The importance of independent income: understanding the role of non-means-tested earnings replacement benefits

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Non-technical summary

Most analyses of income distribution are carried out at a family/household level. But it is also possible to examine ‘individual income’ (received by individuals in their own right). Such income may be particularly important for women, given their unequal access to resources compared with that of men. The report of the UK National Equality Panel (NEP) in 2010 showed that between 1995-97 and 2006-08, median net individual income for women rose from 53% to 64% of men’s. We adopt a similar concept of ‘individual income’ in this paper to that used by the NEP.

Non-means-tested earnings replacement benefits (contributory, such as JobSeeker’s Allowance, and noncontributory, such as Carer’s Allowance) are one form of individual income. In this paper, we consider the implications for households/families and also for individuals if such benefits were to be abolished.

The 1980s and 1990s saw cutbacks in non-means-tested earnings replacement benefits for those of working age. From the late 1990s, there have been some piecemeal improvements, but by and large a continuing general decline. Changes have included tightening contribution conditions and behavioural conditionality, the abolition of some benefits and dependants’ additions, and cuts in survivors’ benefits – a pincer movement in which women are more likely to have been caught.

Non-means-tested earnings replacement benefits are less important to household incomes now than they were a decade ago. Some 60% of claimants are men and some 40% are women. Policy simulation of the abolition of these benefits shows that 9.3% of households, 8.9% of working age family units and 6.3% of working age people would be affected. About one third of family units would receive no compensation through increases in means-tested payments, with one third fully and one third partially compensated. The risk of poverty among people in households previously receiving non-means-tested earnings replacement benefits would rise by 9-10 percentage points. Single people (especially men) are more likely to be compensated by the means-tested system than couples.

Individuals in couples are less likely to be compensated via means-tested payments because their partner may have other income. Within couples, the average value of non-means-tested earnings replacement benefits is about 20% higher for men, but such benefits make up a
smaller proportion of men’s incomes. Women losing benefit are much more likely to be members of couples who are not compensated at all. If means-tested incomes that rise to compensate are shared equally within the couple, women ‘lose’ less than men in absolute terms - but this is mainly because women have less to lose; as a proportion of individual incomes, women lose more.

Most recent proposals for ‘welfare reform’ do not address the issues that we highlight here - the unit of assessment, or eligibility criteria for benefits (how people qualify for them – for example, whether benefits are means-tested or not). But until recently, these would be likely to have been seen as the major issues involved in debates about any reform of the social security system. And they are crucial to the future of the non-means-tested earnings replacement benefits for individuals considered in this paper. The aims of the social security system are seen increasingly narrowly in the UK today, as providing a ‘safety net’, rather than social protection over the lifecycle or a badge of citizenship for all. But moving further away from ensuring an independent income for individuals not only runs counter to gender equality goals but also fails to reflect social developments which increasingly involve expectations of all individuals being self-sufficient.
The importance of independent income: understanding the role of non-means-tested earnings replacement benefits

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Abstract

We argue that independent entitlement to income is important. This implies that earnings replacement benefits paid to individuals fulfil a range of functions which means-tested benefits, assessed at the family rather than individual level, cannot. The argument also highlights the need to consider gender differences in the receipt of income. We explore the implications of a scenario in which non-means-tested earnings replacement benefits are abolished and means-tested benefits and tax credits fill some of the gap. This illustrates the effects of UK trends and in proposals for further reform -- in the decline in non-means-tested benefits and the increase in means testing -- taken to their ultimate conclusion.

JEL: D31, I38
Keywords: Income, Benefits, Means testing, Gender

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1 This paper draws on research carried out as part of the Within Household Inequalities and Public Policy project within the Gender Equality Network, funded by the Economic and Social Research Council (RES-225-25-2001): http://www.genet.ac.uk (project 5). We are grateful to our colleagues with whom we have had useful discussions about this paper: Susan Himmelweit and Jerome De Henau (Open University) and Sirin Sung (Queen’s University Belfast). They do not carry any responsibility for the contents of this paper.
Contents

1 Introduction 1
2 Individual income and individual benefit entitlement 2
3 Recent history of non-means-tested earnings replacement benefits and current recipients 4
4 The importance of non-means-tested earnings replacement benefits for household, family and individual income 11
5 Implications for ‘welfare reform’ 23
6 Conclusions 27

Bibliography 29
Appendix: POLIMOD 32
Appendix tables 33
1. Introduction

The report of the National Equality Panel (NEP, 2010) examined what income is received directly by individuals. This provides a different picture compared with the traditional portrayal of income distribution based on household income, which does not take account of which individual adult within households receives any form of income. Given the differences in access to various kinds of resources between men and women in couples, the right to an independent income can be a particularly important issue for women. Research has demonstrated that benefits which individuals are entitled to in their own right can give them a greater say in household finances, and can also be crucial for some women in unequal couple relationships (e.g. see Goode et al., 1998).

This alternative perspective is highly relevant to policy formulation, and in particular to proposals for the type of ‘welfare reform’ put forward recently. In the main, however, the authors of such proposals do not consider the implications for access to income by individuals within couples. Most treat means-tested income (which depends on joint assessment of the needs and resources of both partners in a couple) as identical in its nature and effects to income which is not subject to a means test but to which individuals may gain entitlement in other ways. But these are fundamentally different forms of income: means-tested income (whoever receives it) is contingent on a partner’s presence, activities and resources, whereas non-means-tested income gives individuals independent access to resources in their own right.

In order to highlight the role of existing non-means-tested earnings replacement benefits as part of the individual incomes of adults of working age, we analyse below the implications of a scenario in which such benefits are abolished (section 4). These benefits include contributory JobSeekers Allowance (JSA) and contributory Employment and Support Allowance (ESA) (the replacement for Incapacity Benefit), as well as noncontributory Carer’s Allowance (CA).

There is currently no government proposal to abolish these benefits, and we do not suggest there is; our scenario is intended to illustrate the implications of their comprehensive replacement, leaving a solely means-tested system. However, several recent proposals for ‘welfare reform’ have suggested abolishing or restricting some or all such benefits (see section 5). And the UK coalition government has already proposed time-limiting the contributory element of ESA for those in the work related activity group to one year from 2012 (HMT, 2010a), and in the Welfare Reform Bill included a proposal to abolish the noncontributory form of ESA for young disabled people altogether. Given the direction of these and other recent policy developments, and in particular current pressures on public expenditure, it is also possible that further proposals of this type will be seriously considered in the future.

This paper does not examine those non-means-tested benefits whose primary function is to compensate for additional costs (such as Child Benefit and Disability Living Allowance). Instead it explores the significance of access to non-means-tested benefits whose primary function is earnings replacement, not only for families/households as a whole but also for those individuals entitled to them:

‘In particular, it is important to consider the impact of policy change on the degree of autonomy enjoyed by men and women, and the way in which within-household inequalities
may be affected, both immediately and over the life-course. This entails an attempt to look inside the family at individuals, rather than taking what is sometimes called a “unitary household” perspective.’ (Bennett, 2010, p. 100).

The rest of this paper is structured as follows. Section 2 examines the concept of ‘individual income’, as developed by the National Equality Panel, and sets out the arguments in favour of individual access to benefits, in terms of the right to financial autonomy, independent action and security. Section 3 outlines the recent history of non-means-tested earnings replacement benefits – including some improvements, but more restrictions and reductions, which we argue are likely to have particularly affected women and therefore counterbalanced any increasing entitlement because of higher labour market participation. Section 4 analyses the implications of abolishing non-means-tested earnings replacement benefits, both for households/families and at an individual level. It shows how the means-tested system would fail to protect all families from the loss and how individuals with earning partners are particularly vulnerable. Section 5 describes recent proposals for ‘welfare reform’, and draws out the implications of our analysis for these reforms; and the last section (6) draws some conclusions.

2. Individual income and individual benefit entitlement

Income

The report of the National Equality Panel (NEP, 2010, p.179) was unusual in placing some emphasis on the importance of measuring individual incomes when examining inequalities between groups, in particular between men and women. It described net individual income as ‘the resources available to individuals in their own right, and over which they will have strongest control’. The report did demonstrate that the median net individual income received by women in their own right (including benefits and tax credits as well as wages) rose from 53% of that of men in 1995-97 to 64% in 2006-08; but women still received only £180 per week on average, compared with £281 for men. Indeed, one in ten women have weekly individual incomes of below £49, and more than half are in the bottom 40% of the individual income distribution. This includes women of pension age, whereas our analysis focuses only on the working age population; but the NEP report (2010, p. 160) notes that women have much lower individual incomes than men at all ages (though the distribution is very wide within groups prior to state pension age, especially for women).

As the NEP report points out, the calculation of net individual incomes is in many ways the polar opposite case to the assumption of equal sharing of resources within the household, and ‘will be important ... to the extent that actual receipt of an income source indicates control over its allocation’ (p. 180). Net individual incomes clearly expose much greater gender differences than household incomes because, with the equal sharing assumption, gender differences only arise from differences between the incomes of single men and women and from the proportions of each sex who are single. It is important, therefore, as noted above, to recognise that this assumption of equal sharing is the usual basis on which poverty, inequality

2 Note that having control over the allocation of income is not necessarily the same as being the beneficiary. This is particularly the case with regard to resources intended to benefit children.

3 Nonetheless, this still shows women’s median income to be 7% lower than men’s, mostly due to the lower pension incomes and greater longevity of women.
and income distribution issues are discussed – and that this is not neutral, as is often assumed, but one end of a spectrum of possible assumptions.

