where possible and considered alongside qualitative benefits.

Objective 1: The means test for all applicants should be based upon the affordability of couples (married, cohabiting, or life partner).

- **Do Nothing:** Continue to apply the means test to the household, as currently defined in the Ordinance.

Costs:

The estimated annual cost based upon the number of households claiming in 2018-19 is £1,015,500 per annum.

Benefits:

No additional cost to SHG, which is positive for budgeting, meaning that money can be spent elsewhere.

The household test stops benefits from going to families who have a sufficient income as a whole. Encourages people to go to work.

Disbenefits:

The policy assumed that all of the people within the household will subsidise those on low or no incomes. Realistically, this isn't the case, and that is why many people are not eligible for IRB and still living below the Minimum Income Standard.

The policy encourages people to live separately as there is little incentive to bring in a family member to the household if it will affect IRB payments.

- **Option 1A: Redefine Household.** Change the definition of ‘household’ in the Social Security Ordinance s. 2 to consider incomes of only an adult and their spouse, cohabiting partner or life partner and their dependent children. (However, ensure that costs for rent, or loan repayable, utilities and household goods and services for the newly defined household are considered proportionate to the total number of adults and dependent children costs represented in calculation who are also living in the dwelling).

Costs:

Based on the expected number of additional households expected to claim, plus additional administrative costs, the average annual budget is expected to increase by an additional **£861,200** per annum to £1,876,700.

The following information outlines how this figure was calculated.

17.5% of people living alone and 8% of households with two people in currently claim IRB. This proportion is unlikely to change, assuming most two people households are couples. However, the change is likely to have a larger effect on households with three or more adults.

To understand what possible take up of IRB could be, the proportions were extrapolated across all household types as a scenario. The 'high scenario' presented here assumed 17.5% of all larger household types with more than two adults living in them shall claim IRB.

| Size (adult + child) | Total households (Census, 2016) | Number of households claiming IRB 2018 | Annual payments (total) 2018, £s | Estimated number of households claiming IRB with redefined household (high scenario - 17.5% of households with over 2 adults) | Annual payments (total) high scenario, £s |
|----------------------|---------------------------------|--|----------------------------------|---|---|
| 1 | 490 | 86 | 397919 | 86 | 397919 |
| 2 | 496 | 41 | 272619 | 41 | 272619 |
| 3 | 291 | 5 | 43358 | 51 | 442248 |
| 4 | 147 | 4 | 42775 | 26 | 278039 |
| 5 | 48 | 0 | 0 | 8 | 101729 |
| 6 | 18 | 1 | 14738 | 3 | 44215 |
| 7 | 7 | 0 | 0 | 1 | 16761 |
| 1+1 | 141 | 5 | 0 | 5 | 0 |
| 1+2 | 30 | 8 | 30308 | 8 | 30308 |
| 2+1 | 83 | 4 | 59971 | 4 | 59971 |
| 2+2 | 15 | 0 | 0 | 0 | 0 |
| 2+3 | 1 | 0 | 32336 | 0 | 32336 |
| 2+4 | 0 | 0 | 0 | 0 | 0 |
| 2+5 | 0 | 1 | 0 | 1 | 0 |
| 3+1 | 41 | 1 | 0 | 7 | 0 |
| 3+2 | 5 | 1 | 13823 | 1 | 13823 |
| 3+3 | 0 | 1 | 0 | 1 | 0 |
| | 1815 | 158 | 942,468 | 243 | 1,785,225 |

The table above outlines the forward look at year 1. However, the estimated number of households claiming IRB will also likely change in line with population changes aged 15-64 (using the high migration model). The estimated annual average cost headlined in this section takes in account the year on year increase. The spreadsheet associated with this document shows the profile of costs each year which will be useful for budgeting purposes.

The majority of households in St Helena are occupied by a single person (27%) or a couple (27%). The option could have greatest effect on the 15% of households which have 3 adults living there and 8% of households which have 3 or 4 adults living there.

Additional staff time spent on administrating scheme was estimated at £5000 for legislative changes plus £1000 per annum to deal with additional claims are included within the figure above.

These figures are a very high level estimate because SHG does not hold information on the incomes of each member of each household, so it is not possible to predict the exact cost of the change.

Whilst the high estimate of household update (17.5%) is probably an overestimate, the change which will be caused when someone who is currently an 'additional adult' on a lower rate will become the main

applicant able to claim the full rate has not been modelled, and therefore causes an underestimation. It is likely that the actual cost of the scheme will vary from the expected value outlined above, and it is noted that this option is a significant risk to SHG budgets.

Sensitivity testing has been undertaken. Should the increase in households taking up the IRB increase by just 8% instead of 17.5%, the additional cost is estimated to be £322,100. The 8% represents the current percentage IRB uptake of 2 person households.

Benefits:

The responsibility of a person's financial support is limited to the person, their spouse, cohabiting partner or life partner (or child if that child is under 16 or under 18 and in full time education). The policy means that people no longer have to ask housemates or distant family who are living with them to support them financially, and this avoids poverty should others within the household be unwilling to share a sufficient amount of their earnings.

People are more likely to help the vulnerable with accommodation because the change removes the fear of the vulnerable person losing their IRB. Equally people on IRB are more likely to help the elderly with accommodation because the change removes the fear of the person on IRB losing their benefits.

It is expected to also remove all 11 households currently receiving IRB under Transitional Protection Payments. Transitional Protection Payments were brought in in 2011 to protect those who were thought to be worse off by the efficiency savings undertaken at that time. These are no longer timely, almost 10 years later and anecdotally it is estimated that the 11 households would benefit from the change in household definition.

Those applying for Unemployment Benefit are likely to be eligible for IRB and in which case the Unemployment Benefit could be significantly reduced or phased out.

It will significantly reduce time spent by the Social Security Office and by Elected Members dealing with issues related to the household, as this is the root cause of the most prominent and frequent issues which come up.

Disbenefits:

The option requires finances which could otherwise be spent elsewhere in SHG.

Essentially, this option reverses the efficiency savings which were achieved when the old system was changed to the existing one.

There is a risk that many more people will be eligible than first thought. However, it is difficult to understand how many new households will apply for IRB compared to those applying under the current system, as SHG does not have statistics regarding the incomes of every person living within every household on St Helena, only statistics regarding the incomes of every person living within existing IRB households on St Helena.

The new household definition may cause confusion when applied.

- **Option 1B: Include new definition of 'Family' for means test.** Include a new definition in the Social Security Ordinance s. 2 entitled 'family' which includes an adult and their spouse, cohabiting partner or life partner and their dependent children under the age of 16, or 18 if in full time education. Ensure that families, not households, are means tested. However, ensure that costs for rent, or loan repayable, utilities and household goods and services are considered proportionate to the household⁹.

Costs:

The same as Option 1A.

Benefits:

The same as Option 1A. Plus including a new definition entitled 'family' will reduce confusion when applying the change practically.

Disbenefits:

The same as Option 1A, except that no confusion would be caused.

- **Option 1C: Special dispensation on a selective basis.** Develop a policy whereby anyone belonging to a vulnerable group identified, who is not eligible for IRB as a result of household income (as currently defined), could apply for special dispensation to receive benefit. Other than the means test, the same IRB rules would apply.

Costs:

Based on the expected number of additional households expected to claim plus additional administrative costs, the budget is expected to increase by an additional **£918,800** per annum.

The benefits paid out would be the same as Option 1A and 1B if everyone eligible used the scheme. However, because an application process would disincentivise uptake of the scheme (i.e. it would be an opt-in scheme, rather than a scheme which is automatically applied), this option could be marginally cheaper in practice than Options 1A and 1B.

However, administration would be relatively costly because of the amount of staff involved to agree special dispensation. Additional staff time spent on administering scheme was estimated at £5000 for legislative changes plus £10,000 per annum to deal with additional claims as part of a dispensation review process are included within the figure above.

These figures are a very high level estimate because SHG does not hold information on the incomes of each member of each household, so it is not possible to predict the exact cost of the change.

It is likely that the actual cost of the scheme will vary from the expected value outlined above, and it is noted that this option is also a significant risk to SHG budgets.

Benefits:

The same as Option 1A and 1B.

⁹ Note that the legislation also restricts people with full time employment applying for IRB. This should be changed because being in full time employment does not mean that the family is not living below the poverty line.

Disbenefits:

Not everyone finds it easy to fill in an application form, and support would need to be provided, otherwise the scheme might not completely successful in achieving outcomes.

There would be relatively significant additional staff time required to support and process the applications.

The solution only tweaks the existing system to meet the original policy aims, but does not feel like a complete solution.

Recommendation

The Social Security Working Group Recommends option **1B**. This is to include a new definition in the Social Security Ordinance s. 2 entitled 'family' which includes an adult and their spouse, cohabiting partner or life partner and their dependent children under the age of 16, or 18 if in full time education. Ensure that families, not households, are means tested. However, ensure that costs for rent (or mortgage repayment costs), utilities and household goods and services are considered proportionate to the household. And that the IRB allowances for rent, utilities, household goods and services are paid proportionate to the household. 'Proportionate to household' means that the allowance, for example for rent, should be split equally between all adult members living in that dwelling to ensure that there is no double counting.

Despite the additional costs, the recommendation is based upon the need to deal with the root cause of a significant number of issues and requests which come into the Social Security office and to ensure that vulnerable groups of people are not living in poverty on St Helena.

It is noted however, that the cost estimates are unable to be accurate because SHG does not hold information on the incomes of each member of each household, so it is not possible to predict the exact cost of the change. Therefore choosing this option shall be a risk to SHG budgeting and forecasting at least in the first year of change.

In implementation it is recommended that there is one applicant for the family, and if below retirement age and above school age, both will need to show that they are seeking employment every six weeks (unless there are health/disability reasons, a person is a home carer or has children under the age of 5). If one person chooses not to seek employment, then the family is not eligible for the allowance.

Objective 2: The purpose and principle of the Social Security Ordinance is to protect vulnerable groups. The Basic Island Pension should be divided to differentiate its primary purpose to support those over 65 who would otherwise be living below the Minimum Income Standard and its secondary purpose to reward for number of years worked.

- **Do Nothing:** Continue to pay Basic Island Pension to all who qualify based upon years worked.

Costs:

Basic Island Pension (BIP) costs are around **£2,781,700** per annum increasing each year based upon the aging population. (The annual average cost over the period is estimated to be £3,045,300).

Benefits:

No cost for no change. Those who are more likely to have contributed to St Helena's economy (who have 20 qualifying years) receive pension in return.

The scheme is easy to administer.

Claiming a pension feels better than claiming a 'social security payment'. People care more to show they have worked for their benefits, as opposed to being entitled as a result of being means tested.

Disbenefits:

The BIP is not means tested meaning that benefits are not prioritised to those in greatest need. The system is expensive and will become increasingly expensive with an aging population.

There is a potential for savings, which could fund some of the changes suggested within this document. The current scheme pays a pension to someone eligible regardless of their income. The system therefore does not align with the policy aims of the Social Security Ordinance.

- **Option 2A:** Means test all individuals for eligibility. No longer require qualifying years for entitlement. Either a) Retain the name 'Basic Island Pension', b) Change the name to 'Income Related Pension' to align with IRB or c) Call the benefit 'IRB' and marry this with the existing IRB scheme.

Costs:

Savings are estimated to be in the region of **£1,200,000**.

It is assumed that of the 750 people currently paid pensions, 60% will continue to be paid pensions after the means test is applied. This is based upon the proportion of people in the PAYE database who receive BIP or IRB and also some other income.

Benefits:

The scheme would continue to be easy to administer.

Significant savings to SHG budgets, which would mean that other policy priorities could be afforded.

Disbenefits:

There would be no pension available for those who have earned qualifying years, unless the claimant has a low income. This would be a shock to many on the current system, unless it was phased in with enough warning time.

Those who would not be eligible for pensions moving forward would need to utilise their savings, which would dwindle, until the person would need to claim IRB. It would mean reducing personal wealth and savings on St Helena.

Claiming a pension feels better than claiming a 'social security payment'. People care more to show they have worked for their benefits, as opposed to being entitled as a result of being means tested. This change would not be seen to be a positive one as a result.

A large proportion of the electorate are over 65 and there could be a worry about public reaction to any change at all to the system, as it could be perceived that any change is a negative change.

➤ **Option 2B:**

- Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.
- Create an 'Employment Based Pension' (EBP) which is not means tested and qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance).
- Increase IRP by inflation each year. Set EBP in year 1 to match IRP but do not increase by inflation each year.

Costs:

No savings in the first year, but savings accrue year on year. The Annual Average Estimated **savings** over the period is around **£160,000**.

It is assumed that 450 people are paid Income Related Pension and 300 people are paid the Employment Based Pension. This will increase based upon the estimated 65+ population based upon the high migration scenario. It is assumed that the Income Related Pension increases with inflation but the employment based pension does not.

Benefits:

This option allows changes to the rates of pension paid to be adjusted in later years, which could give way to savings. This allows a transition to be made.

