

UNITED KINGDOM 1997

1. Overview of the system

The United Kingdom has a contributory flat-rate unemployment insurance benefit for those out of work, parallel with Income Support -- a general means-tested benefit for those with low income. In addition there are a number of means-tested assistance benefits: Council Tax Benefit (a help towards local tax), Housing Benefit, and the Family Credit -- an in-work benefit for persons with children. There are two family benefits: Child Benefit and One Parent Benefit. The One Parent Benefit is being phased out starting in the summer of 1998. The tax system consists of a central government income tax and a council tax; the tax unit for income tax is the individual. Council tax is levied on dwellings. The 1997 APW earnings level is £16 760.

2. Unemployment insurance

2.1 *Conditions for receipt*

Contribution-based Jobseeker's Allowance (JSA) can be paid to a claimant who is unemployed, available for and actively seeking work as an employee, and who is not disqualified for any reason. Jobseekers must be actively seeking and available for work and must not be working more than 16 hours a week; and must have entered into a Jobseeker's Agreement.

2.1.1 *Employment conditions*

None.

2.1.2 *Contribution conditions*

JSA is a personal benefit paid to unemployed people who have paid sufficient National Insurance contributions in the last two full tax years before the year of their JSA claim.

2.2 Calculation of benefit amount

2.2.1 *Calculation of gross benefit*

Payable on a weekly basis at the rate of £49.15 for a single person aged 25 and over, and £38.90 per week for those aged 18-24.

2.2.2 *Income and earnings disregards*

The benefit is reduced pound for pound in respect of earnings over certain limits -- normally £5.00 a week but £15.00 a week in special cases. It is only reduced if an occupational or personal pension of over £50.00 a week is received.

2.3 *Tax treatment of benefit*

Only the personal allowance is taxable.

2.4 *Benefit duration*

Payable for up to 182 days, after a 3-day waiting period.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

New Deal for 18-24 year olds is a mandatory programme with: a Gateway; a choice of four options, each of which includes an element of training; and follow-through help for those who return to benefit after the programme.

2.5.2 *Older workers*

None.

3. **Unemployment assistance**

Income-based Jobseeker's Allowance is the difference between the applicable amounts (the needs) and the claimant's resources. The applicable amount consists of personal allowances and specified premiums, that only slightly differ for the calculation of income-based Jobseeker's allowance (JSA(IB)), income support (IS), housing benefit (HB), and Council Tax Benefit (CTB) (see table).

Family type	Rates of applicable amount (in £ per week)
Personal allowance	
Single	
18-24	38.90
25 and over	49.15
Lone parent	
18 or over	49.15
Couple (both 18 or over)	77.15
Child	
Under 11	16.90
11-15	24.75
16-18	29.60
Premiums	
Family	10.80

3.2.2 *Income and earnings disregards*

Weekly earnings disregards are £5.00 for a single person; £10.00 for couples; and £15.00 for certain special groups. Other forms of income normally reduce benefits on a penny-for-penny basis.

3.3 *Tax treatment of benefit*

Only the personal allowance is taxable. Tax is not deducted from the personal allowance, but when the recipient moves into paid employment the benefit they received is taken into account when assessing tax liabilities.

3.4 *Benefit duration*

Paid as long as the conditions are fulfilled.

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

New Deal for 18-24 year olds is a mandatory programme with: a Gateway; a choice of four options, each of which includes an element of training; and follow-through help for those who return to benefit after the programme.

3.5.2 *Older workers*

Measures include a job subsidy and the opportunity to train or study full-time towards a job-related qualification whilst remaining on JSA.

4. Social assistance

The main benefits are the Jobseeker's allowance, and income support, for those not required to be available for work. Both benefits are designed to provide financial help to those whose net income falls below a set minimum level. In addition there are a number of other assistance-linked, means-tested benefits, as follows:

- Council Tax Benefit: help towards the tax raised by local authorities (see Section 5);
- Housing Benefit (see Section 5);
- Family Credit (see Section 8);
- Others, Disability Working Allowance and the Social Fund: outside scope of this study.

4.1 *Conditions for receipt*

Income Support is a means-tested benefit. Persons with savings or capital above £8 000 are not eligible; the first £3 000 of savings are ignored and a weekly income is assumed from savings of between £3 000 and £8 000.