There are many arguments for paying benefits as individual entitlements to income, rather than on the basis of household or family need. We summarise them here.

**Individual benefits give autonomy**

In the qualitative research carried out with men and women in low- to moderate-income couples in the Within Household Inequalities and Public Policy project in the Gender Equality Network,\(^4\) we found that ‘togetherness’ in terms of sharing family finances was valued by both men and women, but that access to an independent income was particularly meaningful for the women we interviewed.

Most men and women in our sample were in paid work, however low paid, and therefore receiving an income primarily via wages rather than benefits. Very few were in receipt of income replacement benefits which were not means-tested. It was clear, however, that where it occurred, receipt of an independent benefit income – in these cases, CA for caring - gave several women a degree of individual autonomy in what seemed to be a very unequal couple relationship, or helped to give them more say in decisions within the couple about household finances, or allowed them to organise their finances in the way they wished. CA was particularly likely to be seen as belonging to the individual - perhaps in part because it is awarded to someone caring for another person, and therefore resembles a wage (however inadequate its level). It seemed to be less likely than other benefits to go ‘into the pot’ to be spent on general household items, and more likely to be spent on specific items decided by the claimant themselves.

**Independence of action**

Non-means-tested benefits can also provide an important foundation for people to build on through their own efforts. For example, if one person in a couple is on contributory JSA or ESA, their spouse can remain in paid work, or get a job, without this affecting the claimant’s benefit at all - whereas if they are on the equivalent means-tested benefit, this is not the case. Partners of non-means-tested benefit claimants can be certain that in trying out a ‘mini-job’, for example, any income they earn will not affect these benefits at all. In addition, if an individual is a claimant in their own right, it is more likely that the support they need to re-enter employment can be more clearly identified and provided.

**Prevention of in-work poverty**

If one partner in a two-earner couple loses their job and has no entitlement to a non-means-tested benefit, the cost of preventing the family falling into poverty rests primarily with the other partner. ‘In-work poverty’ (measured in the usual way, in terms of total household income)\(^5\) becomes more likely in couples with one partner still in work. Men who have been the main breadwinner may find it particularly difficult to be dependent on a partner who still retains paid work. Claiming Working Tax Credit (WTC) may be possible if the partner works

\(^4\) [http://www.genet.ac.uk](http://www.genet.ac.uk) – see project 5.

\(^5\) Millar and Gardiner (2004) examined whether and how low-paid workers’ households manage to escape poverty.
30 hours per week or more (or 16 hours in a family with children). But the take-up rate of WTC is very low for those without children in particular, and the amount is reduced as earnings rise, unlike a non-means-tested earnings replacement benefit.

Security of income

Claimants involved in recent qualitative research about a single working age benefit, as reported by Sainsbury and Weston (2010), emphasised the importance of having a ‘known and secure income they could rely on and plan their household budgeting around’ (p.35); this is of course a characteristic of a non-means-tested benefit, which does not vary with each change of household circumstances or each variation of income of either partner. This suggests that non-means-tested benefits are more suited to today’s conditions, in terms of both family fluidity and flexible labour markets, as they provide a more secure base for individuals to rely on.

Advantages of focus on individuals for families

As they are paid to individuals, non-means-tested earnings replacement benefits do not involve a ‘couple penalty’ (the label for what some people identify as monetary disadvantage in terms of the amount of financial support available when two individuals live together as a couple, rather than living separately). If benefits are focused on individuals, there is not likely to be a differential between the rates for single people and couples, as the latter will merely be twice the former.

Moreover, strengthening individual access to income should not be seen as representing a threat to family stability, but rather the reverse. Lewis (2006) found that individuals often see a measure of personal financial security as necessary in order to take the risk of commitment to a couple relationship; for all but one of their respondents (who were largely women), ‘the security of some financial independence was described ... as providing the necessary security for the relationship to flourish’.

3. Recent history of non-means-tested earnings replacement benefits and current recipients

The recent history of the non-means-tested earnings replacement benefits examined in this paper has been mixed. Here, we provide an overview of major policy changes, both improvements and restrictions, and indications of the likely impact of these changes on women compared with men. This gives us the context for our examination of the implications of abolishing these benefits later in the paper.

Contributory and noncontributory benefits

Several of the working age benefits we are considering here are part of the contributory benefits system, requiring National Insurance (NI) contributions to have been paid (and/or credited) in order for claimants to qualify for them:

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6 It is proposed that the 16 hour rule will rise to 24 hours per week between the members of the couple in future. (The universal credit which will be introduced from 2013 will abolish earnings rules as it will be available to people in or out of paid work.)
• Contributory JobSeekers Allowance (JSA) for unemployed people (previously called Unemployment Benefit until JSA was introduced in 1996, when the means-tested and contributory elements were aligned in various ways);

• Employment and Support Allowance, which has both contributory and means-tested elements, and includes an initial assessment period, which is replacing Incapacity Benefit (which itself replaced Invalidity Benefit), for people with long-term health conditions rendering them incapable of work temporarily or permanently; and

• Bereavement Benefits, which used to be only for widows but have been extended to widowers in recent years, whilst being simultaneously cut back.

The wider NI system also includes some non-means-tested ‘earnings replacement’ benefits which depend solely on the category a claimant falls into (and often residence conditions), without contribution conditions:

• Industrial Disablement Benefit, the only benefit in Beveridge’s NI scheme available to married women paying reduced contributions;

• ESA with no contribution conditions for younger disabled people, which replaced Severe Disablement Allowance, intended for disabled people with no or insufficient NI contributions (now abolished for new claimants);

• Carer’s Allowance (Invalid Care Allowance from the 1970s until 2003); and

• Maternity Allowance, which used to be contributory, but is so no longer (instead having a low weekly earnings threshold).

Overview of changes to non-means-tested earnings replacement benefits

We focus in this paper on policy changes since 1997. However, as Horton and Gregory (2009) point out, in the 1980s and 1990s there was a series of cuts in contributory benefits, including abolition of the earnings-related supplement to short-term benefits, and the limiting of non-means-tested Unemployment Benefit from twelve to six months with the introduction of JSA; long-term benefits were also increased only with prices (rather than the higher of prices or earnings) from the early 1980s. There were therefore some ‘notable milestones’ in terms of the contraction of contributory benefits and the favouring of means-tested provision instead (Williams, 2009, p. 160).

Turning to the late 1990s onwards, with a few exceptions, ‘it is difficult to describe the last decade as having seen anything other than a continuing decline in working age national insurance benefits’ (Bennett, 2010, p 108). And the recent changes may have had a more substantial effect in reducing women’s entitlements, through tightening contribution conditions and behavioural requirements for claimants – counter-balancing women’s increased entitlement due to the growth in their employment. At the same time, dependants’ additions to non-means-tested benefits and survivors’ benefits – sometimes called ‘derived benefit rights’ because they depend on someone else’s entitlement – have been curtailed. Women are more likely than men to have been caught in this pincer movement, and less

\[7\] Hills (2003) and Williams (2009) give the recent history of changes to contributory benefits.

\[8\] Though note that dependants’ additions to benefits were paid to the claimants of those benefits, rather than being an individual entitlement of the dependants themselves.
likely to have been able to claim means-tested benefits to make up the shortfall, especially if they were living in couples.

**Improvements in access and/or level**

Some policies have improved access to, and/or the level of, non-means-tested earnings replacement benefits. These fall into three groups: improvements in maternity provisions; improved access to contributory benefits for those on low earnings; and easements in combining benefits with earnings. These were all introduced under Labour governments between 1997 and 2010 and are described below.

There has been a series of positive changes to maternity benefits in recent years, including increases in the length of maternity leave and the amount of payment. Many women qualify for Statutory Maternity Pay, paid by their employers (but refunded by the state); but Maternity Allowance may be available to those who do not. In 2000, entitlement to Maternity Allowance was extended beyond those who qualified via contributions to all qualifying women earning £30 per week or more – although this benefited only a small number of women, at least at first.

Improved access to contributory benefits for those on low earnings was achieved in 1999 through changes meaning that NI contributions only had to be paid on earnings above the weekly lower earnings limit (LEL), rather than on all earnings as before, thus abolishing the NI ‘entry fee’. This change benefits all those earning above the LEL. But as a percentage of income it is of more benefit to those earning just above the LEL – likely to be disproportionately women. Then the earnings level at which liability for contributions started was raised to the ‘primary earnings threshold’ (aligned with the personal income tax threshold). People earning above the LEL but below the ‘primary earnings threshold’ did not have to pay contributions, but were treated as though they had done so in terms of rights to benefits. Brewer et al. (2002) thought this was perhaps an attempt to bolster contributory benefits by making them more suited to the flexible labour market.⁹ It would also have benefited women disproportionately. (Men have gained new rights, however, from the replacement of Widow’s Pension by Bereavement Allowance and Widowed Parent’s Allowance, now available to both sexes, though on a more restricted basis.)

Easements in combining NI benefits with earnings have included increases in the level of income which those on CA are allowed to earn before their benefit is reduced (Patterson, 2002). In addition, from 2002 ‘permitted work’ rules allowed Incapacity Benefit claimants to try out work more flexibly than under previous rules (improved again in 2006) (Patterson, 2007); such earnings limits are only temporary, however, as claimants are trying out work. It is not known whether these changes affected men and women differently (leaving aside differences in the numbers of claimants).

