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MONEY BOX LIVE

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LEWIS: Hello. October is traditionally the month when small tweaks and big changes are made to the system of state benefits and pensions, and this month has seen a bumper crop. On Friday, the Pensions Minister told us about new arrangements for people who want to buy extra national insurance contributions to boost their state pension, but there are complex conditions surrounding the deal and many people will be excluded. Today sees the start of an entirely new benefit for people who are too ill or disabled to work. No new claims will be accepted now for incapacity benefit. Instead people will have to apply for the new employment and support allowance, with tougher rules to try to get people back into work. Eventually everyone on incapacity benefit will be moved to the new allowance. The Government says it wants a million off benefit and back to work. Also starting today are major changes for the way child maintenance is collected and dealt with. Single parents on income support or jobseeker's allowance will no longer have to use the Child Support Agency to assess and collect the maintenance due; and if they do get maintenance, up to £20 a week will not affect their benefits. Another change earlier this month reduced the time that pension credit can be backdated. That's been cut from 12 months to just 3. And there are also reductions in the backdating of housing benefit and council tax benefit for people of any change. Well those are just the changes, adding to the already complex encyclopaedia of rules that cover state benefits and pensions. Whatever your question on that topic, you can call Money Box Live now: 03700 100 444. With me today to answer those questions are Sally West, Policy Manager with Age Concern and author of its guide to benefits for the over-60s 'Your Rights'; and also Eddy Graham who's a Welfare Rights Adviser with Child Poverty Action Group. And the first question is from John in Cromer. John, your question?

JOHN: Yes, my question is I pay self-employed class 2 national insurance contributions which entitle me to incapacity benefit if ill, and I was wondering how this would change and whether it's worthwhile paying for it even if I'm exempt from class 2 contributions because of low earnings?

LEWIS: Yes, I think you're exempt at £4,000 a year, aren't you?

JOHN: That's right.

LEWIS: You don't have to pay them, but it's an exception that you have to claim. Eddy Graham?

GRAHAM: Yes, John, it's almost always going to be worth you carrying on to pay the class 2 contributions because they will give you an entitlement not only to incapacity benefit if you become sick, but every national insurance benefit with the exception of contributory based jobseeker's allowance. So for the currently £2.30 a week that you'll be paying, you could get that amount back that you pay in a year - say £100 back in a couple of weeks claiming of benefit - so it's certainly well worth paying the class 2 contributions.

LEWIS: Yes. I suppose, Sally West, most people would think oh I can be excepted from this - it's a cut in my outgoings, it's worth doing - but in fact they're really a bargain, aren't they, class 2?

WEST: Well I think so, especially when you think that this is also contributing to your state pension and somebody who wasn't eligible to pay class 2 because they weren't self-employed could pay voluntary contributions, which are class 3, but those are £8.10 a week. So in that sense, the class 2 are a pretty good deal.

LEWIS: They are. So generally we think, John, it's probably worth paying them. I hope that helps and answers your question. We'll move on now to Carolyn from Bradford. Carolyn, your question?

CAROLYN: I've been on incapacity benefit since 1996. For a few months in 2002, I worked part-time, but following surgery I've not worked since. I've had some rather unpleasant experiences of DWP medicals and I'm just wondering what's going to happen if we have a difference of opinion as to whether I'm well enough to work or not?

LEWIS: It's one of those illnesses, isn't it Carolyn, that is very often not taken seriously by people who don't know how devastating it can be?

CAROLYN: Exactly.

LEWIS: Eddy?

GRAHAM: Well the first thing to say, Carolyn, is, as you're probably aware, the employment and support allowance has come into effect today, but as you're an existing incapacity benefit claimant you're not going to be immediately affected by that. What will happen is at some point between April 2009 and 2013, you'll be migrated onto the new system of employment and support allowance and you'll undergo a slightly different medical assessment than the one that you've had in the past, which in truth will be much harder for many people to actually pass. More people will fail the medical than do at present, but you will still have the same rights of appeal and ability to challenge any decision that you think is wrong as you have at the moment.

LEWIS: And, Eddy, just talk us through the new employment and support allowance because people are going to be divided into two groups, aren't they - the ones that can't be expected to work and the great bulk of people who are, which could well include Carolyn at some point?