4.1.1 *Employment conditions*

Income Support is available to unemployed persons, or persons working less than 16 hours per week. Claimants who are required to be available for work must be actively seeking for work.

4.1.2 *Contribution conditions*

None.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

Income Support is the difference between the applicable amount (the needs) and the claimant's resources. The applicable amount consists of personal allowances and premiums, that only slightly differ for the calculation of Income Support (IS), Housing Benefit (HB), and Council Tax Benefit (CTB) (see table).

Family type	Rates of applicable amount (in £ per week)
Personal allowance	
Single	
18-24	38.90
25 and over	49.15
Lone parent	
18 or over	49.15
Couple (one/both 18 or over)	77.15
Child	
Under 11	16.90
11-15	24.75
16-18	29.60
Premiums	
Family	10.80
Lone parent	5.00
Lone parent (CTB/HB purposes)	10.80

Note that the applicable amount is reduced if the claimant is voluntarily unemployed.

Also note that a lone parent receives both family and lone-parent premiums.

The resources consist of the net income of the claimant and partner (including family benefits), subject to some disregards.

4.2.2 *Income and earnings disregards*

Weekly disregards are: £5.00 for a single person; £5 per earner for a couple (£15 for a couple on Income Support for over two years); and £15.00 for a lone parent. Resources for income testing purposes are defined as gross earned income after tax and social security taxes, local taxes not included, plus unemployment benefits, Child Benefits, Lone Parent Benefits and Family Credit.

4.3 *Tax treatment of benefit*

Taxable up to £46.45 per week (£2 415 yearly) when it is paid alone for the unemployed. The tax system is structured such that a year-long recipient will pay no tax.

4.4 *Benefit duration*

Paid as long as the conditions are fulfilled.

4.5 Treatment of particular groups

4.5.1 Young persons

Income Support is not normally payable to persons aged 16-17. Under certain circumstances, single aged 16-17 have a weekly rate of £28, and couples (both aged under 18) have a weekly rate of £55.55.

4.5.2 Older workers

Pensioner premiums exist: the weekly rates are £18.60 for a single person aged 60-74, and £28.05 for a couple where at least one partner is aged 60 or over and neither is 75 or over. Further pensioner premiums exist for other categories of pensioners. There are also additional premiums for disabled people.

5. Housing benefits

Housing benefit is a means-tested benefit, which provides help with paying the rent for private or public housing for people on low income.

Council Tax Benefit is a means-tested benefit which provides help towards the tax raised by local authorities.

5.1 Conditions for receipt

Persons with capital above £16 000 are not eligible; the first £3 000 of capital is ignored. For capital of between £3 000 and £16 000, a national income is taken into account to represent a person's contribution to their rent or council tax. Note that Council Tax Benefit is for Great Britain only.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

For people not receiving Income Support, housing benefit is the rent minus 65 per cent of the difference between net resources and the applicable amount. For all other claimants, housing benefit is the full amount of rent. If the housing benefit formula gives a value below 50 pence/week, no payment is made.

For people not receiving Income Support, Council Tax Benefit is the amount of council tax minus 20 per cent of the difference between net resources and the applicable amount. For all other claimants, Council Tax Benefit is the full amount of council tax.

The applicable amount is shown in Section 4; the higher rate lone parent premiums apply to the calculation of the applicable amount for housing benefits (HB) and Council Tax Benefits (CTB).

5.2.2 Income and earnings disregards

Disregards are: £5.00 for a single person; £10 for a couple; £15 for some disabled; and £25.00 for a lone parent. Certain incomes other than earnings, paid for a special reason (e.g., to meet the cost of disability) may be disregarded in part or in full. Net resources for calculation purposes are defined as gross earned income after tax and social security taxes, local taxes not included, plus unemployment benefits, child benefits, Lone Parent Benefits and Family Credit.

5.3 Tax treatment of benefit

Both non taxable.

5.4 Benefit duration

Both paid as long as the conditions are fulfilled.