**Restrictions in entitlement and reductions in benefit levels**

However, these positive moves are exceptions to the rule that most changes in recent years have restricted entitlement to non-means-tested earnings replacement benefits, in particular contributory benefits, and/or reduced their level. Some of the most significant of these are outlined below. These changes have not been introduced because of a deficit in the NI Fund; indeed, it has been in surplus for many years, and is currently projected to remain so until at

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⁹ This was a direction of change that had been proposed by the Commission on Social Justice (1994).
least 2070-71, according to the Government Actuary. The recommended minimum balance is 16.7% of annual benefit expenditure; at the end of March 2009, the balance was 72% (£50,631 million) (National Audit Office, 2009). Instead, the two motivations appear to have been a growing belief in ‘supply side’ solutions to unemployment and wider worklessness, and hence increasing emphasis on activation - with benefit receipt being seen as ‘passive’, and therefore ideally to be reduced; and an increased emphasis on the narrow, safety net function of social security.

Horton and Gregory (2009) argue that a possible response to people having insufficient contributions to qualify for NI benefits could have been a shift in entitlement criteria, to allow more people to claim. As noted above, some moves were made in this direction. But in general the response was a growth in means testing, primarily because of a desire to reduce social security spending. We explore below the implications of these changes for men and women.

Restrictions for claimants over the past decade have included the tightening of contribution conditions in various ways. From 2001, for example, claimants for IB usually had to have paid contributions in one of the last three years, rather than in any previous year as before (though with some exceptions, including carers) (Patterson, 2002). This tightening of the contribution conditions was likely to affect women more than men (Deacon et al., 2007), because their earnings are more likely to be interrupted for various reasons. There have been consistent efforts to try to prevent people moving on to sickness benefits from unemployment.

The Welfare Reform Bill 2008 tightened contribution conditions further on the introduction of ESA, meaning that claimants must now usually have paid contributions in one of the last two years. (This brought the new contributory ESA into line with contributory JSA.) The Government argued (DWP, 2008, para. 6.23) that it wanted to stop people qualifying after working for as little as four weeks; and it has protected carers’ entitlement to ESA. But making the contributory system less inclusive is nonetheless likely to have a disproportionate impact on women, given their disadvantaged labour market position relative to that of men. The equality impact assessment of the tightening of contribution conditions (published only at the end of 2010 (DWP, 2010d)) argues that because 58% of contributory incapacity benefits claimants are men and 42% women (61% versus 39% for ESA), this is more likely to affect men. But this difference is partly due to the lower state pension age for women, which is going to be increased soon. Moreover, the assessment makes no attempt to estimate how men and women may be differentially affected by a tightening of contribution conditions such as this.

2001 saw the abolition of the noncontributory benefit Severe Disablement Allowance (SDA). It was replaced by a provision allowing young people who had not paid contributions to qualify for IB instead. However, this exemption was not extended to others who had been able to get SDA, including older disabled people at home without paid work and people earning below the LEL (both more likely to be women). Since 2008 some people can get ESA without having paid contributions, with existing protections retained for carers and young disabled people, but not for all (DWP, 2008, para. 6.24). Although SDA was lower than IB, it provided an important source of independent income for many individuals, often women; this function has now been undermined. (And the government is proposing to abolish
the concession allowing access to ESA without a contribution record for young disabled people.)

*Conditionality and assessment tightened up*

Conditionality has been tightened for those on non-means-tested (as well as means-tested) benefits. There has been a clear shift towards more focus on paid work. Tighter conditionality can result in the loss of benefit, or the failure to qualify for it at all. Unemployed claimants have seen their pre-existing conditions tightened in a series of moves (eg see Patterson, 2007; Davis and Patterson, 2009); but so-called ‘inactive’ claimants, including IB claimants as well as lone parents (see below), have also been targeted in a similar process. The replacement of IB by ESA in 2008 (DWP, 2006) was set in the context of achieving an 80% employment rate overall. This extension of activation for ‘inactive’ people is likely to have affected women in particular, given their significant over-representation amongst lone parents and the partners of benefit claimants, as well as the increasing number of women on IBs.

Claimants originally defined as ‘incapable of work’ therefore experienced increasing conditionality from 2001 onwards. Sometimes this happened simultaneously with a tightening of contribution conditions (for example, with the introduction of ESA). The medical test was tightened in several waves, starting in 2001, and was then replaced with the work capability assessment for ESA in 2008 (DWP press release, 19 November 2007). Far more claimants than expected failed the new test. The Labour Government had also announced its extension to all existing IB claimants, not just new ESA claimants and those under 24 as previously proposed (HMT, 2008). Some amendments will now be made as the result of an independent review (Harrington, 2010). But nonetheless the increased conditionality for ill and disabled people is likely to push more claimants on to JSA, and therefore off non-means-tested benefits faster, given that contributory JSA only lasts for six months. The one extension of conditionality which was reversed was work focused interviews for claimants of CA.

*Abolition of benefits*

Some benefits have also been abolished. In addition to SDA (see above), the 1999 Welfare Reform and Pensions Act abolished the contributory Widow’s Pension and replaced it with Bereavement Allowance and Widowed Parent’s Allowance, which are available to both sexes but are more limited in scope (Williams, 2009; Patterson, 2002). These changes are likely to have affected women more in terms of losses. Some existing benefits have been reduced for some claimants; for example, half of an occupational benefit over £85 per week counted against IB entitlement from 2001.

Child additions to NI benefits were stopped for new claimants after 2003, and those for existing claimants are being phased out. Other elements of some benefits were also abolished – for example, age-related additions to IB for new claimants (DWP, 2008, para. 6.20) (later also reduced for existing claimants). There is now no (higher) long-term rate under the new ESA, though the payment for those in the ‘support group’ (more severely ill or disabled, and so not expected to move towards paid employment) is in practice higher than this. Most significantly, however, adult dependant additions to most non-means-tested benefits have also now been abolished, including those for IB claimants (on the introduction of ESA), and most recently also those for CA and MA recipients. This means that claimants cannot claim
additional benefit for their spouses.\textsuperscript{10} Urating amendments have also sometimes reduced the value of benefits; where this affects non-means-tested benefits more, access to independent income for individuals will be reduced in value.

\textit{Recipients of non-means-tested earnings replacement benefits}

Table 1 gives the numbers of recipients of non-means-tested earnings replacement benefits at various points over recent years.\textsuperscript{11} The proportion of male to female claimants falls a little over this time, and remains roughly 56\% to 44\% in favour of men.\textsuperscript{12} Although we know of no comprehensive study which analyses these figures, one interpretation of this relative stability is that the impact of the changes identified above has been balanced out overall by the increasing entitlement of women due to the growth in their share of employment, relative to men: greater numbers of women are therefore gaining individual rights to access a reduced version of the UK’s system of non-means-tested earnings replacement benefits.

By far the most significant non-means-tested earnings replacement benefits for adults of working age in terms of claimant numbers is IB/ESA. Numbers in receipt have been falling over the period shown in Table 1 and this is the benefit facing the most significant cutback, as the coalition Government plans to time limit contributory ESA for those in the work-related activity group to a year. The male:female ratio has remained broadly stable at 60\% to 40\% in favour of men. However, a study of new IB claimants in 2006/07 by Kemp and Davidson (2009) showed that, for women who had partners, the partners were more likely to be in paid work (nearly two thirds, compared with half of new male claimants’ partners). This suggests that a higher proportion of female claimants than male will lose (or have already done so) from the restrictions, as they are less likely to qualify for replacement means-tested benefits.

\textit{Conclusion}

In general, men are more likely to qualify for contributory benefits, because these are more suited to more consistent and full-time presence in the labour market; fewer women are likely to qualify (though they may be more likely to claim some noncontributory non-means-tested benefits). But cutbacks to benefits may be more likely to affect women, depending on what kinds of restrictions are imposed; and in addition, having an independent income may be more important to women, because they are more likely otherwise to be dependent on a partner’s income.

The implications of the kinds of changes described above are often not fully acknowledged by policy makers. For example, in its 2008 Green Paper on welfare reform, the DWP declared:

‘People who no longer qualify for contributory ESA under the new arrangements will be able to apply, instead, for income-related ESA.’ (DWP, 2008, para. 6.24)

\footnotesize{\begin{itemize}
\item \textsuperscript{10} Non-means-tested benefit claimants could only claim dependants’ additions for spouses in most cases, not partners, although there was a provision under which someone looking after your children could count as the equivalent of a spouse for this purpose, which meant that cohabitees in couples with children might count as adult dependants.
\item \textsuperscript{11} The data are the most recent, together with two years that are relevant for the analysis in the following section, which is based on the 2008/09 policy year and uses data (and hence recipients of non-means-tested earnings replacement benefits) from 2003/04.
\item \textsuperscript{12} Note that ESA cases will include both contributory and means-tested elements of ESA, though IB/SDA figures for earlier years do not include Income Support for incapacity.
\end{itemize}
Table 1 Non-means-tested earnings replacement benefit recipients by gender and for selected years (thousands)