GRAHAM: Yes, when you're migrated onto ESA as new claimants, 90 to 95% of people will be in what's called the work-related activity group and those people will be expected to attend work focused interviews and in the future undergo work-related activity. A small number - 5 to 10% of the most severely disabled people - will be in the support group who'll get a slightly higher rate of benefit and won't be expected basically to do anything. They won't be subject to conditions.

LEWIS: And what about people like Carolyn who's got ME, which is a very difficult disease for many people to understand who haven't had it or had a family member with it? They'll presumably be in the work related group and have to go through some kind of exercise to see if they can do any job at all?

GRAHAM: Unfortunately, yes they will, and obviously if you've got a condition which fluctuates - you have good days and bad days - there is provision within the rules for if you're going through a bad sort of period of your illness for work focused interviews to be deferred to another day and things like that. So there is a small amount of flexibility, but it shouldn't be forgotten employment support allowance is part of a policy to actually reduce the numbers of people on incapacity benefits.

LEWIS: Well by getting them back into work.

GRAHAM: Yes.

LEWIS: Though of course, as we know, unemployment rates are rising and employment rates are falling, so whether there'll be the jobs for a million more people is open to question, I think. Let me just read you an email too, which has just come in from Simon. He says, 'I've been treated with contempt at my local job centre over my mental health problems. If you don't look ill, you're a blagger.' And he says his condition fluctuates. Sometimes he's in confusion or terror, but none of this actually shows and so he is assumed to be someone who really could work if they just made a bit of an effort and he thinks mental health problems are simply not understood at Job Centre Plus.

GRAHAM: I think there's a lot of truth in that statement. People with mental health problems have had sort of a lot of problems with the existing incapacity benefit regime and that will no doubt continue under ESA because there's a lot of criticism of the mental health assessments carried out by the DWP doctors.

LEWIS: So that's another thing that's going to have to be looked at. Anyway, thank you for that email, Simon. And Carolyn, thanks very much for your call. I hope that gives you some

comfort. You won't have to go through this process at least for some time yet. Let's take the next call now, which is Rose from Bristol. Rose, your question?

ROSE: Hello. Mine is really about the ethics of mixing up business with health matters and I'm wondering what scrutiny there'll be of the agencies that are going to be used to get people into work because earlier on today Peter White said on 'You and Yours' that these agencies will get financial rewards, they will get payment by results, so it will be in their interest to get people into work. And usually city councils have scrutiny committees, don't they, where important health matters are having changes, so I just wondered who will oversee these new agencies like Remploy and so on?

LEWIS: So is this right, that they'll be paid by results of getting people into work?

GRAHAM: Yes, they will. There's a massive expansion of contracting out under employment and support allowance, and many more of the services that have traditionally been delivered by civil servants in Job Centre Plus will now be delivered by private contractors. But it's important for Rose and others to remember that any decisions about benefit entitlement are made by the Department for Work and Pensions and that any decision that affects the rate of benefit that you get or that you may be entitled to is a decision that you can appeal against and you can go to an independent appeal tribunal if necessary.

LEWIS: Yes. I mean that sounds good and I mean we often have this on this programme, don't we? You know people's rights, we all know people's rights, but it's actually enforcing them that's the problem and going through the appeal process can often be very difficult. We've had this email from Debbie who says, 'I'm concerned about my position under the new reforms.' She's suffered intense hand, arm pain due to repetitive strain injury. She's had an operation and the DWP decided she had no problems. And she appealed, but before it was heard she spent 6 months on jobseeker's allowance, she had to use a computer, do a lot of writing, made her condition worse and she's now been seeing a psychologist. I mean these cases are very difficult, aren't they? Even if you go through the appeal process, it takes a long time and of course there's a new tribunal system starting soon as well, isn't there?

GRAHAM: Yes.

LEWIS: We don't quite know how that will work. I mean what can people do? If they have problems and they need advice, I know they can come to your organisation, but it is difficult, isn't it, to get it?

GRAHAM: It is. It's quite a complex situation to try and navigate your way through and people can get put off. But you know the Child Poverty Action Group, we would sort of reiterate that people should appeal against decisions that they're unhappy with because most of the people who appeal about failing the medical for incapacity benefit actually win their appeals and so it's well worth pursuing.

LEWIS: Worth appealing. And, Rose, have you had experiences of the agencies? I mean is it a personal concern or are you just concerned in theory that people shouldn't be paid by results?