This option continues to pay a pension for those who are eligible based on working years. Those currently claiming pensions would not be any worse off.

The scheme would continue to be easy to administer.

Disbenefits:

No significant savings to SHG budgets in the initial year of change.

A large proportion of the electorate are over 65 and there could be a worry about public reaction to any change at all to the system, as it could be perceived that any change is a negative change.

➤ **Option 2C:**

- Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.
- Create an 'Employment Based Pension' (EBP) which is not means tested and qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance).
- Increase IRP by inflation each year. Set EBP in year 1 as 50%¹⁰ of IRP and increase by inflation each year.

Costs:

Savings of around £550,000 in the first year, and savings accrue year on year. The Annual Average Estimated **savings** over the period is around **£609,000**.

It is assumed that 450 people are paid Income Related Pension and 300 people are paid the Employment Based Pension. This will increase based upon the estimated 65+ population based upon the high migration scenario. It is assumed that the Income Related Pension increases with inflation but the employment based pension is halved from year one to make savings in the order of around £550,000 in year 1.

Benefits:

This option allows changes to the rates of pension paid to be adjusted which gives way to savings. The savings from the scheme could be used to pay for objective 1.

This option continues to pay a pension for those who are eligible based on working years.

The scheme would continue to be easy to administer.

Disbenefits:

A large proportion of the electorate are over 65 and there could be a worry about public reaction to any change at all to the system, as it could be perceived that any change is a negative change.

¹⁰ This amount was chosen as it results in around £830,000 savings in year 1 which will assist towards payment of objective 1.

➤ **Option 2D:**

- Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.
- Create an 'Employment Based Pension' (EBP) which is not means tested and for:
 - Those born on or before a set date for example 31 March 1975, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance)
 - Those born on or after a set date for example 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.
- Increase IRP by inflation each year. Set EBP in year 1 to match IRP but do not increase by inflation each year.

Costs:

No savings in the first year shall come from the change in the BIP, but savings accrue year on year. The Annual Average Estimated **savings** over the period is around **£160,000**.

A new source of revenue generation shall be created through the National Insurance Scheme. The amount received will depend on the number of people paying into the scheme and the amount they pay. Assuming each eligible working age person pays on average £900 per annum, the **revenues** could be around **£1,590,000** per annum. £900 is estimated as the total Employment Based Pension (at the higher rate) paid between 65 and life expectancy of 77 divided by the expected number of working years. It is noted that this calculation is too simplistic. Firstly the per-person figure is likely to be unaffordable based upon an average salary of £8,500 per annum. Secondly, there is a broader aim to include healthcare within any national health insurance so this will need to be taken in account. Thirdly, the life expectancy would be expected to rise over time, and it would be a policy decision to raise the retirement age in line with increasing life expectancy to ensure that the scheme continues to be sustainable. There is also a decision to be made between whether the scheme is a government administered or privately administered scheme.

It is recommended that the costs and revenues of any National Insurance scheme is worked up through a larger piece of work looking at a reform of the pensions.

Benefits:

Revenue generated to help pay for pensions going forward. This shall lead to a financially sustainable system.

Saint Helenians living abroad would be able to pay into the system; and be eligible for Employment Based Pension in the future.

Long lead in time for change, which allows for people to plan their income needs during retirement. Allows a conversation to happen about planning for retirement, which is relevant for those aged less than 45 years old.

This option allows changes to the rates of pension paid to be adjusted in later years, which could give way to savings. This allows a transition to be made.

This option continues to pay a pension for those who are eligible based on working years.

Disbenefits:

No significant savings to SHG budgets in the initial year of change.

The scheme would be more difficult and costly to administer.

More work will need to be done to estimate the right payment amounts to ensure the system is financially sustainable. This work will not be quick to undertake and therefore the scheme will take months to set up.

There could be a worry about public reaction to any change at all to the system, as it could be perceived that any change is a negative change.

➤ **Option 2E:**

- Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.
- Create an 'Employment Based Pension' (EBP) which is not means tested and for:
 - Those born on or before a set date for example 31 March 1975, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance)
 - Those born on or after a set date for example 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.
- Increase IRP by inflation each year. Set EBP in year 1 as 50% of IRP and increase by inflation each year.

Costs:

Savings of around £550,000 in the first year, and savings accrue year on year. The Annual Average Estimated **savings** over the period is estimated to be around **£609,000**.

It is assumed that 450 people are paid Income Related Pension and 300 people are paid the Employment Based Pension. This will increase based upon the estimated 65+ population based upon the high migration scenario. It is assumed that the Income Related Pension increases with inflation but the employment based pension is halved from year one to make savings in the order of around £550,000 in year 1.

A new source of revenue generation shall be created through the National Insurance Scheme. The amount received will depend on the number of people paying into the scheme and the amount they pay. Assuming each eligible working age person pays on average £900 per annum, the **revenues** could be around **£1,590,000** per annum. £900 is estimated as the total Employment Based Pension (at the higher rate) paid between 65 and life expectancy of 77 divided by the expected number of working years. It is noted that this calculation is too simplistic. Firstly the per person figure is likely to be unaffordable based upon an average salary of £8,500 per annum. Secondly, there is a broader aim to include healthcare within any national health insurance so this will need to be taken in account. Thirdly, the life expectancy would be expected to rise over time, and it would be a policy decision to raise the retirement age in line with increasing life expectancy to ensure that the scheme continues to be sustainable. There is also a decision

to be made between whether the scheme is a government administered or privately administered scheme.

It is recommended that the costs and revenues of any National Insurance scheme is worked up through a larger piece of work looking at a reform of the pensions.

Benefits:

This option continues to pay a pension for those who are eligible based on working years, although the payments would differ.

Revenue generated to help pay for pensions going forward. This shall lead to a financially sustainable system.

Saint Helenians living abroad would be able to pay into the system; and be eligible for Employment Based Pension in the future.

Long lead in time for the NIC change, which allows for people to plan their income needs during retirement. Allows a conversation to happen about planning for retirement, which is relevant for those aged less than 45 years old.

Disbenefits:

The scheme would be more difficult and costly to administer.

More work will need to be done to estimate the right payment amounts to ensure the system is financially sustainable. This work will not be quick to undertake and therefore the scheme will take months to set up.

There could be a worry about public reaction to any change at all to the system, as it could be perceived that any change is a negative change.

Recommendation

The Social Security Working Group Recommends undertaking more work to develop option **2E**. This is to:

1. Split the Basic Island Pension into the means tested 'Income Related Pension (IRP)' which stays within the Social Security Ordinance and an Employment Based Pension which would be part of the Pensions Ordinance, 2012.
2. Change the definition of BIP in the Social Security Ordinance to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement. Increase IRP by inflation each year
3. Create an 'Employment Based Pension' (EBP) in the Pensions Ordinance, 2012.
EBP would not be means tested and is for:
 - Those born on or before a set date for example 31 March 1975, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance)
 - Those born on or after a set date for example 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.
 Set EBP in year 1 as 50% of IRP and increase by inflation each year. Ensure that anyone claiming IRP are not able to also claim EBP.
Consider whether years worked after 65 should be qualifying.

The Social Security Working Group note that if budget was not an issue, the preferred option would be not to half the EBP amount and instead set it as the IRP payment in year 1 and no longer increase the amount with inflation. However, the group recognises savings need to be made in order to afford addressing option 1, the household, and therefore a tough choice has been made to redirect social security monies from over 65 year olds who do not pass the means test to those applying for IRB in mixed or larger households.

The National Insurance Contributions will need to be based on a calculation which ensures the pension scheme is sustainable considering an aging population. The birth date defining who falls into what scheme will also need to be agreed. This aspect of the recommendation will need more work and should be attended by a working group considering the Pensions Ordinance, 2012.

Objective 3: Benefits payments should facilitate improvements in the skills and quality of life for vulnerable groups ¹¹.

- **Do Nothing:** IRB and UA is paid based upon existing eligibility criteria.

Costs:

The estimated annual cost of IRB based upon the number of households claiming in 2018-19 is **£1,015,500** per annum. However, should Objective 1 be met, this would increase to around £1,876,000 per annum.

The costs of Unemployment Allowance fluctuate based upon need, but based on average numbers in 2018-19, the cost is around **£31,000** per annum to provide Unemployment Allowance.

Do nothing would see no additional cost beyond those already identified?

Benefits:

It is easy to administer.

No additional costs to SHG.

Disbenefits:

Social security payments are paid without regard to what might improve the quality of life of the claimant. Little incentive is given for the claimant to make steps to improve their situation.

Risk that the social security payments may not be used in the way that they are intended.

- **Option 3A:** For IRB:

- Enable the benefits office to refer claimants to other services for support on an advisory basis.

Costs:

An additional **£15,000** per annum.

The benefits office would need to offer more information, and integrate referrals into their service. There would possibly be a need for an additional staff member to administer estimated to be £15,000 per annum.

Benefits:

Claimants will be supported to improve their situation, and be given work experience to help them get into the job market.

¹¹People claiming benefits who are not of pensionable age, living with disabilities, living with young children up to 5 years old, during the antenatal (6 weeks prior to birth) and postnatal period (3 months after birth) and widows/ers and partners of recently deceased people (defined as being up to 3 months) will not need to show that they are meeting objectives.

Public perception of the benefits system could improve because there are a stricter set of conditions to encourage claimants off the system.

Disbenefits:

The benefits office would take longer processing claims and making referrals, and would most likely require more support to administer the benefits system. The advisory referral doesn't necessarily ensure that claimants take up support and therefore there may be relatively low changes.

➤ **Option 3B:** Add stipulations within the Social Security Regulations so that for IRB:

- The benefits office are enabled to refer claimants to other services for support.
- People aged 16-65 who are job seekers should be offered a place on a government run Work Scheme.

The work scheme would be time bound otherwise there is risk of people staying on the 3 day work scheme rather than moving into employment.

The scheme will be open to anyone who registers but priority will be given to those claiming Unemployment Benefit (if this is still in existence) and/or Income Related Benefit.

Costs:

An additional **£75,000** per annum.

The benefits office would need to offer more information, and integrate referrals into their service. There would possibly be a need for an additional staff member to administer estimated to be £10,000 per annum plus overheads.

Benefits:

Claimants may be incentivised to improve their situation, and in some situations be offered work experience to help them get into the job market.

Public perception of the benefits system could improve because there are a stricter set of conditions to encourage claimants off the system.

Disbenefits:

Those who are not following recommendations would no longer be paid IRB or UA and will be left with no income at all. Some might be incentivised to offend due to lack of finances, or there could be overreliance on organisations such as Making Ends Meet as they are not eligible for support through benefits. This is not a satisfactory outcome and goes against the aim to protect vulnerable groups.

A work scheme might take away labour from areas where labour is scarce, such as hospitality, the care sector and coffee picking.

The benefits office would take longer processing claims and making referrals, and would most likely require more support to administer the benefits system

Option 3C: Develop a jobs and skills service called Career Access St Helena which facilitates temporary work placements and skills training and enable the benefits office to refer claimants to these services for support.

With respect to the training service:

- It is assumed that IRB continues to be paid during the period that the person attends training or work experience. Persons being terminated due to disallowed absence will be excluded from all benefits for a period of 12 weeks.

With respect to the work agency:

- IRB will be deducted during the period that the person attends the temporary work placement, when the placement is a paid placement.
- The paid placement will pay at least minimum wage.
- If the person is eligible for IRB prior to placement, and the placement does not pay, on a weekly basis, the IRB amount, IRB will be used to top up a person's income. For example, if the placement is only for one day a week paid, a proportion of IRB may be afforded to top up to the poverty line.
- A coordinator will be required to match job seekers with temporary paid placements across Government and the private sector

Costs:

An additional **£85,000** per annum, increasing each year by inflation.

The benefits office would need to offer more information, and integrate referrals into their service. There would possibly be a need for an additional staff member to administer estimated to be £15,000 per annum which includes pension costs etc.

Benefits:

Claimants will be supported to improve their situation, and be given work experience to help them get into the job market.

Public perception of the benefits system could improve because there are a stricter set of conditions to encourage claimants off the system.

A jobs and skills service might support areas where labour is scarce, such as hospitality, the care sector and coffee picking.

Disbenefits:

The benefits office would take longer processing claims and making referrals, and would most likely require more support to administer the benefits system.

People would be required to coordinate the scheme.

- **Option 3D:** Create a Community Work Training Programme (CWTP) which is a structured training programme geared to return the unemployed to work.

This option only supports training, but does not include a work placement service.

It is assumed that IRB continues to be paid during the period that the person attends training. Persons being terminated due to disallowed absence will be excluded from all benefits for a period of 12 weeks.

Costs:

An additional **£30,000** per annum, increasing each year by inflation.

Reimbursement of bus tickets will be provided for those required to train outside of their district.

The benefits office would need to offer more information, and integrate referrals into their service. Two Case Workers would work with unemployed and underemployed people to get them back into work. Estimated as £30,000 per annum.

Benefits:

Claimants will be supported to improve their situation, and be given training to help them get into the job market.