<table>
<thead>
<tr>
<th></th>
<th>2003/4</th>
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<th></th>
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<th></th>
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<td>Female</td>
<td>All</td>
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<tr>
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<td>166.0</td>
<td>119.7</td>
<td>46.4</td>
<td>224.1</td>
<td>167.8</td>
<td>56.2</td>
<td>292.4</td>
<td>212.8</td>
<td>79.5</td>
<td>Feb-10</td>
</tr>
<tr>
<td>Incapacity benefit / ESA (and SDA)*</td>
<td>1,843.7</td>
<td>1,132.6</td>
<td>711.1</td>
<td>1,553.7</td>
<td>934.8</td>
<td>618.9</td>
<td>1,503.4</td>
<td>909.9</td>
<td>593.5</td>
<td>Feb-10</td>
</tr>
<tr>
<td>Maternity allowance</td>
<td>24.9</td>
<td>-</td>
<td>24.9</td>
<td>51.4</td>
<td>-</td>
<td>51.4</td>
<td>52.2</td>
<td>-</td>
<td>52.2</td>
<td>Feb-10</td>
</tr>
<tr>
<td>Carer’s Allowance*</td>
<td>386.1</td>
<td>100.6</td>
<td>285.5</td>
<td>465.7</td>
<td>125.9</td>
<td>339.8</td>
<td>499.8</td>
<td>139.5</td>
<td>360.4</td>
<td>Feb-10</td>
</tr>
<tr>
<td>Industrial Disablement benefit</td>
<td>342.3</td>
<td>276.9</td>
<td>65.4</td>
<td>327.9</td>
<td>262.9</td>
<td>65.0</td>
<td>324.1</td>
<td>259.6</td>
<td>64.7</td>
<td>Dec-09</td>
</tr>
<tr>
<td>Bereavement benefits</td>
<td>49.2</td>
<td>16.7</td>
<td>32.5</td>
<td>59.2</td>
<td>17.6</td>
<td>41.6</td>
<td>62.4</td>
<td>18.6</td>
<td>43.9</td>
<td>Feb-10</td>
</tr>
<tr>
<td>Total benefit payments</td>
<td>2,812.2</td>
<td>1,646.5</td>
<td>1,165.8</td>
<td>2,682.0</td>
<td>1,509.0</td>
<td>1,172.9</td>
<td>2,734.3</td>
<td>1,540.4</td>
<td>1,194.2</td>
<td></td>
</tr>
<tr>
<td>% of total by sex of recipient</td>
<td>100.0%</td>
<td>59%</td>
<td>41%</td>
<td>100%</td>
<td>56%</td>
<td>44%</td>
<td>100.0%</td>
<td>56%</td>
<td>44%</td>
<td></td>
</tr>
</tbody>
</table>


Notes: * working age, in payment only; 2008/9 figures do not contain ESA recipients; 2010 figures contain ESA recipients of non-means-tested payments (source for ESA: DWP Information Directorate: Work and Pensions Longitudinal Study; figures include those in GB and abroad). IB figures exclude credit cases (information from DWP 5% sample statistics). +JSA excludes cases with means-tested payments only: (information from DWP 5% sample statistics)
This has been repeated in subsequent official documents. Whilst technically correct, this ignores the fact that many couples – in particular those in which women lose their right to non-means-tested benefit – will not get alternative means-tested benefits because the other partner’s income is too high (Bennett, 2010), as in previous reforms (Deacon et al., 2007). In the example of the proposal to time-limit contributory ESA for those in the work related activity group, if they lost their jobs through incapacity this would mean they would no longer receive an income as an individual after a year.

It could be argued that the recent policy changes to non-means-tested benefits in the UK run counter to current demographic and social trends. On the one hand, we are being told with increasing urgency that we should be more self-supporting (Lewis and Bennett, 2003) (and the abolition of dependants’ additions and derived benefit rights reinforces that message). Yet other changes to contributory benefits which tighten both contribution conditions and behavioural conditionality are affecting those women (as well as men) who are struggling to do just that – i.e. support themselves - within the constraints of the continuing division of labour between the sexes, and a gendered labour market. And ironically, the more individualised types of (non-means-tested) benefits, which are more likely to encourage both partners in couples to work, and which therefore might be thought more appropriate to the current climate favouring individual self-sufficiency, are being downgraded, in favour of jointly assessed benefits which inevitably lessen the incentive for individuals to be self-supporting.

4. The importance of non-means-tested earnings replacement benefits for household, family and individual income

Below we use policy simulation to explore the effects of abolishing all non-means-tested earnings replacement benefits for people of working age and letting the means-tested system fill some of the gap. Of course, outright abolition of these benefits is not on any political agenda. The point here is to draw out the implications of a shift away from non-means-tested earnings replacement benefits for individual adults towards family-assessed means-tested benefits and tax credits.

In practice, such shifts are likely to be carried out in a piecemeal way, as we have seen from the recent history described above. Analysis of each stage will play an important role in understanding the effects. For example, in relation to the recent proposal to time-limit to one year receipt of contributory ESA for those in the work related activity group from April 2012, the National Association of Welfare Rights Advisers estimated that up to 400,000 people could see benefits cut or lost altogether. The government estimated that 60% of those who lose ESA will be able to claim some means-tested ESA; this means that 40% will not. But it is also important to understand the ‘big picture’ implications of such a shift, taken all together. We make use of POLIMOD, based on Family Resources Survey data (see Appendix), and take as our starting point the 2008/09 UK tax/benefit system. The benefits abolished in our simulations are those listed in Table 1, i.e. JSA (contributory), Incapacity

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13 House of Commons Hansard, Written Answers 19 November 2010, cols. 908-909W. See also Kennedy (2010).
Benefit, Maternity Allowance, Severe Disablement Allowance, Carer’s Allowance, Industrial Disablement Benefit and Bereavement Benefits. Potentially compensating for the loss in family income are increased entitlements to JSA (income-tested), Income Support, Child Tax Credit, Working Tax Credit, Housing Benefit and Council Tax Benefit.

Table 2 shows that budgetary savings of £10.5bn per year would result from abolishing non-means-tested earnings replacement benefits entirely, according to POLIMOD. This estimate compares quite well with the total expenditure on these benefits in 2008/09, which was £11.3bn according to DWP statistics (see Appendix, Table A1). The underestimate is partly due to a certain amount of under-reporting of receipt of benefits by respondents to the Family Resources Survey (FRS), on which POLIMOD is based, combined with the fact that we use data from 2003/04, updated for changes in prices and incomes but not for changes in population characteristics. Numbers on contributory JSA in particular have risen between 2003/04 and 2008/09 (see Table 1) and spending in real terms has risen by 26% (DWP expenditure statistics – see Table A1 in the Appendix).

Table 2 Budgetary effects

<table>
<thead>
<tr>
<th>£bn per year in 2008/09 prices</th>
<th>Incomplete take-up</th>
<th>Full take-up</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scenario A</td>
<td>Scenario B</td>
</tr>
<tr>
<td>Abolition of income replacement benefits</td>
<td>10.514</td>
<td>10.514</td>
</tr>
<tr>
<td>Increase in means-tested benefits/credits</td>
<td>-4.503</td>
<td>-5.105</td>
</tr>
<tr>
<td>Reduction in income tax</td>
<td>-0.191</td>
<td>-0.191</td>
</tr>
<tr>
<td>Net budgetary saving</td>
<td>5.819</td>
<td>5.218</td>
</tr>
</tbody>
</table>

Scenario A: Without passported premia. Scenario B: With passported premia
Source: POLIMOD using Family Resources Survey data

According to the FRS (and POLIMOD), 6.3% of working age people would be affected by the abolition of these benefits. Equal proportions of men and women would be affected, which is a somewhat higher proportion of women recipients than that implied by DWP statistics.15

The reduction in non-means-tested benefit spending would be offset to some extent by the rising cost of the means-tested system. The size of this effect depends on the assumptions made about how means-tested benefits would be adjusted on the abolition of some non-means-tested benefits. In particular, entitlement to premia (additional payments) within the Income Support system can currently be established by receipt of certain non-means-tested

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14 Our data refer to a period before the replacement of Incapacity Benefit (IB) by Employment and Support Allowance (ESA).
15 This is mainly because Table 1 counts receipt of each benefit, whereas the POLIMOD analysis counts receipt of any benefit (some beneficiaries receive more than one benefit). Counting each benefit using the FRS gives rise to a ratio of 54:46, which is close to that shown in Table 1. The remaining discrepancy is likely to be due to under-reporting of benefit receipt in the FRS.
benefits. One possibility is that these means-tested premia are effectively abolished along with the corresponding non-means-tested benefit. A second possibility is that the premia would be retained, with eligibility established in some other way. We explore both possibilities, referred to here as scenario A (without premia) and scenario B (with premia retained). In Table 2 under scenario B (which we use throughout as the central assumption), means-tested benefits rise to fill about half the gap left by income replacement benefits, at a cost of £5.1bn. Without premia, the extent of compensation by means-tested benefits and tax credits is less, and the cost is lower, at £4.5bn.

These estimates assume that take-up of means-tested benefits remains incomplete and that the take-up rate remains unchanged after the abolition of non-means-tested earnings replacement benefits (see the Appendix for more information about these assumptions). However, it is quite likely that take-up would increase if the only available support was via the means-tested system. We also show the effects assuming full take-up both before and after abolition of non-means-tested earnings replacement benefits (columns 3 and 4 of Table 2). The cost of increased means-tested benefits is then 22% higher than under the incomplete take-up assumption.16

There is also a modest reduction in the amount of income tax that would be collected (£0.19bn), because some of the benefits being (hypothetically) abolished are taxable. Overall, there would be a net budgetary saving of £5.22bn per year under scenario B with incomplete take-up. This would be £0.6bn higher if passported premia were lost from Income Support (scenario A), and £1.2bn lower if take-up of means-tested benefits were complete. It is interesting to note that this cost is lower, even in nominal terms, than that shown for a similar analysis of the tax/benefit system for October 1999 (Sutherland, 2000). Then, the net revenue gain under the partial take-up assumption was £7.58bn, or 30%, greater than the 2008/09 estimate shown in Table 2. This is a quantitative measure of how much less significant the individual non-means-tested earnings replacement benefit system is today compared with nearly a decade ago. Its reduced role in aggregate can be explained by a number of factors, including a less generous earnings replacement system and lower coverage of that system, as explained in section 3 above.