ROSE: No, I haven't. Just politically I'm concerned because it's mixing up the ethics of it. It's mixing up business with people's health and usually they're kept separate, aren't they?

LEWIS: Yes.

ROSE: And I think it's wrong the way GP's opinions of people's health has been snubbed and just left out as well, whereas GP's know people best very often.

LEWIS: Yes. I mean we've had another ... Stay with us, Rose, but we've had an email again on those lines from Michael who says, 'New Labour in its eagerness to get claimants off incapacity benefit is introducing a cost cutting exercise and many will be pushed into unsuitable work on the basis of inaccurate medical assessments.' I mean that's Rose's concern. That is the problem, isn't it, that we're going to face?

GRAHAM: It is because, as Paul has alluded to, the current economic situation, whether or not there will be jobs for many people to go into, the Government hasn't really done enough

to combat discrimination, especially against people with mental health problems by employers. And so a likely result of the changes will be that many people will simply be pushed onto jobseeker's allowance and just receive less benefit than they're getting at the moment and no recognition of the fact that they're sick or disabled.

LEWIS: Okay. Let's take one more on this topic. Christina from Bournemouth, your question?

CHRISTINA: Oh hello. Yeah basically I'm a cancer patient and I'm currently on statutory sick pay, which will come to an end some time in November, and I think that I'm entitled to incapacity benefit thereafter, so I shall apply for this new allowance. But in my case, I have got a job. My current employer is keeping it open for me and once I finish my treatment, which is probably in about 7 months, I would like to return. So do I still have to go through the assessment phase or will it be more straightforward in my case?

LEWIS: Eddy?

GRAHAM: Well, Christina, everybody who makes a claim after 27th October, today, unless you can backdate your claim for incapacity benefit, will instead go onto the employment and support allowance, so you will have to go through the 13 week assessment phase. So if you're currently getting statutory sick pay, you could actually find that your income actually goes down because the assessment phase rate of employment and support allowance is lower than that of statutory sick pay.

CHRISTINA: Will I have to do some assess ... see a doctor as well and have some interviews, or ... ?

GRAHAM: Yes. Initially you claim the same way as you would for incapacity benefit. You'd get the medical certificate from your GP. And the idea is that in the first 13 weeks of your claim, you'll be sent to see the medical assessor and they will make a decision as to whether or not you're entitled to the benefit or not.

LEWIS: Okay. Well thanks very much for your call, Christina. It looks as if you will be subject to the new system and you'll be one of the guinea pigs that sees how it works. Anyway, we'll keep our eye on it. Thanks very much. And now let's move onto Frank who's calling us from Prestwich. Frank, your question?

FRANK: Yes, I turned 65 on 21st May this year. I was on incapacity benefit prior to that, which finished on 20th May, but I didn't receive any pension or pension credit until 26th May. So I phoned the Pensions Service up and asked them, because I'd lost over £87 in that week, I asked them could I not get paid some money to make up for the shortfall and they asked me to send in proof of the money I was getting for that particular week, which I did do, and then they asked me to put in writing for a reconsideration due to a change of circumstances for that week. And then I got a reply back and they said well they couldn't do that and so you know I just wondered you know where do I stand on this? Is that the law that I can't ... I have to lose over £87 in one week?

LEWIS: Sally West?

WEST: Yes, I'm afraid that's how the rules work and the problem is, Frank, your birthday was on the wrong day of the week. The state pension starts on a Monday - it starts on the Monday after your birthday - but unfortunately incapacity benefit finishes the day that you're 65. It's because they're paid in different ways. Incapacity is paid sort of retrospectively and state pension is paid in advance. So you may have found there wasn't actually a gap in terms of payments, but you're right that you didn't get any pension or benefit to cover those periods between 20th and 26th.

LEWIS: Yes. I mean this is one of the things people don't understand, isn't it Sally - that retirement pension isn't paid on your birthday; it's paid on normally the first Monday *after* your birthday, and that means you can be without it for some days after your birthday. Whereas incapacity benefit stopped on the Tuesday and poor old Frank had to wait till the following Monday for his pension to start.

WEST: Yes, you just had you know ... Not your fault, but you just had your birthday on the

wrong day of the week. And it is ... you've got a gap. You can lose up to six days of benefit because the pension is only paid, as Paul says, from the Monday after your birthday. But it is paid in advance, so in terms of actual money coming in you shouldn't have that big gap; but in terms of days where you've got your pension fall, then you do miss out on those few days, I'm afraid.