Public perception of the benefits system could improve because there are a stricter set of conditions to encourage claimants off the system.

Disbenefits:

The costs of a person to administer the scheme is expensive and could outweigh the reduction in benefits which could be achieved by helping people to upskill and get into work.

Recommendation

The Social Security Working Group Recommends **3C**. This is to develop a jobs and skills service called 'Career Access St Helena' which supports unemployed and underemployed people to upskill through courses and voluntary work placements, and places workers in temporary placements across both government and the private sector. This scheme shall support the claimant's personal development where there are island wide shortages. **It is recommended that resources are considered as part of a Labour Market Strategy which focuses on upskilling and supporting the unemployed back to work.** The scheme should work as an agency, being able to place (unemployed) people all across the public sector and private sector when needs arise. The scheme could also provide advice and referrals for skills and placement training. This should be considered within the Labour Market Strategy work.

The further recommendation is provide the Benefits Team with the ability to promote other SHG health and mental health services and make referrals where the claimant agrees to the referral being made.

Objective 4: Parents should be protected from the rising cost of childcare.

- **Do Nothing:** Continue to pay an allowance for children under the IRB.

Costs:

The estimated annual cost of IRB based upon the number of households claiming in 2018-19 is **£1,015,500** per annum. However, should Objective 1 be met, this would increase to around £1,876,000 per annum. The current annual average cost of the child benefit element of the IRB is £1,100.

Benefits:

No cost for no change.

Disbenefits:

Many families are at risk of falling into poverty when there are children and other dependants. In order for some families to live above the poverty line, they may need additional budget to support the subsistence and development of children. The current IRB provides extra allowances for families with children, however, this is only available to households below the poverty line, and low income families do not benefit.

- **Option 4A:** Provide a tax allowance for working parents of children up to the age that government funded educational facilities are available (3 years).

Note this would apply to parents of children up to 3 years old. Legal guardians would be considered the same as parents.

Costs:

An additional **£58,600** annual average per annum.

The cost was developed assuming one working parent of every child in St Helena is provided an annual tax allowance of £2,000 per child valid until the child reaches 3 years old – the age at which government funded childcare is available. The calculation assumes at least one parent of each child works. There are 97 births registered between 2016 and 2018, and the estimates assume the number of young children rise each year as part of the ‘high migration’ population scenario.

The cost assumes that child benefit payment as part of IRB is still paid.

To ensure the principle ‘all benefits are means tested’, there could be a limit on income by which tax credits are awarded. This limit will need to be agreed at the policy setting stage. For the purposes of costing, it is assumed parents of all children are eligible.

Benefits:

All families will benefit from increased take home pay. Working families, who will be most subject to childcare costs, will be directly subsidised; incentivising parents to stay in the work force.

Disbenefits:

Increase in budget. Administrative cost of changing system.

- **Option 4B:** Provide a tax allowance for working parents of children up to school age (5 years).

Note this would apply to parents of children up to 5 years old. Legal guardians would be considered the same as parents.

Costs:

An additional **£108,900** annual average per annum.

The cost was developed assuming one working parent of every child in St Helena is provided an annual tax allowance of £2,000 per child valid until the child reaches school age. The calculation assumes at least one parent of each child works. There are 185 births registered between 2014 and 2018, and the estimates assume the number of young children rise each year as part of the 'high migration' population scenario.

The cost assumes that child benefit payment as part of IRB is still paid.

To ensure the principle 'all benefits are means tested', there could be a limit on income by which tax credits are awarded. This limit will need to be agreed at the policy setting stage. For the purposes of costing, it is assumed parents of all children are eligible.

Benefits:

All families will benefit from increased take home pay. Working families, who will be most subject to childcare costs, will be directly subsidised; incentivising parents to stay in the work force.

Disbenefits:

Increase in budget. Administrative cost of changing system. Government Budget is already used to provide subsidised childcare from 3 years old, so this will be an additional subsidy for the same purpose.

- **Option 4C:** Provide a tax allowance for working parents of children up to 12 years old.

Note this would apply to parents of children up to 12 years old. Legal guardians would be considered the same as parents.

Costs:

An additional **£346,100** annual average per annum.

The cost was developed assuming one working parent of every child in St Helena is provided an annual tax allowance of £2,000 per child valid until the child reaches school age. The calculation assumes at least one parent of each child works. There are around 427 children aged 0-12, and the estimates assume the number of young children rise each year as part of the 'high migration' population scenario.

The cost assumes that child benefit payment as part of IRB is still paid.

To ensure the principle 'all benefits are means tested', there could be a limit on income by which tax credits are awarded. This limit will need to be agreed at the policy setting stage. For the purposes of costing, it is assumed parents of all children are eligible.

Benefits:

All families will benefit from increased take home pay. Working families, who will be most subject to childcare costs, will be directly subsidised; incentivising parents to stay in the work force.

Disbenefits:

Increase in budget. Administrative cost of changing system. Highly expensive.

Government Budget is already used to provide subsidised childcare from 3 years old, so this will an additional subsidy for the same purpose.

- **Option 4D:** Remove the existing IRB payment towards children and replace it with a general child benefit scheme for children up to the age that government funded educational facilities are available. Increase the means test threshold to capture more families.

Note this would apply to parents of children up to 3 years old.

Costs:

Around **£113,200** annual average per annum.

The analysis assumes splitting out child benefit from Income Related Benefit and raising the income threshold for people to be eligible for the child benefit allowance to £18,000 (for the purposes of analysis). Rates introduced are assumed to be £20 per week paid until child reaches 3 years old. Assumes all parent units are eligible (worse case) as there is no data on the incomes of parents of children below school age.

There are 97 births registered between 2016 and 2018 inclusive, and the estimates assume the number of young children rise each year as part of the 'high migration' population scenario.

Benefits:

Low income families will benefit from increased family budget to afford for the subsistence and development of children. The scheme could incentivise potential parents to increase family size.

Disbenefits:

Increase in budget. Administrative cost of changing system.

The Child Benefit will increase the social welfare payments to an amount where there is no longer strong incentive to work. For example, a single parent would receive around £110 per week, which is around the same as what they would be paid by working full time on Minimum Wage. This incentive not to work becomes stronger because no childcare payments are required when the parent is no longer at work.

This may encourage parents on IRB to have more children, and working parents not to have.

- **Option 4E:** Remove the existing IRB payment towards children and replace it with a general child benefit scheme for children up to school age. Increase the means test threshold to capture more families.

Note this would apply to parents of children up to 5 years old.

Costs:

Up to an additional **£215,900** annual average per annum.

The analysis assumes splitting out child benefit from Income Related Benefit and raising the income threshold for people to be eligible for the child benefit allowance to £18,000 (for the purposes of analysis). Rates introduced are assumed to be £20 per week paid until child reaches school age. Assumes all parent units are eligible (worse case) as there is no data on the incomes of parents of children below school age.

There are 185 births registered between 2014 and 2018 inclusive, and the estimates assume the number of young children rise each year as part of the 'high migration' population scenario.

Benefits:

Low income families will benefit from increased family budget to afford for the subsistence and development of children. The scheme could incentivise potential parents to increase family size.

Disbenefits:

Increase in budget. Administrative cost of changing system.

The Child Benefit will increase the social welfare payments to an amount where there is no longer strong incentive to work. For example, a single parent would receive around £110 per week, which is around the same as what they would be paid by working full time on Minimum Wage. This incentive not to work becomes stronger because no childcare payments are required when the parent is no longer at work.

This may encourage parents on IRB to have more children, and working parents not to have.

- **Option 4F:** Remove the existing IRB payment towards children and replace it with a general child benefit scheme for children up to 12 years old. Increase the means test threshold to capture more families.

Note this would apply to parents of children up to 12 years old.

Costs:

Up to an additional **£497,800** annual average per annum.

The analysis assumes splitting out child benefit from Income Related Benefit and raising the income threshold for people to be eligible for the child benefit allowance to £18,000 (for the purposes of analysis). Rates introduced are assumed to be £20 per week paid until child reaches 12 years old. Assumes all parent units are eligible (worse case) as there is no data on the incomes of parents of children below school age.

There are around 427 children aged 0-12 and the estimates assume the number of young children rise each year as part of the 'high migration' population scenario.

Benefits:

Low income families will benefit from increased family budget to afford for the subsistence and development of children. The scheme could incentivise potential parents to increase family size.

Disbenefits:

Increase in budget. Administrative cost of changing system.

The Child Benefit will increase the social welfare payments to an amount where there is no longer strong incentive to work. For example, a single parent would receive around £110 per week, which is around

the same as what they would be paid by working full time on Minimum Wage. This incentive not to work becomes stronger because no childcare payments are required when the parent is no longer at work.

This may encourage parents on IRB to have more children, and working parents not to have.

Recommendation

The Social Security Working Group Recommends **4D**. This is to remove the existing IRB payment towards children and replace it with a general child benefit scheme for children up to age 3, the age that government funded educational facilities are available. There would be an increase of the means test threshold to £18,000 (or otherwise, which can be agreed at the Policy development stage) to capture more families.

Whilst it would be ideal to extend this to 5 or 12 year olds, it was deemed too expensive and unaffordable. Furthermore, government is already providing some support to 3+ aged children by providing school and childcare, so providing assistance for parents of children aged 0-3 would provide best value for money.

Objective 5: Greater provision for local transport should be provided within the benefit package.

- **Do Nothing:** Continue to offer direct payments in cash, as part of IRB, for the equivalent cost of 2 bus tickets a week.

Costs:

The equivalent of two bus tickets are included within the Minimum Income Standard, and this is used to develop both the IRB rates and BIP rates. Together, the total budget for both payments is around **£4.8m per annum**.

Benefits:

There are no additional costs to SHG from implementing no change, which is positive for budgeting, meaning that money can be spent elsewhere.

Cash payments used on buses supports revenue collection on that service.

Disbenefits:

Those on IRB and BIP may be restricted from travelling around the island, and this will impact on their ability to attend health appointments, interviews, events, meet friends and family, maintain good wellbeing and ensure best quality of life.

- **Option 5A:** Provide reimbursement of bus tickets (up to 8 a week) as part of the IRB payment.

Costs:

An additional **£135,000** per annum which is estimated as the cost of an additional six tickets per week per person, plus administration costs to provide reimbursement for bus ticket receipts on a person by person basis.

Benefits:

This will improve the affordability and ability for people to travel to health appointments, interviews, events, meet friends and family, maintain good wellbeing and ensure best quality of life.

This will improve the effectiveness of the public transport system, reduce private journeys and reduce carbon emissions because the payment is linked directly to the provision of bus ticket receipts.

Disbenefits:

This will cause additional costs for SHG.

People may lose tickets

The bus service may increase popularity, which may cause an issue particularly at peak times.

As BIP is currently pegged to the Minimum Income Standard, the reduction of the MIS by £3.00 would apply to people over 65 claiming BIP.

- **Option 5B:** Increase local travel costs as part of the Minimum Income Standard calculation from 2 tickets per week to 6 tickets per week.

Costs:

An additional **£90,000** per annum which is estimated as the cost of an additional four tickets per week per person.

Benefits:

Providing more money as part of social security payments allows the receiver flexibility to use any transport cost savings on other areas of consumption.

The money could be used on taxis in place of buses where particular access issues exist.

This will improve the affordability and ability for people to travel to health appointments, interviews, events, meet friends and family, maintain good wellbeing and ensure best quality of life.

The change is easy to administer as it is a simple increase in the MIS.

Disbenefits:

This will cause additional costs for SHG.

The additional money spent on social security payments may not necessarily flow into the bus service. Therefore, it is harder to ensure value for money.

However, if the bus service increased popularity, this may cause an issue particularly at peak times.

- **Option 5C:** Provide a free bus pass for all over 65 and increase MIS allowance to 8 tickets a week under IRB.

Costs:

An additional **£171,000** per annum.

Benefits:

This will improve the affordability and ability for people to travel to health appointments, interviews, events, meet friends and family, maintain good wellbeing and ensure best quality of life.

This will improve the effectiveness of the public transport system, reduce private journeys and reduce carbon emissions.

Aligns with the benefits offered within many other parts of the UK.

Disbenefits:

This will cause additional costs for SHG.

The bus service may increase popularity, which may cause an issue particularly at peak times.

The social security service will need to pay the service's trading account to provide the bus passes to avoid revenues of the bus service declining.

BIP is currently not means tested, and therefore SHG may be subsidising over 65 year olds who are currently paying for the service or who could afford to pay for the service. This would not be an issue if Objective 10 was tackled.

- Option 5D: Reimburse travel costs to health appointments for people claiming IRB or BIP.

Costs:

An additional **£6,000** per annum.

Benefits:

This will focus the subsidy on payments for critical journeys; which will be paid to IRB and BIP claimants on arrival to the appointment by the Health Directorate.

Disbenefits:

This will cause additional costs for SHG.

The payment might be an indicator that a person is claiming IRB and BIP, and therefore someone might avoid using it.