We evaluate the effects on personal incomes at three levels. First, we do this in terms of household income, which is consistent with the unit of analysis used in poverty measurement,17 and the appropriate unit to adopt if one wishes to ignore within household inequalities. In this analysis, we consider the population as a whole, including people over working age (who may be sharing households with people affected by the loss of non-means-tested earnings replacement benefits). Secondly, we focus on family units (or ‘benefit units’) in which all adults are of working age (assumed to be under age 60 for women and 65 for men). Sutherland (2000) carried out a similar analysis at this level and suggested that within-couple effects might indicate gender differences in the impact of this policy change and that it was important to look at the implications for the individual income of the partners of

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16 If abolishing earnings replacement benefits had the effect of increasing take-up rates then the additional cost of means-tested benefits would be higher still. This scenario is not modelled because it would require an assumption about how much take-up would improve by.

17 For example, in the annual *Households Below Average Income* figures published by the Department for Work and Pensions.
employed people. Here, we attempt to do just that and consider both the effects on single men and women and the within-couple effects on men and women in those couples affected.

**Households**

The budgetary saving shown in Table 2 translates directly into reductions in household income. As Table 3 shows, 9.3% of all households would be affected by the abolition of working age non-means-tested earnings replacement benefits. Some would be fully compensated by the means-tested system (2.8% of all households under scenario B, with incomplete take-up).

**Table 3 Household effects**

<table>
<thead>
<tr>
<th></th>
<th>Incomplete take-up</th>
<th>Full take-up</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scenario A</td>
<td>Scenario B</td>
</tr>
<tr>
<td>Percentage of all households affected</td>
<td>9.25</td>
<td>9.25</td>
</tr>
<tr>
<td>Percentage of all households losing income</td>
<td>7.52</td>
<td>6.52</td>
</tr>
</tbody>
</table>

Scenario A: Without passported premia. Scenario B: With passported premia
Source: POLIMOD using Family Resources Survey data

Figure 1 shows the proportion of all households affected by household income decile group, indicating what proportion of the income lost from non-means-tested earnings replacement benefits is compensated fully, partially or not at all by the means-tested benefits system.

**Figure 1 Percentage of all households with non-means-tested earnings replacement benefits: extent of compensation by the means-tested system for loss of these benefits by household income level** (incomplete take-up)

Source: POLIMOD using Family Resources Survey data
Not surprisingly, recipients of earnings replacement benefits tend to be concentrated in middle- and low-income households. Such cases are also more likely than people in higher-income households to be compensated or partially compensated by the means-tested system (white and grey sections of the bars), although this is by no means uniformly the case: some people in the lowest household income groups would not be compensated at all (black sections of the bars). These are people not taking up means-tested benefits and those who are not entitled, perhaps due to the capital test. At the other extreme, a few with above median household incomes would be fully compensated. These are cases of benefit recipients sharing households with other family units whose income and capital are not taken into account in the means test; an example might be a young unemployed person living with their better-off parents.

Lack of full compensation at low- to middle-income levels has consequences for the risk of poverty for people in those households affected. Using a fixed poverty threshold of 60% of median equivalised household income, under scenario B with incomplete take-up poverty rates would rise by 8 percentage points for the group affected (from 23.3% to 31.3%), and the increase is 5 percentage points for children in households affected (from 23.1% to 28.2%). This would imply an increase in the overall poverty rate, and the child poverty rate, of less than 1 percentage point in each case. One particular group faces a particularly large increase in their poverty rate: those in one-earner couples affected by the loss of non-means-tested benefit would see their poverty rate more than double, from 7.2% to 17.1%. This demonstrates how significant non-means-tested earnings replacement benefits are to ‘in-work poverty’.

Families (benefit units)

A household level analysis is relevant because it allows us to explore the implications of the shift to means testing for the working age population for the income distribution as a whole, and for poverty risk, using established measures. However, an analysis at the level of the units used to assess means-tested benefits and tax credits (‘family’ or ‘benefit’ units) allows us to focus more precisely on the effects of such changes. We also limit our analysis to benefit units where all adults are aged below the 2008/09 pension age (60 for women and 65 for men).

On this basis, 8.9% of working age family units would be affected by the loss of non-means-tested earnings replacement benefits; and under scenario B, with partial take-up of means-tested benefits, one third of them would be fully compensated and two thirds would lose. The effects over the working age family unit income distribution are shown in Figure 2. The pattern is similar to that shown for all households in Figure 1, except that the prevalence of receipt of non-means-tested earnings replacement benefits is highest in the lower-middle part of the distribution (decile groups 3 to 5), rather than right at the bottom. Full compensation is also more likely in decile groups 2 to 4 than it is in the bottom decile group. This is partly due to those assumed to be not taking up their means-tested benefit entitlements and Figure 3, which shows the same information as Figure 2 but with full take-up, confirms that this is part of the explanation. However, it also shows how the means-tested benefit system fails to fully compensate half of those affected by the loss of non-means-tested earnings replacement benefits even in the bottom decile group, as well as in the bottom 30% as a whole.
As well as counting the losers, it is important to measure the size of the loss, both in absolute terms and as a proportion of income. Figures 4 and 5 show this, using the original income level of the family (i.e. while still receiving non-means-tested earnings replacement benefits). Assuming some non-take-up, Figure 4 shows how the average absolute loss (right-hand axis) is larger for higher-income families (it is nearly £80 per week for the few families in the top
decile group who are affected). However, in proportional terms (left-hand axis), the loss is very high for those on the lowest incomes: 30% in the bottom decile group. This is largely due to the assumption that this loss would not trigger an increase in take-up by those entitled to means-tested benefits. As Figure 5, which assumes full take-up, shows, the proportional reduction in income is around 10% if all entitlements are received. The size of the average proportional loss is similar across income levels, corresponding to an absolute loss that is on average much larger for better-off families.

**Figure 4 Average absolute and proportional loss in income by level of family income**

(incomplete take-up)

![Graph showing average absolute and proportional loss in income by level of family income.](image)

Source: POLIMOD using Family Resources Survey data

**Figure 5 Average absolute and proportional loss in income by level of family income**

(full take-up)

![Graph showing average absolute and proportional loss in income by level of family income.](image)

Source: POLIMOD using Family Resources Survey data
The extent of compensation by the means-tested benefits system depends to a large degree on the amount of other income received by the family unit. In the case of couples, this other income may be received by the partner (see the next section). In the case of single people, this depends only on their own income (and capital) from other sources. Figure 6 shows how the family unit income distribution that we have considered so far is made up in terms of composition by singles (men and women) and couples. More than 60% of working age people live in couples. This proportion is higher at higher equivalised family income levels and only in the bottom 20% of family incomes do single people outnumber people in couples. Numbers of single men are somewhat larger than numbers of single women in the relevant age groups (adults under 65 and 60 respectively). In particular, there are considerably more single men than single women in the bottom three income decile groups.

**Figure 6: Composition of family units by income level (%)**

This compositional feature is reflected in the ways in which removing non-means-tested earnings replacement benefits affects single men and women, as shown in Figure 7. Under both the incomplete and full take-up assumptions, more single men than single women are fully compensated by the means-tested system. This reflects the fact that on average single women in receipt of non-means-tested earnings replacement benefits tend to have access to other sources of income to a greater extent than single men. Figure 7 also shows how couples are less likely to be fully compensated than single people, due to the effect of the other partner’s income. Exploring this outcome, and whether there is a within-couple gender dimension to it, is the topic of the next section.

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18 Here, all couples are male-female couples. Same sex couples are treated as single people (of whichever sex) in this analysis because this is how they are treated in the data - and how they would have been treated by the UK benefit system until 2004.
Figure 7 Family units with non-means-tested earnings replacement benefits: extent of compensation by the means-tested system for loss of these benefits by family type and benefit take-up assumption

Source: POLIMOD using Family Resources Survey data

Individuals in couples

In analysing the individual incomes of men and women within couples, we take a similar approach to that of the NEP report, discussed above, but making somewhat different assumptions about the incidence of benefits within the household, and including Housing Benefit and Council Tax Benefit in the calculation of income (see the Appendix). As with the NEP calculations, we assume that any earnings, investment income and individual benefits to which individuals are entitled are the income of the person concerned. On the other hand, all means-tested benefits and tax credits, together with Child Benefit, are assumed to be allocated half each to the two members of the couple, whoever receives them, on the basis that they are for the benefit of the family as a whole. The NEP calculations instead allocate these income components to the person recorded in the survey data as the recipient.

These two assumptions are both arbitrary and simple. They have distinct implications for the interpretation of the results of any analysis. On the one hand, the NEP analysis implicitly assumes that receiving the payment implies some ownership and (as explained above) greater control over the allocation of this income. On the other hand, our method involves accepting the assumption that the benefits intended for the family unit are shared by it. Thus it is likely that the within-couple inequality identified in our analysis is less than if means-tested benefits are not in fact shared equally. Therefore, on our assumption, on the loss of an individual non-means-tested earnings replacement benefit the former recipient of that benefit may be compensated by half of any consequential increase in means-tested benefit. The partner would ‘gain’ half of the increase in the couple’s means-tested entitlement. Thus, even where the couple as a unit is fully compensated, there will be a gainer and a loser within the couple, using these assumptions. If both partners lose some non-means-tested earnings replacement benefit, they may or may not be compensated as a couple, or in terms of their individual income, through means-tested benefit income. Of course it would be mistaken to interpret the
‘gain’ of (say) a woman whose partner lost an individual non-means-tested earnings replacement benefit and moved on to means-tested benefit (which is assumed to be shared) as a gain in any meaningful sense: it simply serves to illustrate the extent of the shift from individual to couple-based entitlements.