LEWIS: Yes. So I'm sorry, Frank, it is just the system as it works and there doesn't seem to be anything you or any of us can do about it. So I'm really sorry about that, but thanks very much for your call. Let's take a call now from Wendy in Croydon. Wendy?

WENDY: Yes, hello, good afternoon. I'm ringing up because I'm very concerned that the income support people are being moved onto jobseeker's allowance. I heard that the date for that to take effect was today. I'm currently on this benefit and I actually have a part-time job of 7 hours a week and the income support tops me up. And I've heard that all people with children over the age of 12 are now going to be moved onto this new benefit and I'm very concerned about this because obviously jobseeker's allowance is much stricter and you have to go down every two weeks and you obviously have to show that you're looking for work. I'm very worried because I already have a job which I'm very happy with and it suits my circumstances at the moment and also I'm concerned because I don't obviously want to be forced to take a job which overall will make me worse off than I am at the moment. And also the childcare issues with my son because at the moment my job enables me to take him to school and pick him up again and be a mum to him as well, and I'm really concerned that these new rules will mean that homemakers are penalised very much and I'll be essentially forced to just sort of take a job that would make me an awful lot worse off at the moment. And I'm also worried because I have a mortgage and you know with the current climate that it is at the moment with the credit crunch, I'm going to end up being put onto this JSA when there's not really many jobs to apply for in the first place.

LEWIS: Indeed. Does this really start today, Eddy?

GRAHAM: Well yes, Wendy, I mean I think you're right to be concerned because any lone parents who's claiming income support and whose youngest child is aged 12 or over is going to be over the process of the next 12 months migrated onto jobseeker's allowance and this is

just a first step. Next year the age will go down to 10 and eventually in 2010 anyone whose youngest child is 7 or over will have to claim jobseeker's allowance. And, as you say Wendy, you're going to have to be available for work of at least 16 hours a week on jobseeker's allowance and it's all part of the Government's Welfare to Work programme. They want to get as many people, and they're focusing on sick people and single parents, into work rather than on benefits.

LEWIS: What the Government says though, of course, is that the best way out of poverty for single parents with children is through work and that this will help them have a bigger income than if they did stay at home on benefits.

GRAHAM: Yes, I mean the criticism about that though is that most children in poverty actually live in a family where there's at least one parent in work, and people like Wendy who *do* work and have an arrangement that works for them, it seems completely unreasonable to expect them to be available for full-time work.

LEWIS: And Wendy also mentioned her mortgage and we've had an email about that from Jill who says, 'What benefits can I claim to help pay my mortgage if I'm made redundant?'

GRAHAM: You can get help with mortgage housing costs if you're claiming pension credit, if you're somebody of working age whether you're claiming jobseeker's allowance, income support or the new employment and support allowance. You can get assistance with the interest on your mortgage.

LEWIS: But that doesn't start for a period, does it?

GRAHAM: Most people, anyone who's taken out a mortgage since 1995, will have to wait for 39 weeks before they get any help, the rationale being that they should have an insurance policy to cover them in that period.

LEWIS: But that's being reduced, we think, next year?

GRAHAM: As a result of the collapse in the housing market and the problems with the credit crunch, the Government has announced that the waiting period will be reduced from 39 to 13 weeks, but it's not yet clear exactly how that's going to work out in practice.

LEWIS: Okay. Well thanks for your call, Wendy, and thanks for that email, Jill. And we'll move on now to pensions and that announcement we had on Friday. I think Philip from Norwich has a question on that.

PHILIP: Oh good afternoon, Paul. Yes, my question relates to the new regulations you just mentioned, which are designed to help boost the pension, state pension entitlement for women who have gaps in their contribution record - whether they also apply to men in the same situation? And, if so, whether the maximum age of 60 still applies or whether it's the statutory retirement age for men, 65?

LEWIS: Sally West?

WEST: Hi there, Philip. Yes, although the rules have been announced as a boost for women, they apply to men as well who have got gaps in their contribution record. Basically, currently you can only pay back national insurance contributions in the last few years, generally the last few years, last 6 years, but this will allow people to make up to 6 years earlier on in their life. So it really depends whether you've got gaps and whereabouts they are. There's various other criteria - so, for example, you already have to have a reasonable contribution record, you have to have about 20 years ... you have to have 20 years contributions already. In terms of when they apply, actually men aged 60 to 64 don't need to pay contributions because they get what's called auto-credits - so for that period, even if you're not working and paying contributions or getting credits, you'll get these kind of auto-credits, so that won't really be relevant. Is it about your own situation?