The person will need to pay for the bus service first, before receiving a refund when presenting the receipt at the health appointment.

If allowed for people claiming BIP, as BIP is currently not means tested, SHG may be subsidising over 65 year olds who are currently paying for the service or who could afford to pay for the service. This would not be an issue if Objective 10 was tackled.

Recommendation

The Social Security Working Group Recommends option **5D**. This is to provide reimbursement for travel costs to health appointments for people claiming IRB or BIP.

This will help over 65s and those on IRB to improve mobility and maintain good wellbeing. It will improve the effectiveness of the public transport system, reduce private journeys and carbon emissions.

Objective 6: Those registered as unemployed should be provided an allowance to cover their utilities and household goods and services (their current allowance covers only food and drink, clothing and personal goods and services).

- **Do Nothing:** Maintain payments of the amount to cover food and drink, clothing and personal goods for those registered as unemployed and claiming Unemployment Allowance.

Costs:

The costs of Unemployment Allowance fluctuate based upon need, but based on long term employment rate, the cost is around **£9,000** per annum to provide Unemployment Allowance. The relatively low figure is as a result of the means tested Income Related Benefits being available and being paid at a higher rate.

Benefits:

No additional cost to SHG.

As the Unemployment Allowance is not means tested, this would ensure that only the basic costs are subsidised by SHG. It would be expected that other people within the household would support household costs of an unemployed person.

Disbenefits:

The payment is lower than the Minimum Income Standard, and therefore if the main 'breadwinner' of the home becomes unemployed, then this could have a significant short term impact on family life.

- **Option 6A:** Address Objective 1 so that jobseekers would more likely be available for benefit under IRB (after means testing). Keep the Unemployment Allowance.

Costs:

The savings to the UA budget would be **£-9,000** per annum.

Benefits:

This ensures value for money by targeting subsidies to those who need it most.

Disbenefits:

There would be no change to the Unemployed Allowance, although there would be less claiming UA (because they would claim IRB instead). For those who have enough savings to support themselves, and who are not eligible for IRB, the savings of the unemployed person would dwindle, they would find it harder to support themselves, and could end up getting into debt and claiming IRB.

- **Option 6B:** Remove the Unemployment Allowance (if job seekers can claim IRB based upon a family means test if objective 1 is met)

Costs:

Savings of **£9,000** per annum.

This is based on 12 unemployed people, which is the long term unemployed rate.

Benefits:

Savings to St Helena Government's budget from reducing UA payments, although it is noted that it would be offset by an increase in IRB payments.

Disbenefits:

It is expected that partners and spouses should support each other financially. In practice this may not always occur.

The savings of unemployed people would dwindle if they were still not eligible for IRB and no UA would exist.

There may be a negative public reaction to the change in UA.

This option should only be pursued if objective 1 is met because there is a risk to incomes of the unemployed.

- **Option 6C:** Increase the unemployment allowance amount to align with IRB allowance.

Costs:

An additional £46,000 per annum.

This is based on 12 people claiming IRB at the MIS amount. It is noted that whilst the long term average unemployment rate is 12, lately the numbers have reached 40 due to downturn in the construction industry. In this case, costs would be an additional £170,000.

Benefits:

This provides the best support for people who are job seeking.

Disbenefits:

This will cause additional costs for SHG.

This is not a means tested subsidy, which is contrary to the Policy Aims developed by the Social Security Working Group.

Paying unemployment benefits may discourage people from seeking a broader variety of jobs; and encourage people to wait until the job market provides the opportunity to gain a job in their desired sector, with their desired working hours and their desired wage.

Recommendation

The Social Security Working Group Recommends option **6B**. This is to address Objective 1, to change the means test from household to family, and to remove the Unemployment Allowance.

It is noted, however, for statistics purposes, people being awarded IRB should be categorised as to which of the five categories they fall into; whether it be employed full time on St Helena, aged 65 years or older; registered as unemployed; in receipt of a disability pension or carer's allowance; or the carer of one or more children under age 5 years or his disabled child.

Objective 7: Benefit which was provided to cover the cost of the home should be capped at £300 per month for rent/mortgage (divided by the number of adults within the household).

- **Do Nothing:** *Continue to cap the contribution to household rental at £33.36 per week.*

Costs:

The estimated annual cost of IRB based upon the number of households claiming in 2018-19 is £1,015,500 per annum. However, should Objective 1 be met, this would increase to around £1,876,000 per annum. Note this estimate does not include costs paid as part of BIP. Do nothing would see no additional cost beyond those already identified.

Benefits:

No additional cost to SHG, which is positive for budgeting, meaning that money can be spent elsewhere.

Disbenefits:

Capping the housing contribution to £33.36 a week discourages low income households from leaving government landlord housing and seeking private rental housing. At the time of writing there was a waiting list of around 20 people for government landlord housing and this is exacerbated by the difference in rates between GLH and private sector rental rates, and that there is no provision in social security to pay sufficient towards private rental costs, which tend to be around £300-£600 per month.

- **Option 7A:** *Change the Social Security Regulations 7(3)(h) so that the cap of rental benefit receives matches £300 per month for private rental/mortgage payments. Change the legislation which restricts people with full time employment applying for IRB.*

Costs:

It is estimated that the change would elicit an additional average annual cost of around £365,200 to the IRB budget.

This estimate assumes that 50% of the claimants rent privately (the exact figure is unknown), the remainder of claimants continue to receive existing MIS payments for rent at £20 per week for Government Landlord Houses and that objective 1 is met and the definition of family is used for means testing purposes. Should 100% of claimants rent privately, the additional cost would be expected to be around £730,000.

Estimates of additional staff time spent on administering the scheme were included at £1000 for legislative changes.

It is assumed that this benefit is not extended to people on BIP.

Benefits:

Those who are currently in privately rented accommodation will benefit from sufficient income to meet the Minimum Income Standard (where currently they are living in poverty).

The option would encourage people to seek private rental housing as an alternative to GLH and this would reduce the pressure on government to build more social housing, which has potential savings.

Money spent will benefit landlords on St Helena, who are likely to see more demand for their properties. This will help support the market as demand is contracting as a result of the airport and BFI projects winding down. Profits made will be subject to taxation and therefore, SHG will see some return on money spent.

Disbenefits:

This will cause additional costs for SHG. There is an opportunity cost in other words funds could have been spent elsewhere.

Providing a rate of £75 per week towards private rental costs will mean that the weekly rate for a single person on IRB could increase from around £90 to around £145. Since working full time on the Minimum Wage would generate just over £110 per week, this provides a large incentive for low earners living alone in private rental accommodation to claim instead of work. To mitigate this, the Minimum Wage would need to increase from £3.18 to at least £4.12 and to ensure the IRB stays at a level of being around 20% less than Minimum Wage, the Minimum Wage would need to increase to around £5.15. This would have large affordability impacts.

New demand for rental properties may increase rental prices – it is recommended therefore that the cap stays relatively low to reduce this affect.

➤ **Option 7B:** Develop a separate Housing Benefit policy.

Separate out the housing allowance away from IRB and BIP. Means test the family, in the same manner as IRB, and provide a housing benefit to cover rental costs which will consider the person's housing status (whether they are in GLH, mortgage free home, home with mortgage or rental property).

In the case of a rental property, the allowance paid to the individual would be the total cost of housing to the household divided by the number of adults in the household, capped at £300. For example, if the total household rent was £300 and 3 adults lived in the household, and 2 were eligible for IRB, then the amount paid to each of the 2 eligible adults would be £100 each. Those who are paying mortgages or mortgage free will not be paid any housing benefit.

Costs:

It is estimated that the additional costs would be around **£279,900** per annum.

This estimate assumes that 50% of the claimants rent privately (the exact figure is unknown), 32% of claimants are mortgage free (which is 50% multiplied by 63%; the latter number is according to the Census, the rate of those in St Helena mortgage free) and the remainder of claimants continue to receive existing MIS payments for rent at £20 per week. It also assumes that objective 1 is met and the definition of family is used for means testing purposes.

Estimates of additional staff time spent on administrating the scheme were included at £2000 for legislative changes and additional staff time within the benefits office.

It is assumed that housing benefit is not available to people on BIP without means test. This may provide some savings, the extent to which have not been quantified.

Benefits:

A housing policy which considers the housing status of the individual will better support their needs. Those renting could benefit from up to £300 per month, whilst those mortgage free would not be paid the housing benefit as they would not have housing costs in that way. Isolating the cost of housing will serve to target the subsidy more precisely.

This would provide some savings on BIP. At the moment, the housing component of the BIP is paid to everyone regardless if they are mortgage free or pay rent.

Disbenefits:

This will cause additional costs for SHG. There is an opportunity cost in other words funds could have been spent elsewhere.

Providing a rate of £75 per week towards private rental costs will mean that the weekly rate for a single person on IRB could increase from around £90 to around £145. Since working full time on the Minimum Wage would generate just over £110 per week, this provides a large incentive for low earners living alone in private rental accommodation to claim instead of work. To mitigate this, the Minimum Wage would need to increase from £3.18 to at least £4.12 and to ensure the IRB stays at a level of being around 20% less than Minimum Wage, the Minimum Wage would need to increase to around £5.15. This would have large affordability impacts.

New demand for rental properties may increase rental prices – it is recommended therefore that the cap stays relatively low to reduce this affect.

Recommendation

The Social Security Working Group Recommends to **Do Nothing** and make no changes to the existing process by which housing benefits are increased. This is because any increase to the housing element of the benefit calculation will shorten the gap between the IRB and the Minimum Wage too significantly causing an incentive for people to claim rather than work. This risk outweighs the benefits of providing those in rental homes a more comprehensive ability to pay. The downside of this is there still will continue to be pressure on Government Landlord Housing to provide accommodation at low rental cost for those who claim IRB. Availability of low cost accommodation should be addressed in a Housing Strategy going forward.

Objective 8: People living with disabilities should be able to travel abroad without their benefits being affected.

- **Do Nothing:** IRB ceases when an overseas visit is taken and the BLA policy currently states that the allowance will be paid for 12 weeks if the recipient opts to go overseas

Costs:

The estimated annual cost of IRB based upon the number of households claiming in 2018-19 is **£1,015,500** per annum. However, should Objective 1 be met, this would increase to around £1,876,000 per annum. Do nothing would see no additional cost beyond those already identified.

Benefits:

Costs are kept at a minimum.

When 'physically present' changes with the redefinition of household then it will alleviate the household issue.

Disbenefits:

When people with disabilities are offered a holiday (for example, paid for by a charity, or by a family member) they are reluctant to take it as a result of losing their IRB payments whilst abroad. This reduces the potential wellbeing improvement opportunities which result from overseas visits.

- **Option 8A:** Change the Social Security Regulations 9(2)(c) so that people living with disabilities (showing a medical certificate) can claim IRB for up to 60 days if the recipient opts to take an overseas visit including holiday or medical. The maximum of 60 days should not cover working overseas.

Costs:

Estimated at an additional **£440** per annum.

In the IRB database there are 26 household claimants that receive BLA. It is unclear how many go overseas each year. But the costs have been outlined based upon the assumption that 5 people go overseas each year for one week. It is assumed the payment is the MIS, which is approximately £90 per week.

Benefits:

People with disabilities are more likely to accept offers of trips, for example where the costs have been donated from charities or family members.

It is noted that people who travel for medical should be also be able to continue to claim.

Disbenefits:

This will cause additional costs for SHG.

Some in society may believe if those who can afford to go overseas should be able to afford to pay their own living, and it may put into question the eligibility of that person to receive benefits from the state.

- **Option 8B:** Develop a policy which allows people living with disabilities to apply for benefits to cover housing costs on island whilst overseas on recreational purposes.

Costs:

An additional **£210** per annum.

In the IRB database there are 26 household claimants that receive BLA. It is unclear how many go overseas. But on the assumption that 5 people take overseas visits each year for one week, the cost has been outlined. The housing costs part of the MIS is around £35 per week. It is assumed that the additional administrative cost is 1 day per year.

Benefits:

People with disabilities are more likely to accept offers of trips, for example where the costs have been donated from charities or family members.

Disbenefits:

This will cause additional costs for SHG.

There would be an administration cost involved with this option, as a new application process would need to be delivered. However, this will be easier if option 2B is chosen to meet Objective 2; to develop a separate housing policy separate from IRB and BIP.

Some in society may believe if those who can afford to go overseas should be able to afford to pay their own living, and it may put into question the eligibility of that person to receive benefits from the state.

Recommendation

The Social Security Working Group Recommends option **Do Nothing**. This is not to change the Social Security Regulations 9(2)(c) so that people living with disabilities (showing a medical certificate) can claim IRB for up to 60 days if the recipient opts to go overseas for a reason other than working. This is because the SSWG was of the opinion that IRB paid to people who go on holiday overseas who are in receipt of BLA would cause some unfairness in the system. BLA continues for a 90 day (12 week) period whilst someone is off island and this will still be in place. And therefore support is already provided in some form.