5.5 Treatment of particular groups

5.5.1 Young persons

In housing benefit, the same personal allowance of £36.80 applies to a single person aged less than 25 or a lone parent aged less than 18, whilst the personal allowance for a couple both aged under 18 is £55.55. Council Tax Benefit is not normally payable to anyone under the age of 18 as there is no council tax liability.

5.5.2 Older workers

As for Income Support, pensioner premiums exist for both benefits: the weekly rates are £18.60 for a single person aged between 60 and 74, and £28.05 for a couple where at least one partner is aged 60 or over and neither is aged 75 or over. Further pensioner premiums exist for other categories of pensioners. There are also additional premiums for disabled people.

6. Family benefits

6.1 Conditions for receipt

Child benefit is paid in respect of each child in the family under 16, or 19 if still in full-time non-advanced education.

6.2 *Calculation of benefit amount*

6.2.1 *Calculation of gross benefit*

It is payable at the weekly rate of £11.05 for the eldest child from whom benefit is payable, and £9.00 in respect of each other child.

6.2.2 *Income and earnings disregards*

Not subject to any means-test.

6.3 *Tax treatment of benefit*

Not taxable.

6.4 *Treatment of particular groups*

6.4.1 *Lone parents*

One Parent Benefit (see Section 9).

6.4.2 *Young people*

Parents of 16 and 17 year olds who have just left school and who are registered for work or on youth training schemes are also eligible for Child Benefits, but only for up to 12 weeks.

7. **Child-care benefits**

The Family Credit means-test (see Section 8) includes an extra disregard of £60.00 per week per child in registered paid day-care.

8. **Employment-conditional benefits**

Family Credit is an in-work means-tested benefit for working parents with low income.

8.1 *Conditions for receipt*

The employee must be working at least 16 hours per week. As for Income Support, persons with savings or capital above £8 000 are not eligible; the first £3 000 of savings are ignored and a weekly income is assumed from savings of between £3 000 and £8 000.

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefit

It is calculated by adding credits for adults and children, and then deleting 70 per cent of the difference between net income and £77.15 per week. Net income is defined as gross earned income plus all relevant benefits minus taxes and social security contributions, excluding council tax. No payment is made if the formula gives a value below 50 pence/week.

Family type	Rates of credits (in £ per week)
Adult	47.65
Supplement for working 30 hours per week or more	10.55
Child	
Under 11	12.05
11-15	19.95
16-17	24.80
18	34.70

8.2.2 Income and earnings disregards

Up to £60 per week of the cost of registered child-care can be offset against net income. An amount of £15 per week of maintenance paid by the ex-partner is disregarded.

8.3 Tax treatment of benefit

Not taxable.

8.4 Benefit duration

Paid for a period of 6 months regardless of whether circumstances change. It is renewable as long as the conditions are fulfilled.

9. Lone-parent benefits

9.1 Conditions for receipt

One Parent Benefit is payable as an addition to Child Benefit, in respect of the eldest child who qualifies. This benefit is being phased out starting in 1998.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

Payable at the weekly rate of £6.05.

9.2.2 Income and earnings disregards

Not subject to any means-test.

9.3 Tax treatment of benefit

Not taxable.

10. Tax system

It consists of a central government income tax, and a council tax. Social security contributions are also paid.

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

For the central government tax, there is a basic allowance of £4 045 for all workers, and a wastable credit of 15 per cent of £1 830 for married couples or lone parents. The credit is transferable between both partners in a couple. This credit is also available to unmarried/cohabiting couple with children.

10.1.2 The definition of taxable income

For the central government tax, it is simply the gross earnings minus the basic allowance.

10.1.3 The 1997 tax schedule

Central government income tax:

Taxable income (in £)	Tax rate (%)
0 - 4 100	20
4 101 – 26 100	23
Over 26 100	40

Local tax: council tax is determined by local governments. For this study, it is assumed to be a fixed amount of £ 12.95 per week (£ 673.40 per year) per household.

10.2 *Treatment of family income*

The tax unit is the individual. Couples are taxed separately.

10.3 *Social security contribution schedule*

National Insurance contributions are payable by employees whose earnings are more than £62.00 per week. They are 2 per cent of the first £62.00 per week, plus 10 per cent of earnings between £62.00 and £465.00 per week. No contributions are paid on unemployment benefits or Income Support.