The particular issue we focus on is the extent to which the income of partners prevents or limits compensation for the loss of the non-means-tested benefit through the means-tested system, and whether there are within-couple differences by gender. The analysis focuses only on couples affected by the loss of individual non-means-tested earnings replacement benefits (1,229 sample couples, representing 1.027 million UK couples).

First, Table 4 shows that for 12.5% of couples affected, both the man and the woman lose some individual non-means-tested earnings replacement benefit. Almost the same proportions of the remainder are affected by the woman’s loss of benefit as are affected by the man’s loss. However (not shown in the Table), the average value of the lost benefit is somewhat higher for the man (£89.54 per week in 2008/09 prices) than for the woman (£75.45); and this represents on average a higher percentage of the woman’s individual income (57%) than the man’s loss represents for men (51%). This is because, although equal numbers of men and women are in receipt of individual non-means-tested earnings replacement benefits, the value of these benefits is on average higher for men within couples and men on average have higher individual incomes overall.

Table 4 Couples of working age with loss of non-means-tested earnings replacement benefits (ERBs) and extent of couple-level compensation (full take-up)

<table>
<thead>
<tr>
<th>% of couples by level of compensation</th>
<th>Man loses ERB</th>
<th>Woman loses ERB</th>
<th>Both lose ERB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not compensated</td>
<td>37.0</td>
<td>58.4</td>
<td>9.8</td>
<td>43.0</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>32.0</td>
<td>14.7</td>
<td>53.6</td>
<td>27.1</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>31.0</td>
<td>26.9</td>
<td>36.6</td>
<td>29.9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

| % of couples by who loses earnings replacement benefit | | | |
|------------------------------------------------------| | | |
| Not compensated                                      | 37.6         | 59.6           | 2.8          | 100   |
| Fully compensated                                    | 51.5         | 23.8           | 24.7         | 100   |
| Partially compensated                                | 45.2         | 39.5           | 15.3         | 100   |
| All                                                  | 43.6         | 43.9           | 12.5         | 100   |

Source: POLIMOD using Family Resources Survey data

Table 4 also shows how women losing benefit are more likely (60%) than men losing benefit (38%) to be in couples not compensated at all, reflecting the higher income of men partnered with women on benefit than the income of women with male partners on benefit. The estimates in Figure 3 assume full take-up of means-tested benefits. The aim is to show the implications of the intended effects of the benefit system, rather than to predict what would happen to individual incomes within the household in the event of non-means-tested earnings replacement benefits being abolished. We know too little about how take-up behaviour relates to income (or other inequalities) within the household to do more than draw out the
implications of the mechanisms in place. Figure 8 summarises the numbers affected, with and without full take-up, graphically.19

**Figure 8 Couples with non-means-tested earnings replacement benefits: extent of compensation by the means-tested system for loss of these benefits by recipient(s) and benefit take-up assumption**

![Figure 8](image)

Source: POLIMOD using Family Resources Survey data

The results in the top panel of Table 5 (also assuming full take-up) show the average income changes for each of the groups. The bottom right-hand cells show how women in the affected group of couples as a whole ‘lose’ less in absolute terms than men (£20.77 compared with £28.56 per week). This is a reflection of our assumption of equal sharing of couple-based entitlements, combined with the fact that on average men’s non-means-tested earnings replacement benefits are higher than women’s. Looking at what happens to the different groups serves to illustrate the various mechanisms that operate.

First, among couples with no compensation through means-tested benefits, women lose considerably more than men on average (£49.77 per week, compared with £30.11). This is because of the high proportion of couples with women rather than men in receipt of non-means-tested earnings replacement benefits in this group. Men partnered with women on these benefits tend to have higher other incomes than women partnered with men on the same kind of benefits.

Secondly, for those couples compensated partially or in full, the amount lost by men tends to be higher than the amount lost by women. This is illustrated by the figures for the couples where both lose earnings replacement benefits and there is full (couple level) compensation through means-tested payments. Women in these couples ‘gain’ a little on average and men ‘lose’ a little on average, according to our calculations. Women gain more from their share of

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19 Appendix Tables A2 and A3 show calculations based on the incomplete take-up assumption, equivalent to those presented in Tables 3 and 4.
means-tested benefits than they lose from the loss of non-means-tested earnings replacement benefits – but this arises simply because their earnings replacement benefits are on average lower. A similar effect is shown for those partially compensated.

**Table 5** Average individual ‘gains’ and ‘losses’ from the shift to means testing by extent of couple-level compensation and by who loses non-means-tested earnings replacement benefit (ERB) (full take-up)

<table>
<thead>
<tr>
<th>Absolute change in income £ per week</th>
<th>Man loses ERB</th>
<th>Woman loses ERB</th>
<th>Both lose ERB</th>
<th>All couples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not compensated</td>
<td>-75.23</td>
<td>0.00</td>
<td>-79.66</td>
<td>-65.01</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>-46.56</td>
<td>47.56</td>
<td>38.15</td>
<td>-37.59</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>-79.15</td>
<td>27.00</td>
<td>11.01</td>
<td>-60.09</td>
</tr>
<tr>
<td>All</td>
<td>-67.27</td>
<td>23.59</td>
<td>8.57</td>
<td>-68.21</td>
</tr>
</tbody>
</table>

| % change in income                  | -29.8        | 0.0            | -52.9       | -29.1      | -48.9      | -8.3       | -26.0      |
| Not compensated                     | -24.0        | 46.6           | 28.2        | -18.8      | -3.7       | 5.3        | -9.3       | 12.7       |
| Fully compensated                   | -44.0        | 22.0           | 4.5         | -40.7      | -22.2      | -11.7      | -18.2      | -10.4      |
| Partially compensated               | -31.8        | 14.2           | 2.5         | -43.4      | -12.9      | -6.3       | -10.8      | -13.0      |
| All                                 | -29.8        | 0.0            | 0.0         | -52.9      | -29.1      | -48.9      | -8.3       | -26.0      |

Source: POLIMOD using Family Resources Survey data

Thirdly, as shown in the bottom panel of Table 5, while the absolute loss for women may be somewhat smaller than that for men (across the whole group of couples), as a proportion of their individual income it is significantly larger: 26.0%, compared with 8.3% for men.

**Summary of main points**

- Individual non-means-tested earnings replacement benefits are less important to household incomes than they were ten years ago, our policy analysis above suggests why this might be the case.

- 9.3% of households, 8.9% of working age family units and 6.3% of working age people (a similar percentage of men and women) would be affected by abolition of these benefits.

- Depending on the way in which this was done, and the assumption made about take-up of means-tested benefits and tax credits, about one third of family units would receive no compensation through increases in such means-tested payments, one third would be fully compensated and one third would be partially compensated.

- Poverty rates would rise by around one percentage point; the risk of poverty among people in households currently receiving non-means-tested earnings replacement benefits would rise by 9-10 percentage points if they were abolished entirely. Although not primarily intended to protect against poverty, non-means-tested earnings replacement benefits clearly do play an important role in this respect. Furthermore,
despite its ‘targeted’ nature, the means-tested system does not offer guaranteed protection from poverty.

- Single people are more likely to be compensated through the means-tested system than couples because they are less likely to have substantial other incomes.
- Single men are more likely to be fully compensated than single women: on average, single women in receipt of non-means-tested earnings replacement benefits have higher other incomes than comparable single men.
- Individuals in couples are less likely to be compensated because their partner may have other sources of income.
- Within couples, equal numbers of men and women are in receipt of non-means-tested earnings replacement benefits; but the average value of the benefit is about 20% higher for men.
- In proportional terms, these benefits make up a smaller proportion of men’s incomes in couples than they do for women’s incomes (ie not the same outcome as for single men and women).
- Women losing benefit are much more likely than men losing benefit to be in couples who are not compensated at all. This is a reflection of the fact that male partners of women on such benefits have higher other incomes than the female partners of men on these benefits. This is because generally male partners are more likely to be earning (and earning more) than female partners.
- Assuming that means-tested incomes are shared equally within the couple, shifting from non-means-tested to means-tested payments results in women ‘losing’ less in absolute terms than men; but this is mainly a reflection of the fact that women’s non-means-tested earnings replacement benefits are on average lower (ie they have less to lose). As a proportion of individual incomes including these income replacement benefits, women in couples lose more than men.

5. Implications for ‘welfare reform’

Introduction

Various proposals have been put forward recently to reform existing financial provision for people of working age. Several were summarised in the Government’s consultation document on welfare reform (DWP, 2010a). Some include suggestions about how non-means-tested earnings replacement benefits might be dealt with; and in a few, some of these benefits are restricted or abolished. The Institute for Fiscal Studies, in its 2010 ‘Green Budget’, also tested out various proposals, including the possible time-limiting of contributory IB/ESA (and contributory JSA) and the abolition of CA20 (Brewer et al., 2010). The authors do point out clearly that if CA were abolished (saving a net £0.5bn), claimants could instead claim IS -

20 The IFS authors appear to bracket CA with those non-means-tested benefits intended to help meet additional costs (such as Attendance Allowance and Disability Living Allowance), rather than with other earnings replacement benefits, which is where we would argue it belongs.
but that successful claims would depend on their income and that of their partner. They also state (p. 174) in relation to time-limiting IB/ESA or JSA:

‘The losers from these reforms would be recipients of contributory JSA or IB/ESA who also have other private sources of income, or a partner with an income’ (p. 174).