It is noted that IRB will continue if a person is on medical for however long they are in South Africa; alongside of that the patient is paid a stipend from Health Directorate.

Objective 9: Benefits should be used for the purpose in which they are intended

- **Do Nothing:** *Continue to pay social security payments using cash.*

Costs:

The estimated annual cost of IRB based upon the number of households claiming in 2018-19 is **£1,015,500** per annum. However, should Objective 1 be met, this would increase to around £1,876,000 per annum.

The costs of Unemployment Allowance fluctuate based upon need, but based on average numbers in 2018-19, the cost is around **£31,000** per annum to provide Unemployment Allowance.

Do nothing would see no additional cost beyond those already identified.

Benefits:

This allows a claimant flexibility to use their social security payments for other purposes where their expenditure differs, e.g. for rent, or to pay for clothes on a particular month etc.

Disbenefits:

Some claimants may spend their allowances on things that they were not intended to spend on (by taxpayers), for example cigarettes, alcohol and entertainment. This may not give confidence that the payments are value for money.

- **Option 9A:**

- Provide food coupons instead of money for the food allowance.

Costs:

There is additional financial cost for using food vouchers instead of cash.

Administrative costs estimated as 1 day per month to provide vouchers. This is estimated as **£230** per annum.

Benefits:

It would be an attempt to target the subsidy for what it was designed for.

Disbenefits:

There would be additional work to administer the scheme.

There are concerns around an individual's rights to choose their own lifestyle. Although buying cigarettes and alcohol may not be what society deems to be an appropriate way of spending benefits, both cigarettes and alcohol use are legal and therefore there is no legal basis to control how claimants spend their money.

Some outlets didn't take food vouchers when they were last issued. Unless a scheme was put into place so that the majority of stores would accept food vouchers, the vouchers would be issued to particular stores. This would favour some outlets over others and would force claimants to shop in a particular venue, which may not be the cheapest or the most convenient for them, or allow them to buy local and healthy produce if it was not available.

Vouchers and bus pass could be exchanged for cash informally, and this would be a way to evade the scheme.

Counterfeiting could be an issue.

Some are likely to be stigmatised/embarrassed to use food vouchers, as this would indicate publically that the person is claiming social security payments.

Recommendation

The Social Security Working Group Recommends **Do Nothing**.

This is to keep the payments as cash payments as it is unlikely that food vouchers will be effective in ensuring people use the money for food, as vouchers can easily be exchanged for money.

It is also noted that the Social Security Working Group is required to review the basket of goods and services that are used for the MIS, and that it will consider whether costs for things like alcohol and tobacco and leisure will be included. The group has reviewed the MIS and does not recommend any major change at this time. In particular, the calculation of MIS should not include leisure costs (e.g. holiday, TV) nor alcohol or tobacco.

5. Recommendations

A summary of the recommendations, and relevant costs/savings are as follows.

| Issue Short Name | Option | Description | Additional average annual cost compared to Do Nothing | Recommendation |
|------------------------|--------|--|---|----------------|
| Household | | | | |
| | 1A | Redefine 'Household' | £861,200 | |
| | 1B | Include new definition of 'Family' for means test. | £861,200 | Preferred |
| | 1C | Special dispensation on a selective basis | £918,800 | |
| BIP | | | | |
| | 2A | Means test all for BIP | -£1,218,100 | |
| | 2B | Means test all for IRP. Introduce (non-means tested) EBP. | -£163,600 | |
| | 2C | Means test all for IRP. Introduce (non-means tested) EBP. Reduce EBP payment amounts by 50% compared to IRP. | -£609,000 | |
| | 2D | Introduce NIC. Means test all for IRP. Introduce (non-means tested) EBP at existing rate with no inflation increases. | -£163,600 | |
| | 2E | Introduce NIC. Means test all for IRP. Introduce (non-means tested) EBP and reduce EBP payment amounts by 50% compared to IRP. | -£609,000 | Preferred |
| Skills & Mental Health | | | | |
| | 3A | Refer claimants to support on an advisory basis | £15,000 | |
| | 3B | Develop a 3 day work scheme | £85,000 | |
| | 3C | Develop a Jobs and Skills Service called 'Career Access St Helena' | £45,000 | Preferred |
| | 3D | Create a Community Work Training Programme | £30,000 | |
| Child Benefit | | | | |
| | 4A | Childcare Tax Allowance 0-3 Years | £57,500 | |
| | 4B | Childcare Tax Allowance 0-5 Years | £107,800 | |
| | 4C | Childcare Tax Allowance 0-12 Years | £345,000 | |
| | 4D | Child Benefit 0-3 years | £112,100 | Preferred |
| | 4E | Child Benefit 0-5 years | £214,800 | |
| | 4F | Child Benefit 0-12 years | £496,700 | |
| Transport Allowance | | | | |
| | 5A | Reimburse bus tickets for IRB | £135,000 | |
| | 5B | Increase Travel costs in MIS | £90,000 | |
| | 5C | Include 8 bus tickets in IRB and Free Bus Pass for over 65s | £171,000 | |
| | 5D | Reimburse travel costs to health appointments and IRB assessments for IRB/IRP claimants | £6,000 | Preferred |
| UA Allowances | | | | |

| | | | | |
|---|----|--|-------------------|------------|
| | 6A | No change as Objective 1 is addressed | -£9,000 | |
| | 6B | Remove UA due to Objective 1 being met | -£9,000 | Preferred |
| | 6C | Increase allowance to align with IRB | £46,000 | |
| Rent Allowance | | | | |
| | 7A | Increase IRB rent allowance | £365,200 | Do Nothing |
| | 7B | Develop separate Housing Benefit using the same means test as IRB | £279,900 | |
| Disabilities & Holidays | | | | |
| | 8A | Allow IRB to be paid during holidays to those with disabilities | £440 | Do Nothing |
| | 8B | Allow benefit to cover housing costs on island to be paid during holidays to those with disabilities | £210 | |
| Food Vouchers | | | | |
| | 9A | Issue alternatives for cash (food vouchers). | £230 | Do Nothing |
| Total cost without pension reforms | | | £1,015,300 | |
| Total cost with Pension reforms excluding revenue from NIC pension scheme | | | £406,300 | |

The recommendations are to:

- a) Include a new definition in the Social Security Ordinance s. 2 entitled 'family' which includes an adult and their spouse, cohabiting partner or life partner and their dependent children under the age of 16, or 18 if in full time education. Ensure that families, not households, are means tested. However, ensure that costs for rent, or loan repayable, utilities and household goods and services are considered proportionate to the household
- b) Change the definition of BIP to 'Income Related Pension (IRP)' and means test all for eligibility. No longer require qualifying years for entitlement.
- c) Create an 'Employment Based Pension' (EBP) under the Pensions Ordinance which is not means tested and for:
 - o Those born on or before 31 March 1975, qualifying years are based on years worked in St Helena (as is currently set out in the Social Security Ordinance for BIP)
 - o Those born on or after 1 April 1975, qualifying years are based on years of National Insurance Contribution paid.
- d) Develop a jobs and skills service called Career Access St Helena and enable the benefits office to refer claimants to these and other services, such as mental health assessments for support.
- e) Provide a child benefit for means tested working parents of children up to 3 years old.
- f) Reimburse travel costs to health appointments for IRB/BIP claimants and reassessments at the Benefits office
- g) Remove unemployment allowance (when job seekers can claim IRB based upon a family means test).

These recommendations have been based on both the consideration of key social security aims, and financial sustainability. It is noted that by means testing families, as opposed to households, this essentially reverses

previous efficiency savings of the scheme. However, these efficiency savings have led to conditions whereby households avoid taking in new members (such as an elderly relative or person in need) where it would affect their calculated benefits. In a setting where Government Landlord Housing is short, we want to encourage co-habiting. Therefore efficiency savings related to pensions have been recommended as a financially sustainable option to afford the change in the household means test.

It should be noted that the costs from year to year differ and the costs represented are annual average costs. This means the average cost over the eight year period which was analysed. Eight years were used as this corresponds with the timescale over which we have reasonable population scenario estimates. The estimates did not account for inflation.

The table includes savings from changing the existing Basic Island Pension Scheme to an 'Income Related Pension' scheme which is means tested and paid at a higher amount and an 'Employment Based Pension' scheme which is a reward for working and paid at a lower amount which is not fixed to the Minimum Income Standard. The costs and benefits for the introduction of National Insurance Contributions (NIC) have not been included as the details of the scheme are largely unknown, and the aim of the scheme would be to be cost neutral. It would therefore not be prudent to include NIC revenues within the costs / savings balance. A task and finish group should be created to progress the pension changes which are separate from the Income Related Pension awarded under the Social Security Ordinance.

As the results show, the largest cost is to meet objective 1, to means test on the basis of family make up, as opposed to household. This opens up the risk of more people claiming, and although it is not known exactly how many people would come forward, the estimates of the financial risk are not insignificant. In order to balance the books, savings can be made by reallocating some pension payments from those who, through a means test, do not require a MIS linked benefit. Although this will not be popular with the electorate, and there is a political risk for elected members to agree with this policy because the electorate is largely over 65. But without this change, or some other budget reallocation idea or revenue raising exercise, meeting objective 1 could not be afforded. This is a pure budget allocation problem; there is no question that spending budget to support pensioners who would otherwise be struggling is a priority, but the question rather is it better to spend more budget on pensioners who have other means to take care of themselves, or more money on low income families living in large house shares.

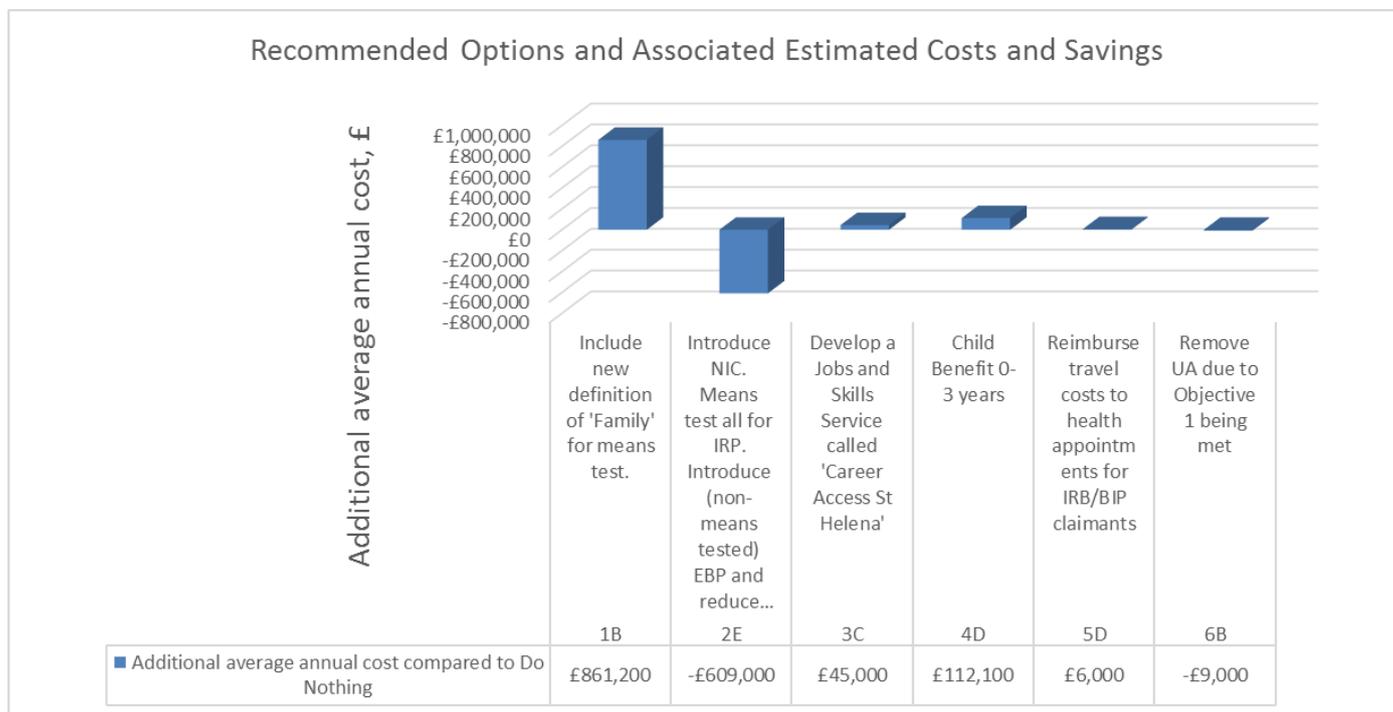


Figure 1: Recommended Options and Estimated Costs

The Household issue is the largest priority for the group, but the most expensive. The next priorities are to develop the Career Access St Helena service to assist people with employment and skills development, followed by the Childcare Allowance to protect parents from rising childcare costs.

The priority according to St Helena's National Goals must be to provide adequate and appropriate assistance for the vulnerable within the community. The Social Security Working Group suggest that the true strength of a community can be gauged by the assistance provided to the vulnerable and that government must try as much as possible to ensure that no one is left behind.