11. *Part-time work*

11.1 *Special benefit rules for part-time work*

Income Support is only available for those working less than 16 hours.

11.2 *Special tax and social security contribution rules for part-time work*

National Insurance contributions are payable by employees whose earnings are more than £62.00 per week.

12. *Policy developments*

12.1 *Policy changes introduced in the last year*

Earnings Top-up pilot began in October 1996. This is an in-work benefit similar to family credit, but for people without dependent children. The pilot is taking place in eight geographical areas and will last for three years. The current caseload stands at 22,000. Two benefit rates are being tested. A large evaluation programme is being undertaken to test the assumptions on which it is based.

12.2 *Policy changes announced*

In March 1998, the Chancellor announced that partners of the unemployed who are themselves out of work (most of whom are women) should have access to employment programmes on the same basis as JSA claimants. The sum of £60 million has been set aside from the Windfall tax to ensure that partners aged 25 and over have the option to receive personal and expert help to find work. Childless partners aged 18 to 24 will be included in the New Deal for Young People. These new opportunities are still in the early stages of development.

From April 1999, employees will no longer pay the 2 per cent “entry-fee” contributions on earnings up to the lower earnings limit (£64.00 per week from April 1998).

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**The annual tax/benefit position of an unemployed single person, 1997
(Pounds)**

	Unemployment benefit: 52 weeks	Income Support: from the 53rd week
A. Taxable benefits		
Means-tested benefits		
Income Support		2 556
Non-means tested benefits		
Unemployment benefits	2 556	0
Total taxable benefits	2 556	2 556
B. Income tax and social security contributions		
Income tax allowances	4 045	4 045
Taxable income	0	0
Income tax	0	0
Tax credits	0	0
Local tax	673	673
Social security contributions	0	0
Total income tax and social security contributions	673	673
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	0
Council Tax Benefit	673	673
Housing benefits	3 352	3 352
Non-means tested benefits		
Unemployment benefits	0	0
Total non-taxable benefits	4 025	4 025
D. Net income out of work (A-B+C)	5 908	5 908
E. Net income in work	11 867	11 867
F. Net replacement rate (D/E) (per cent)	50	50

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**The annual tax/benefit position of an unemployed married couple with two children, 1997
(Pounds)**

	Unemployment benefit: 52 weeks	Income Support: from the 53rd week
A. Taxable benefits		
Means-tested benefits		
Income Support		2 556
Non-means tested benefits		
Unemployment benefits	2 556	0
Total taxable benefits	2 556	2 556
B. Income tax and social security contributions		
Income tax allowances	4 045	4 045
Taxable income	0	0
Income tax	0	0
Tax credits	0	0
Local tax	673	673
Social security contributions	0	0
Total income tax and social security contributions	673	673
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	2 732
Council Tax Benefit	673	673
Housing benefits	3 352	3 352
Non-means tested benefits		
Unemployment benefits	1 490	
Family benefits	1 043	1 043
Total non-taxable benefits	6 558	7 800
D. Net income out of work (A-B+C)	8 440	9 683
E. Net income in work	13 184	13 184
F. Net replacement rate (D/E) (per cent)	64	73

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**The annual tax/benefit position of a lone parent with two children, 1997
(Pounds)**

	Unemployment benefit: 52 weeks	Income Support: from the 53rd week
A. Taxable benefits		
Means-tested benefits		
Income Support		2 556
Non-means tested benefits		
Unemployment benefits	2 556	
Total taxable benefits	2 556	2 556
B. Income tax and social security contributions		
Income tax allowances	4 045	4 045
Taxable income	0	0
Income tax	0	0
Tax credits	0	0
Local tax	673	673
Social security contributions	0	0
Total income tax and social security contributions	673	673
C. Non-taxable benefits		
Means-tested benefits		
Income Support	0	1 222
Council Tax Benefit	673	673
Housing benefits	3 352	3 352
Non-means tested benefits		
Unemployment benefits	0	0
Family benefits	1 357	1 357
Total non-taxable benefits	5 382	6 604
D. Net income out of work (A-B+C)	7 265	8 487
E. Net income in work	13 500	13 500
F. Net replacement rate (D/E) (per cent)	54	63