(Those with capital of over £16,000 would also lose out.) But they do not attempt any gender analysis of the impact of these cuts similar to the one we carry out above.

The Government in the 2010 spending review proposed the time-limiting of contributory (non-means-tested) ESA for the ‘work related activity group’ to one year. Its own proposals for wider welfare reform (DWP, 2010b) did not suggest the abolition of non-means-tested earnings replacement benefits, but did raise questions about the contributory principle in general and the future of CA. Subsequently it decided to abolish noncontributory non-means-tested ESA for young disabled people. These benefits are therefore very much on the policy agenda at the moment, and we discuss in this section how this is dealt with in some reform proposals. We draw on the analysis in the preceding sections when considering the likely effects of such proposals.

There appears to be a range of different motivating factors behind the reform proposals from various organisations. However, it is striking how little attention is paid in them to either the unit of assessment (individual, family or household) or the eligibility criteria for benefits (via contributions record, category of people or means test). These omissions make a nuanced gender analysis less likely, as attention is directed away from some aspects of benefit entitlement that can have crucial gender implications. This lack of attention is not confined to non-governmental organisations. Statements in government publications have often implied, for example, that all benefits and tax credits are given to households rather than individuals. And government-commissioned evaluations of reforms involving JobSeeker’s Allowance claimants do not always differentiate between the contributory and the means-tested elements.

**Single working age benefit**

The most longstanding proposal of recent years is for a ‘single working age benefit’ (SWAB) to bring together several earnings replacement benefits for people of working age. This was put forward by Sainsbury and Stanley (2007) and endorsed by the Freud review (2007). In practice, the previous Labour government’s longer-term welfare reform plans envisaged instead the abolition of Income Support, with most working age claimants receiving JSA or ESA (and uncertainty about the position of carers on Income Support).

Sainsbury and Stanley (2007) suggested amalgamating most working age earnings replacement benefits, with a more flexible approach to conditionality. The authors’ main model of a SWAB included the abolition of contributory IB/ESA and JSA, with two alternatives, one involving these benefits continuing for 12 weeks before being means-tested, and the other involving an (unclear) ‘individualised means test’. Moullin (2007) also included CA in the benefits which would be collapsed into such a single working age benefit.

In a report of an exploratory study of the attitudes of benefit claimants and staff towards a SWAB, Sainsbury and Weston (2010) describe it (p.33) as comprising a basic component and additional components for certain costs. The first ‘would effectively combine JSA, ESA (and IB), IS and potentially Bereavement Benefits and Carer’s Allowance’. There is little
discussion of the implications for individuals’ access to income in their own right; and the authors do not seem to be aware of the significant implications of their proposals for individuals and families, and the future of the social security system more generally.

__Mirrlees Review__

Brewer, Saez and Shephard (2008), for the Mirrlees review of the tax system organised by the Institute for Fiscal Studies, suggested amalgamating means-tested benefits (in and out of work) and tax credits into one programme, called ‘integrated family support’. This is described as aiming to strengthen work incentives for people on low incomes, increase simplicity and certainty for families and reduce fraud and administration costs. The authors do not discuss what should happen to non-means-tested earnings replacement benefits for people of working age in their reform. They thus ignore the importance of these as sources of independent income for individuals.

__Individual ‘pots’ of contributions__

A scheme proposed by Martin (2009) for the Centre for Policy Studies (CPS) does discuss non-means-tested earnings replacement benefits. It includes a hybrid weekly benefit drawing together the contributory and income-based elements of several main benefits/tax credits, as well as recasting CA (Davis and Patterson, 2009). It suggests abolishing contributions – or, instead, making a stronger link between contributions and eligibility, with contributions for individual entitlement (instead of the risk-sharing which currently takes place). This proposal at least acknowledges the value of non-means-tested benefits. But its individualised scheme would disadvantage many women in particular, because of their lower earnings and more interrupted working lives.

__Dynamic benefits__

The Centre for Social Justice (CSJ, 2009), in putting forward its ‘dynamic benefits’ proposals, claims that ‘we remove the distinction between contributory and noncontributory [means-tested] working age benefits, and between in work and out of work benefits’ (p 267). This certainly suggests that abolition of non-means-tested working age benefits is part of the proposed reform. In general, however, the report ignores their existence. In fact, it only examines a rather narrow part of the benefits system, putting forward only limited goals for a working age social security system. This scheme is closest to the coalition government’s ‘universal credit’, although this does not include the absorption of non-means-tested earnings replacement benefits.

__Abolition by omission__

The Taxpayers Alliance (Taylor et al., 2010) ‘proposes a simple negative income tax that would replace most of the benefits ... currently paid to working-age households’ (p.5). The problems identified do not appear to implicate non-means-tested earnings replacement benefits for people of working age; yet some of these benefits nonetheless seem to be abolished as part of the reforms. Rather oddly, the reforms appear to include the abolition of contributory JSA and ESA (not SDA), but the retention of CA, Maternity Benefits and Industrial Injuries and Bereavement Benefits.

The authors argue that most working age households would only apply for one benefit (p.10). They do suggest sharing this benefit equally between the adults, ‘thus ensuring that no one
person has undue financial power” (p. 38). But this does not prevent them proposing the abolition of many benefits which, because they are paid to individuals within couple households, achieve precisely this goal under the current system.

**Long-term reform, no short-term ideas**

A report by Kay (2010) for Policy Exchange suggests raising earnings disregards to the equivalent of 16 hours’ work per week at the minimum wage. The report says the contributory parts of JSA, IB and ESA ‘should also be included in this change’, but that doing so would require ‘a lot more thought’ (p. 87) - although it still argues that ‘over the long-term, contributions-based benefits can be brought into the fold’.

**Government proposals**

The government’s own consultation document (DWP, 2010a) and White Paper (DWP, 2010b) suggested merging means-tested benefits and tax credits for those in and out of work into a ‘universal credit’, and this has now been brought to fruition in the Welfare Reform Bill 2011. The issue of the balance between contributory and other benefits was raised in the White Paper. Contributory benefits will still be paid to individuals qualifying for them; and in principle a partner’s earnings or other income will not count against them. But their longer-term future has been questioned by several commentators, especially given the cementing of means testing as the central mechanism in the UK social security system in the government’s reforms.

**Conclusions**

There have been only a few recent publications which suggest a different direction for reform of the social security system from those above. One was a report by Field and White (2010) for the Reform think tank, which argued that long-term workers who lose their job should get a much higher level of (contributory) JSA, with benefit depending on the number of years they had contributed; requalifying for benefit should also be made much easier. Another example is the Fabian Society’s study of anti-poverty strategies (Horton and Gregory, 2009), which argued in favour of universal benefits, in particular because of their function in binding society together.

Overall, however, most recent reform proposals tend to focus on claimants’ relationship to the labour market and benefit complexity, but not on the unit of assessment - or on the means test as a major contributor to complexity. And they seem largely uninterested in the issue of independent access to income, or in claimants’ views about payments which they have qualified for in different ways. Sainsbury and Weston (2010), for example, state candidly that some important issues remain to be resolved about the proposed SWAB, including the unit of assessment (ie individual or household) and the basis of entitlement (ie means-tested, contributory or universal).

But until recently these would have been recognised as *the* major issues involved in any reform of the social security system. And they are crucial to the future of those non-means-tested earnings replacement benefits for individuals considered in this paper. Most of the recent reform proposals, however, concentrate instead on completely different issues, such as disincentives and complexity, seen as key problems. Ironically, however, these are inherent in

[^21]: http://services.parliament.uk/bills/2010-11/welfarereform/documents.html
the jointly assessed means-tested benefits and tax credits that the reform proposals tend to endorse, reform and extend.

6. Conclusions

When recent reports on benefit reform do not either ignore or barely mention non-means-tested earnings replacement benefits for individuals, they only see them as relevant to the amount of benefit paid. For example, Taylor et al. (2010, p. 34) state:

‘In relation to the contribution-based benefits ... with respect to working-age benefits, there is no longer any gain from making NI contributions, since the means-tested benefits available to those who have made no NI contributions are just as generous.’

This statement, however, reflects a fundamental misunderstanding of the nature and importance of non-means-tested earnings replacement benefits for individual adults of working age, as we argue above. Issues such as how people qualify for benefits, and the unit of assessment, are highly significant - and in particular are crucial in relation to whether women in couples receive any benefit as individuals when out of work. And reformers seem to have lost sight of the wider goals of the benefits system, which are not limited to encouraging people to move into work or providing a safety net, but should also involve the provision of real ‘social security’ for all.

Pascall (2008, p 231) argues:

‘As families have destabilised, and women have joined the labour market, governments have changed the rules, to account – in some measure – for women’s need for social security as individuals and as parents, with or without men. But the male model of working life still lurks below the surface.’

Indeed, ironically - as noted originally by Land (1986) - it is just as more women have become entitled to an independent income through paid work that the rules of those benefits intended to provide the primary income replacement to individuals for interruptions of earnings have been tightened. Access to an independent income in those situations is therefore becoming more difficult just as women have become more likely to qualify for these benefits. And just as women are expected to be increasingly self-sufficient in terms of ensuring their own social protection, an increasing emphasis on means testing acts to undermine that aspiration. Recent proposals for ‘welfare reform’ by both the Government (DWP, 2010b) and outside organisations seem likely to sharpen such tensions, as pointed out in section 5 above.