As Roy Sainsbury stated in April 2013 'Also in making these recommendations we are aware that not everything can be achieved at once or indeed soon and that hard decisions need to be taken about the level of resources that can be made available to fund any desired changes. In considering these recommendations therefore we hope that none are rejected as impossible purely on cost grounds.'

6. Next steps

The next steps are:

1. For the Social and Community Development Committee to agree/disagree with the recommended changes to the welfare system based on this paper.
2. A policy to be drafted, which reflects recommendations made and also take into account any further Sainsbury Recommendations which need to be addressed.
3. The policy will be brought back to the Social and Community Development Committee for agreement.
4. A mandate should be given for the Attorney Generals chambers to draft the changes in legislation based upon the endorsed policy.
5. Once changes have been drafted, there would be a period of consultation.
6. Updated legislation would be endorsed by the Social and Community Development Committee, Executive Council and agreed by Legislative Council.

Meanwhile, it is recommended that

1. A project is progressed to develop a financially sustainable National Insurance Contribution scheme as part of the Pensions Ordinance, 2012. And that recommendations on the details of the scheme are brought back to the Social and Community Development Committee for endorsement.
2. The Housing Strategy should address the problem of availability of low cost accommodation.
3. The introduction of a job and skills service, Career Access St Helena, should be developed further as part of the Labour Market Strategy.

Appendix A: Social Security Aims

The Social Security Working Group expressed the intentions of the Social Security system, defining the expectations of support for a number of groups and thereafter undertook an assessment of the current system and compared these to the aims.

Historically, the aim has been to:

To support poor households from poverty.

The aim recommended going forward is:

To protect vulnerable groups of people from living in poverty in St Helena

In order to flesh out what that means, a list of 'vulnerable groups' was generated, and expectations as to what support should be provided was outlined in the table below. The table also includes an indication of whether eligibility should require means testing and who should be included within the means test. The text in **bold** outlines whether or not the principles are occurring within the current social security system.

The support categories are based on the categories within the Minimum Income Standard statistics. Extra categories for 'home adaptations' and 'home support' has been added to recognise the needs of people living with disabilities.

| Groups | What does it mean by 'protecting people'? | Means test? | Means test based upon affordability of household / family/ couples/ individuals? | Food and drink | Clothing and Personal Goods and Services | Utilities (water, sewerage, electricity and basic maintenance) | Household goods and services (including telephone rental) | Rent | Local transport | Home adaptations | Staff support | Should the payment continue to be paid during Medical Leave | Should the payment continue to be paid during holidays? |
|---------------------------|---|---|---|---|---|--|--|--|--|---|--|---|---|
| Jobseekers / Unemployed | Providing basic income Unemployment Allowance (UA) is currently available to those who cannot get IRB because of the Household income. UE gives approx. £15 a week for expenses to travel to interview but currently does not provide basic income. Basic income provided by IRB. | Yes plus evidence on eligibility to be provided every 6 weeks UA is not means tested at present. IRB is means tested. | Couples (married, cohabiting, or life partner) Household is currently means tested when applying for IRB. N/A for UA. | X No this is not happening under UA. But is picked up in MIS when claiming IRB. | X No this is not happening under UA. But is picked up in MIS when claiming IRB. | X Proportional to household size. No this is not happening under UA. But is picked up in MIS when claiming IRB. | X Proportional to household size. No this is not happening under UA. But is picked up in MIS when claiming IRB. | X Proportional to household size. Capped at GLH rate or £300 pm if privately rented or mortgage. Rent paid under IRB but not awarded in the UA at present. Amount is £33.36 for private renting and 100% for GLH | X Capped at bus cost or bus pass provided. UE gives approx. £15 a week for expenses which does include travel costs for interviews. | | | Yes Unemployment benefit ceases when in hospital and prison. | No That is happening now. |
| People of pensionable age | Providing top-up income where people are living below the poverty line. And providing means tested financial support for medical fees. | Yes This is happening now for IRB. However, BIP is not means tested. | Couples (married, cohabiting, or life partner) Household is currently means tested when | X Yes picked up in MIS | X Yes picked up in MIS | X Proportional to household size. Yes picked up in MIS | X Proportional to household size. Yes picked up in MIS | X Proportional to household size. Capped at GLH rate or £300 pm if privately rented or mortgage. | X Capped at bus cost or bus pass provided. Provision for 2 bus tickets a week through MIS. | X Depending upon need Picked up through BLA. | X Depending upon need Picked up through Carers Allowance / Home | Yes That is happening however if the person is hospitalised for 42 days the BIP is adjusted so that the Claimant gets £10 and the | Yes up to 90 days This is happening now |

| | | | | | | | | | | | | | |
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| | Yes that is happening now | | applying for IRB. N/A for BIP. | | | | | The rate at present is £33.36 capped and 100% for GLH. The cap for private rental is too low. | | | Care Policy. | rest is paid for upkeep. | |
| People living with disabilities | Minimum Income in the long term plus allowance for caring and adjustments Not happening | Yes but include cost of care within means test based on private carer on minimum wage Not happening. | Couples (married, cohabiting, or life partner) Household is currently means tested when applying for IRB. | X Yes picked up in MIS | X Yes picked up in MIS | X Proportional to household size. Yes picked up in MIS | X Proportional to household size. Yes picked up in MIS | X Proportional to household size. Capped at GLH rate or £300 pm if privately rented or mortgage. The rate at present is £33.36 capped and 100% for GLH. The cap for private rental is too low. | X May have to consider taxi cost based on needs. Provision for 2 bus tickets a week through MIS. | X Depending on need. Picked up through BLA. | X Depending on need. Picked up through Carers Allowance / Home Care Policy. | Yes This is happening now but if hospitalised for 42 days IRB stops. | Yes up to 90 days No. IRB is stopped during a holiday overseas . The 90 day period only relates to those on BIP |
| People with medical issues | Providing basic income in short to medium term | Yes This is happening | Couples (married, cohabiting, | X | X | X Proportional to household size. | X Proportional to | X Proportional to household | X Capped at bus cost or free | | | Yes This is happening | No |

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| which prevent them from working | where people are living below the poverty line. And providing means tested financial support/phased repayment for medical fees. Not happening IRB individually but the Household. Could get BLA | g under IRB | or life partner) Household is currently means tested when applying for IRB. | Yes picked up in MIS | Yes picked up in MIS | Picked up in MIS | household size. Picked up in MIS | size. Capped at GLH rate or £300 pm if privately rented or mortgage. The rate at present is £33.36 capped and 100% for GLH. The cap for private rental is too low. | bus pass provided depending upon need. Provision for 2 bus tickets a week through MIS. | | | now but if hospitalised for 42 days IRB stops. | This is happening now |
| People with young children up to 5 years old | Providing top-up income where people are living below the poverty line (medium term) Happening with IRB but based on the household not individual | Yes. Means test to include maintenance payments. Poverty line must take into account children in household. Yes this is happening | Couples (married, cohabiting, or life partner). Where single parent, just applied to the parent living with the child. Household is currently means tested when | X Yes picked up in MIS | X Yes picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Capped at GLH rate or £300 pm if privately rented or mortgage. The rate at present is £33.36 capped and 100% for GLH. | X Capped at bus cost or free bus pass provided for family Provision for 2 bus tickets a week through MIS. | | | Yes This is happening now but if hospitalised up to 42 days IRB stops. | No This is happening now |

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|---|--|---|--|----------------------------------|----------------------------------|---|---|---|---|--|--|--|------------------------------------|
| | | | applying for IRB. | | | | | The cap for private rental is too low. | | | | | |
| Parents during the antenatal (6 weeks prior) and postnatal period (suggested as 3 months after) | Providing top-up income where people are living below the poverty line (short term) No single allowance. Just IRB based on the Household | Yes This is happening but only based on the household | Couples (married, cohabiting, or life partner). Where single parent, just apply to mother at antenatal stage and parent living with child at postnatal stage. Household is currently means tested when applying for IRB. | X Yes picked up in MIS | X Yes picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Capped at GLH rate or £300 pm if privately rented or mortgage. The rate at present is £33.36 capped and 100% for GLH. The cap for private rental is too low. | X Capped at bus cost or bus pass provided. Provision for 2 bus tickets a week through MIS. | | | Yes This is happening now but if hospitalised up to 42 days IRB stops. | No This is happening now |
| Widow/ers and partners of recently deceased people (suggested | Providing top-up income where people are living below the poverty line (short term) | Yes This is happening but only based on the household | Individual Household is currently means tested when | X Yes picked up in MIS | X Yes picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Picked up in MIS | X Proportional to household size. Capped at GLH rate or £300 | X Capped at bus cost or bus pass provided. | | | Yes This is happening now but if hospitalised up to 42 days IRB stops. | No This is happening now |

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| up to 3 months) | No single widows allowance. Just IRB based on the Household | | applying for IRB. | | | | | pm if privately rented or mortgage. The rate at present is £33.36 capped and 100% for GLH. The cap for private rental is too low. | Provision for 2 bus tickets a week through MIS. | | | | |
|-----------------|--|--|--------------------------|--|--|--|--|---|--|--|--|--|--|

Appendix B: Examples of gaps in the current IRB System

During the implementation of the Social Security legislation 2010, there have been a few categories of individual who, it could be argued, fall foul of the system. For example:

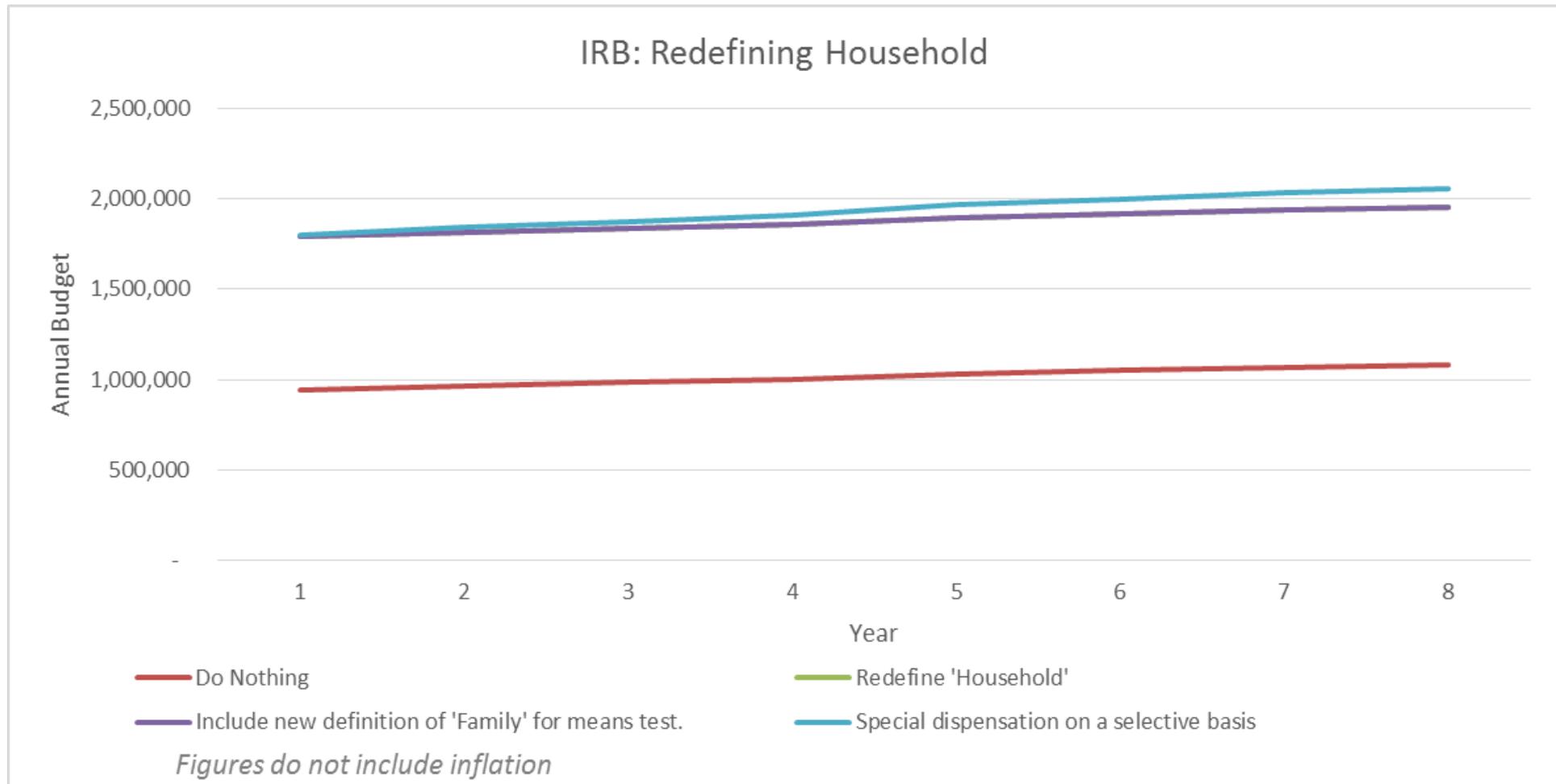
A married woman who has been a housewife for most of her life and a dependent of her husband, who has retired and has a private pension. The husband dies before the wife attains the age of 65 years. The widow then applies for IRB but because she has adult children living with her (over the age of 21) whose income is taken into account as part of her IRB assessment, the widow does not qualify for IRB and so, has to depend on her children to keep her.

Private sector employees employed by a private contractor. Employee becomes ill and is given two weeks off work by doctor. Employer does not continue to pay wages for more than 5 days' sickness absence; as a result, employee approaches Social Security for assistance. The person can apply for IRB but not necessarily receive any benefits because of the income of other household members.

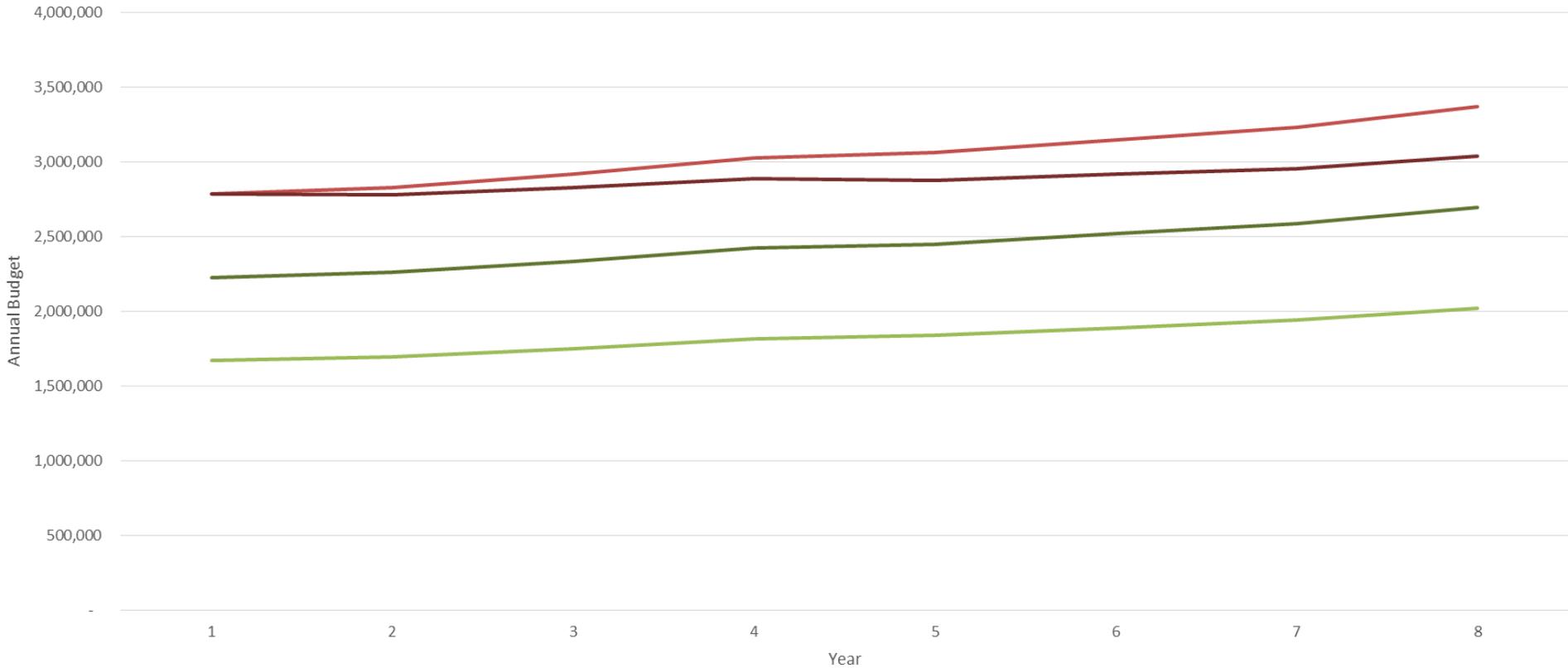
An elderly person cannot qualify for the Basic Island Pension, as s/he spent a number of years working overseas e.g. Ascension Island. They cannot claim IRB because they are living with other relatives in the household whose income is above the poverty line. Therefore they have to rely on other members of the household to keep them.

The same applies to single pregnant Mothers and the disabled who cannot receive IRB because of the household income.

Appendix C: 8 Year Cost Forecast Graphs

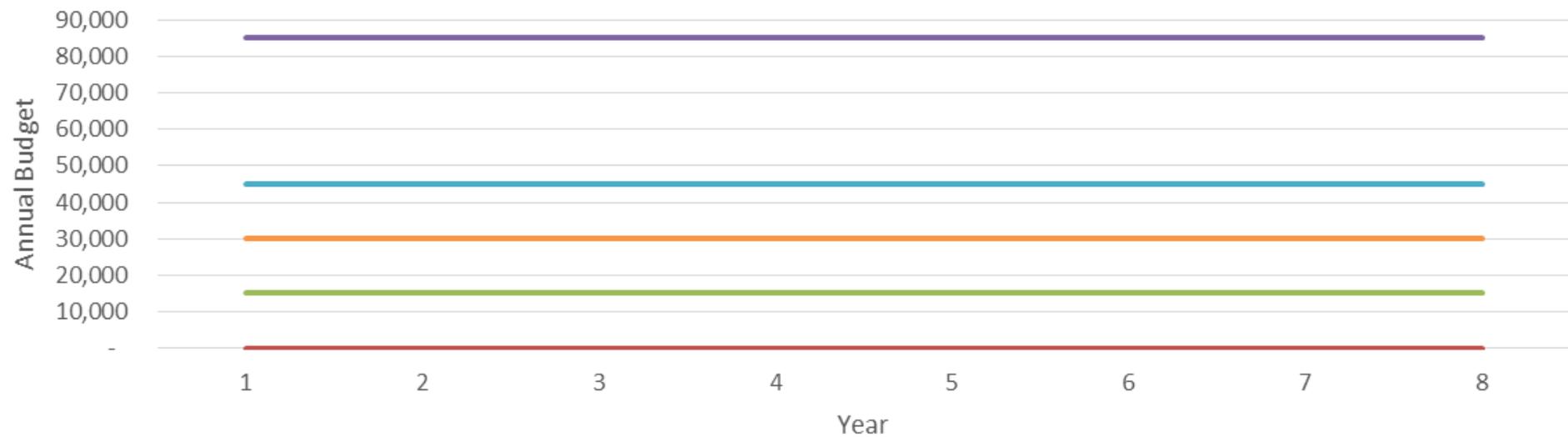


BIP: Pensions Reform



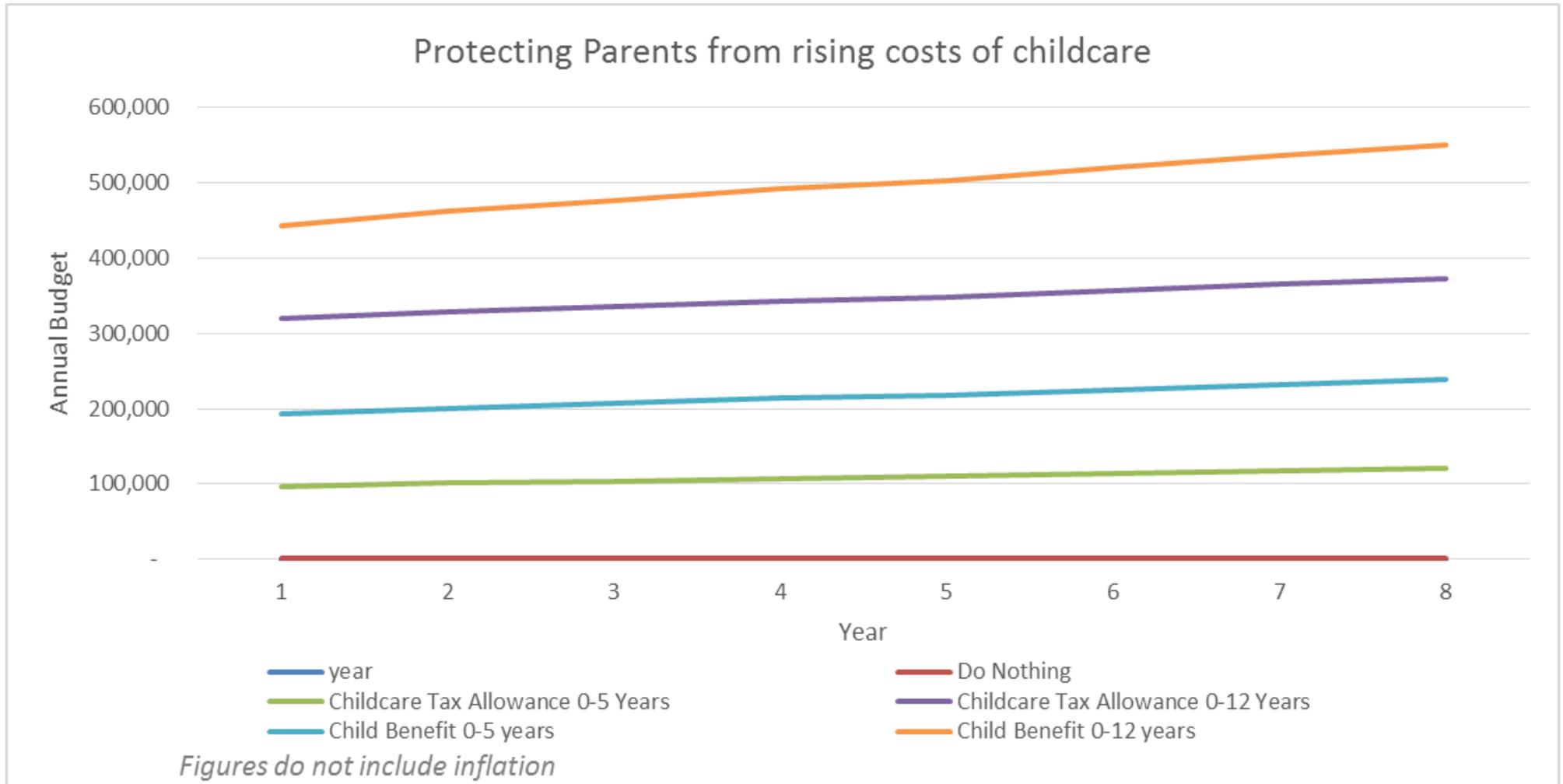
- Do Nothing
- Means test all for BIP
- Introduce NIC. Means test all for IRP. Introduce (non-means tested) EBP at existing rate with no inflation increases.
- Introduce NIC. Means test all for IRP. Introduce (non-means tested) EBP and reduce EBP payment amounts by 50% compared to IRP.

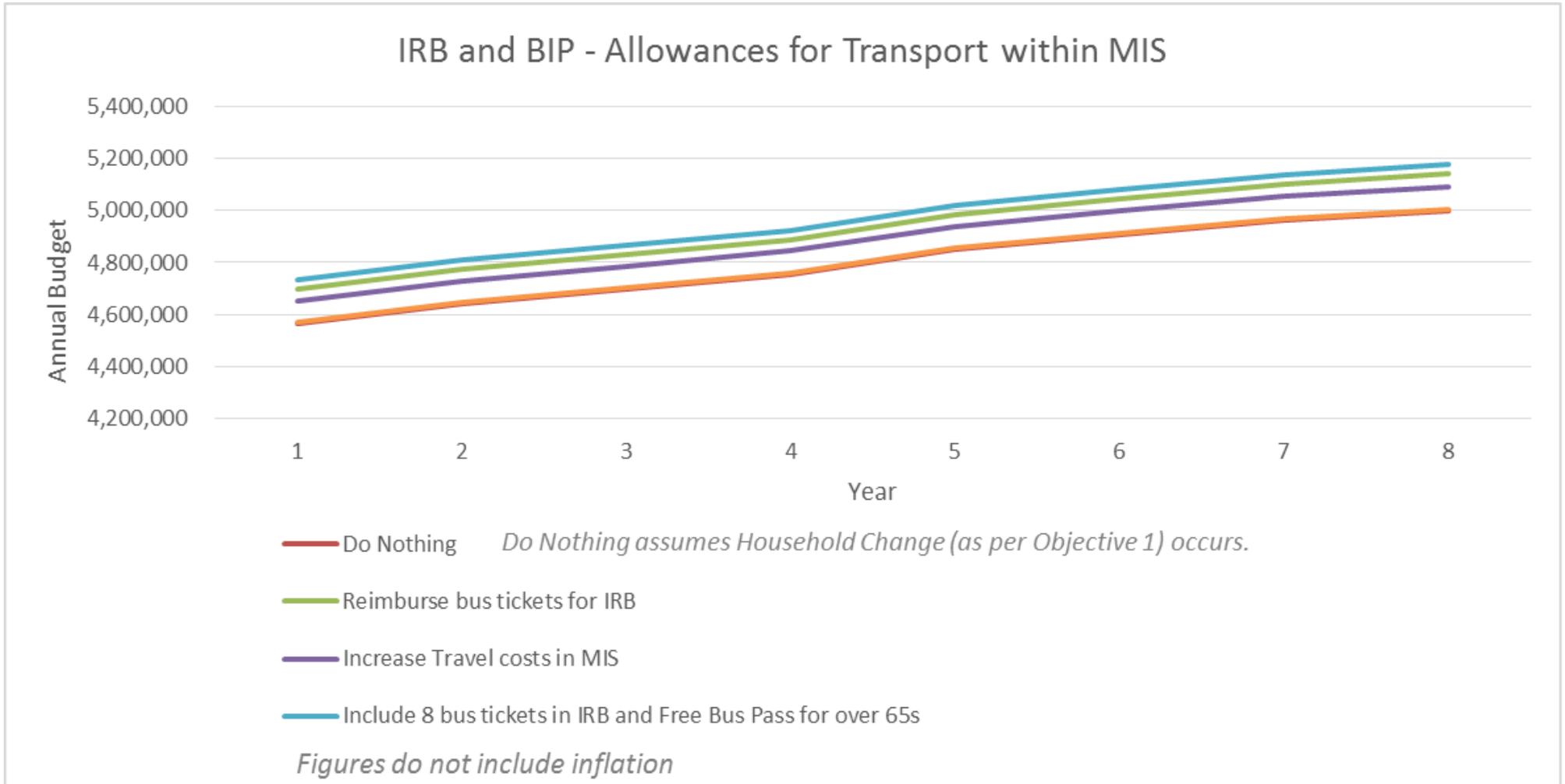
IRB: Achieving better outcomes for unemployed people