This trend has been more marked – and there seems to be less awareness of the issues involved - in the UK compared with continental Europe, however. This is because we tend to see benefits as primarily a safety net, intended to relieve family poverty at one point in time (Bennett, 2010). As Clasen (2001, p. 651) argues, the UK has a ‘poverty rather than wage-replacement orientation’ in its social security system. There is less emphasis on social protection for the individual over the lifecourse - or on social provision as a right of citizenship. When we think of women as benefit recipients, it often tends to be in the role of conduits for resources intended for others (especially children), rather than in relation to their own needs - or rights (Daly and Rake, 2003).
In Sainsbury’s and Weston’s recent research (2010), claimants in focus groups suggested that assessment for a single working age benefit (SWAB) should preferably be individualised. It is not clear what this would mean under a means-tested system. But the SWAB proposal by Sainsbury and Stanley (2007) had already put this forward as one alternative. Australia has had a partially individualised means-tested benefits system for some time (Millar, 2003). However, unlike the UK, Australia has never had non-means-tested earnings replacement benefits for those of working age. And no government in the UK has shown any sign of investigating an individual means-tested benefit - in other words, changing the unit of assessment for means-tested benefits from the family to the individual. A better way to ensure that individual ‘assessment’ is emphasised within the UK social security system is therefore to continue with the non-means-tested benefits that we already have, and to build on them. The European Commission has identified individualisation of social security benefits in a list of issues it describes as key for the modernisation of social protection systems.

As we noted, dependants’ additions to non-means-tested earnings replacement benefits have largely been abolished in the last few years. One justification given for this was that women were no longer financially dependent on their partners and did not wish to be so, as stated in one recent UK Green Paper on welfare reform:

‘... we have moved a long way from times when it was usual for women, in particular, to depend financially on a partner’. (DWP, 2008, para 6.27)

This statement tends to exaggerate the degree of financial independence currently experienced by many women in the UK. But it does seem contradictory in the light of it to tighten up access to, or abolish, benefits which can give women an independent income, and substitute instead (if anything) means-tested benefits that are jointly assessed and affected by their partner’s status and resources - thus making it more likely that these women remain dependent. In addition, an emphasis on means-tested benefits reinforces the gendered division of labour (Millar, 2003) and therefore tends to perpetuate the dependence which government reports have suggested is outdated.

Governments have also recently become increasingly concerned about in-work poverty, for two major reasons. First, in-work poverty makes it more difficult to achieve their ambitions to eliminate child poverty, because such a high proportion of children in poverty live in households in which at least one adult is in paid employment. And secondly, and more generally, it undermines their attempts to ‘make work pay’ and thereby encourage more people into the labour market. However, there is little if any recognition that – as the above analysis reveals – non-means-tested earnings replacement benefits are a key tool in the prevention of in-work poverty and their abolition would lead to a much higher rate of poverty in employment amongst couples.

We would argue, therefore, that non-means-tested earnings replacement benefits should be retained and improved to help ensure independent access to income for individuals. In considering amounts of benefit, CA in particular is clearly too low (because it is noncontributory, it was originally set, like other similar benefits, at 60% of the level of a contributory benefit). Public attitudes are shown to be consistently in favour of an increase in financial support for carers; the level of CA should be improved. There are also various

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22 This was originally a similar level to the amount of benefit for an adult dependant.
ways to make the contributory system more inclusive if this were thought desirable (see, for example, House of Commons Social Security Select Committee, 2000).

Finally, however,

‘the contribution of the social security system to women’s economic independence cannot be considered in isolation from other factors which undermine that independence.’
(Lister, 1994, p. 44)

In other words, whilst it is important to ensure that individuals have access to an independent income via social security benefits, many other changes are required in addition in order to reduce gender inequality and create a fairer society for all.

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Appendix: POLIMOD

POLIMOD is a tax-benefit microsimulation model based on the UK Family Resources Survey (FRS).\(^{23}\) The data used in this analysis were collected in 2003/04 and the income variables are updated to 2008/09 levels of prices and incomes. POLIMOD calculates liabilities for income tax and National Insurance contributions (NICs) and entitlements to Child Benefit, Working Tax Credit (WTC), Child Tax Credit (CTC), Income Support (IS) - including income-related JobSeekers Allowance, Pension Credit (PC) including the Savings Credit (SC), Housing Benefit (HB) and Council Tax Benefit (CTB). Otherwise, elements of income are drawn from the recorded values in the FRS dataset. POLIMOD uses all households in the FRS sample.

The household income variables have been deliberately defined to be as similar as possible to those used in the ‘Households Below Average Income’ (HBAI) statistics (DWP, 2010c). Incomes are measured Before Housing Costs (BHC) and include all original incomes (including private pensions) and all benefits (including public pensions and Housing Benefit) and tax credits, less income tax and employee and self-employed National Insurance contributions. The effects of non-take-up of means-tested benefits and tax credits are captured by applying the take-up proportions estimated on a caseload basis by the Department for Work and Pensions (DWP, 2007a) and HM Revenue and Customs (HMRC, 2007).\(^{24}\) For example, we assume that some 7% of lone parents do not receive the combination of Child Tax Credit and Working Tax Credit to which they are entitled, and that this proportion is higher in London (37% of all families with children). Of those entitled to Pension Credit, 25% do not take it up, with the proportion much higher (55%) if there is only entitlement to the Savings Credit component. In general, we assume that take-up behaviour is not affected by changes in the size of benefit or tax credit entitlements.

\(^{23}\) See Redmond et al. (1998) for more information.

\(^{24}\) Where ranges of take-up proportions are published, the mid-point is used.
Table A1 Expenditure on non-means-tested earnings replacement benefits in selected years £ million per year (2008/9 prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bereavement benefits</td>
<td>1,252</td>
<td>1,145</td>
<td>675</td>
<td>637</td>
</tr>
<tr>
<td>JSA contributory</td>
<td>574</td>
<td>576</td>
<td>728</td>
<td>1,069</td>
</tr>
<tr>
<td>Incapacity benefit/ESA</td>
<td>8,487</td>
<td>7,645</td>
<td>6,580</td>
<td>6,567</td>
</tr>
<tr>
<td>Maternity allowance</td>
<td>47</td>
<td>146</td>
<td>321</td>
<td>339</td>
</tr>
<tr>
<td>Severe disablement allowance</td>
<td>1,257</td>
<td>1,064</td>
<td>887</td>
<td>890</td>
</tr>
<tr>
<td>Carer’s Allowance</td>
<td>1,044</td>
<td>1,198</td>
<td>1,363</td>
<td>1,471</td>
</tr>
<tr>
<td>Industrial Disablement benefit</td>
<td>875</td>
<td>838</td>
<td>779</td>
<td>792</td>
</tr>
<tr>
<td>Total</td>
<td>13,536</td>
<td>12,612</td>
<td>11,333</td>
<td>11,765</td>
</tr>
</tbody>
</table>

Source: DWP (2010), downloaded from DWP benefit expenditure tables http://campaigns.dwp.gov.uk/medium_term; 1 October 2010

Table A2 Couples of working age with loss of non-means-tested earnings replacement benefits (ERB) and extent of couple-level compensation (incomplete take-up)

<table>
<thead>
<tr>
<th>At couple level:</th>
<th>Man loses ERB</th>
<th>Woman loses ERB</th>
<th>Both lose ERB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of couples by level of compensation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not compensated</td>
<td>51.3</td>
<td>69.0</td>
<td>26.1</td>
<td>55.9</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>27.9</td>
<td>14.3</td>
<td>45.5</td>
<td>24.1</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>20.8</td>
<td>16.8</td>
<td>28.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of couples by who loses earnings replacement benefit</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not compensated</td>
<td>40.1</td>
<td>54.1</td>
<td>5.9</td>
<td>100</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>50.4</td>
<td>26.0</td>
<td>23.6</td>
<td>100</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>45.5</td>
<td>36.8</td>
<td>17.8</td>
<td>100</td>
</tr>
<tr>
<td>All</td>
<td>43.6</td>
<td>43.9</td>
<td>12.5</td>
<td>100</td>
</tr>
</tbody>
</table>
Table A3 Average individual ‘gains’ and ‘losses’ from the shift to means testing by extent of couple-level compensation and by who loses non-means-tested earnings replacement benefit (ERB) (incomplete take-up)

<table>
<thead>
<tr>
<th></th>
<th>Man loses ERB</th>
<th>Woman loses ERB</th>
<th>Both lose ERB</th>
<th>All couples</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Man</td>
<td>Woman</td>
<td>Man</td>
<td>Woman</td>
</tr>
<tr>
<td><strong>Absolute change in income £ per week</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not compensated</td>
<td>-80.02</td>
<td>0.00</td>
<td>-78.40</td>
<td>-77.48</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>-47.93</td>
<td>49.94</td>
<td>-36.29</td>
<td>-6.84</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>-82.29</td>
<td>25.86</td>
<td>-60.62</td>
<td>-43.67</td>
</tr>
<tr>
<td>All</td>
<td>-71.54</td>
<td>19.32</td>
<td>-69.40</td>
<td>-35.75</td>
</tr>
<tr>
<td><strong>% change in income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not compensated</td>
<td>-36.04</td>
<td>0</td>
<td>-54.5</td>
<td>-43.3</td>
</tr>
<tr>
<td>Fully compensated</td>
<td>-24.6</td>
<td>48.7</td>
<td>27.3</td>
<td>-18.3</td>
</tr>
<tr>
<td>Partially compensated</td>
<td>-46.7</td>
<td>22.6</td>
<td>4.5</td>
<td>-40.8</td>
</tr>
<tr>
<td>All</td>
<td>-35.1</td>
<td>12.2</td>
<td>2.2</td>
<td>-45.5</td>
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</tbody>
</table>