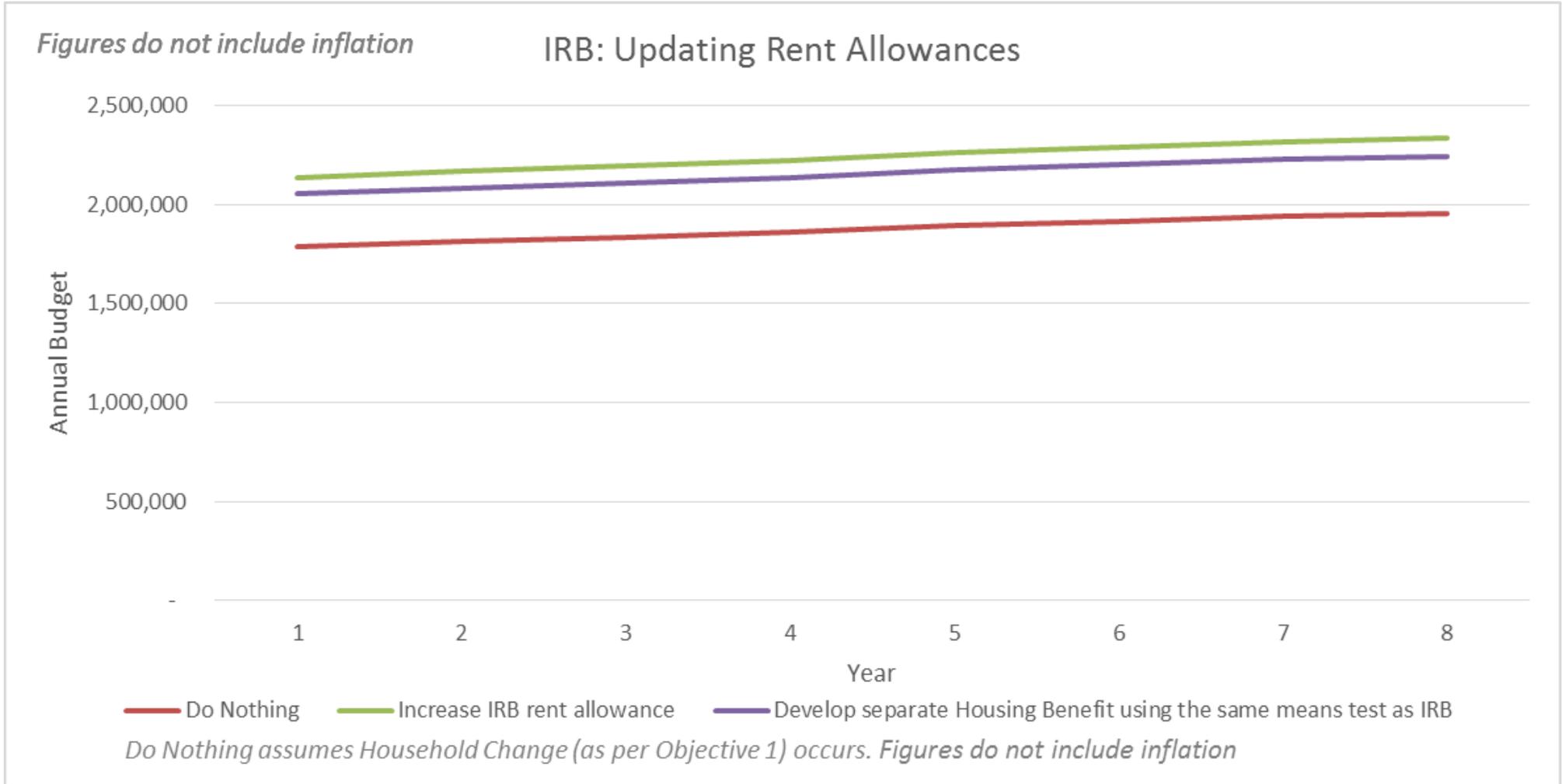


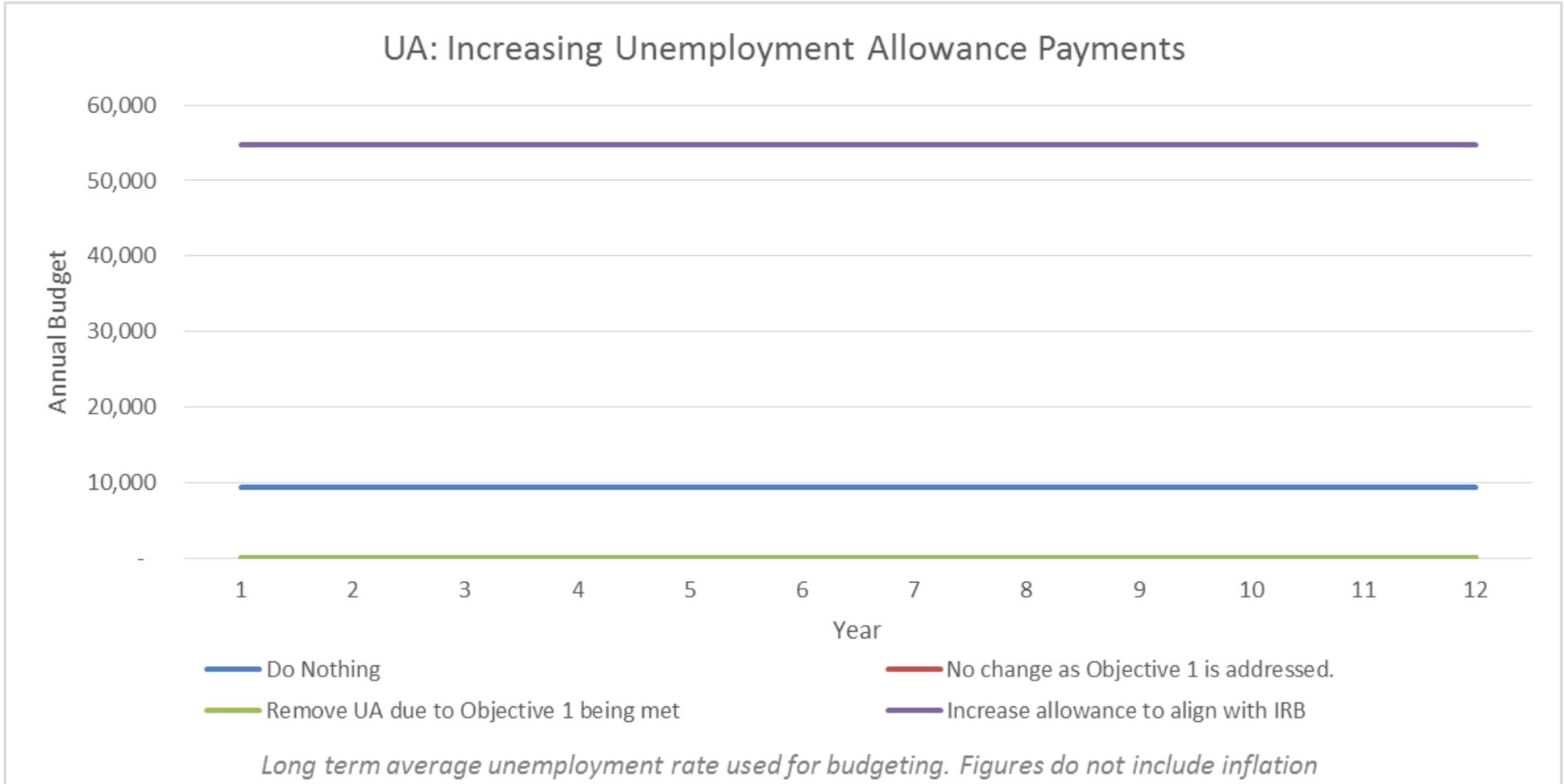
- Do Nothing
- Refer claimants to support on an advisory basis
- Develop a 3 day work scheme
- Develop a Jobs and Skills Service called 'Career Access St Helena'
- Create a Community Work Training Programme

Additional cost to IRB budget is demonstrated. Long term average unemployment rate was used. Figures do not include inflation

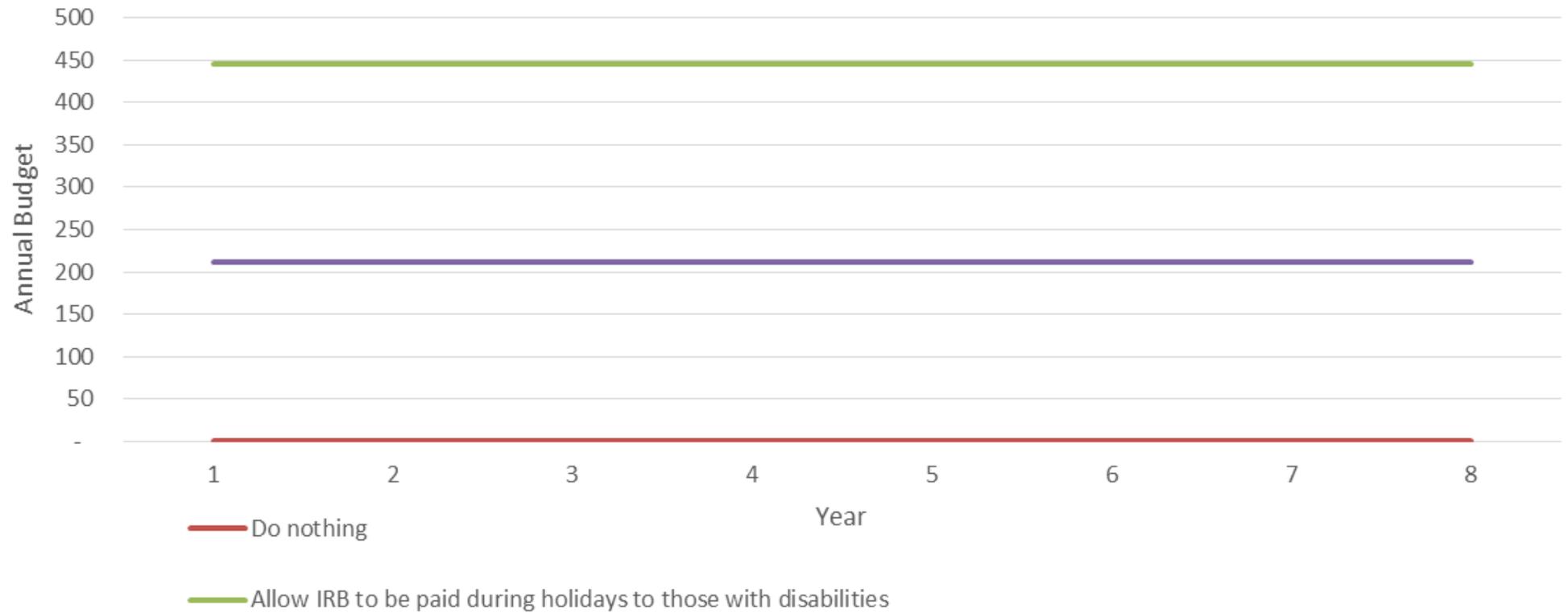








IRB: People with Disabilities receiving IRB whilst travelling



Additional cost to IRB budget is demonstrated. No growth in number of disabled people has been modelled. Figures do not include inflation