PHILIP: It is really, yes. Because I was bringing up my daughter who's now 16, the last 16 years in fact, I have big gaps in my contribution record. I was aware that there is a current rule whereby those in my position - and women too of course - have a reduced requirement for contributions.

WEST: Yes, that's the Home Responsibilities Protection.

PHILIP: Yes that's right, yes.

WEST: Yes, which is based on getting sort of child benefit. So you may have some protection for that anyway. The best thing is to check with the Pensions Service what your contribution record is to see whether you've got gaps and, if so, where and whether these new rules will apply. You know the new rules won't solve every problem, but they'll certainly help people in certain specific conditions to make up sort of short gaps in their contribution record.

PHILIP: Philip, were you the person who got the child benefit for your daughter?

LEWIS: Yes, I was, and still do in actual fact.

PHILIP: Right, well you should be covered by the Home Responsibilities Protection rules then and that should help you qualify. But of course when will you be 65?

PHILIP: Well I'm 61 now, so I've still got 3½, 4 years.

LEWIS: Right, so it will be after 2010. You'll only need 30 years to get a full pension anyway, so it sounds to me as if you may well have that. But you will be one of those who benefit from these rules because they do apply to people who reach pension age between April this year, 2008, and 5th April 2015. Sally, that's right, isn't it?

WEST: Yes. And it sounds like ... I mean you'll certainly be covered for the period of time that you're getting child benefit for looking after your daughter, so if you had you know a fairly full work record up to then you may be covered anyway. So that's why I think anybody who is wondering whether they need to make up any gaps needs to find out exactly what their contribution record is because it may be that you're already you know fully covered for your basic pension.

LEWIS: Thanks very much for your call, Philip. And, Sally, we've had a lot of emails about this all over the weekend, as you can imagine. And Mireille writes, 'Is there a formula to help women decide whether it's worth buying the extra years of contributions or should they just rely on the contributions that their husbands pay?' It is a difficult calculation for many women, isn't it?

WEST: It is a really difficult one and it's not something to rush into. So I think first of all, as I was saying to Philip, the first thing is to actually find out what the position is with your own record. Are there gaps that you can make up? If so, how much will it cost? And we're not sure how much the national insurance contributions will cost in the future because ...

LEWIS: No, you said they were £8.10, but we think they're going to go up, don't we, to pay for this?

WEST: Yes, yes, it's very likely they will go up. And of course also in the future you'll only need 30 years, so each year that you pay will be worth more. So I think the first thing is to find out what your gaps are, how much would it cost to build these up? And then you need to think about your own individual circumstances. If you're on a very low income and will be entitled to pension credit, it may not be worth making up your gaps; and married women get a 60% pension off their husband's contributions; widows and widowers can get a full pension on their ...

LEWIS: And divorcees sometimes as well, which is a point worth considering.

WEST: Yes. So I think it's always worth getting advice because yes you don't want to pay contributions that aren't going to be worthwhile.

LEWIS: No. But Liz emails us with another point. 'Will I be able to buy back years for time when I paid the reduced married women's rate?'

WEST: No, I'm afraid the answer to that is no and that's another big cause of concern by a lot of people because you're not allowed to pay voluntary contributions for any period where

you were paying the lower rate national insurance. And these new rules don't affect that. They're just extending the period of time for which you can pay the current voluntary contributions.

LEWIS: Yes, so I think for everyone who's going to benefit, there'll be others who'll be a bit annoyed that they're not, Sally, from what I can see from the rules. Let's move onto Ken now who's calling us from Lichfield. Ken, your question?

KEN: Hello, good afternoon. I've deferred taking my state retirement pension to build up a lump sum and my question is if I should die in the meantime would the lump sum go to my wife? Looking on the government website, I thought the answer would be yes, but, Paul, I see that you're writing in the Saga magazine and you're suggesting that it isn't possible?

LEWIS: Yes. I was hoping no-one would raise that, Ken. The answer is that when I wrote that, I thought it *wasn't* possible. Now I've looked at the latest government guidance, it seems as if it might be, but I couldn't quite follow what the Government was saying. Sally, can you help us with this? Sally's also looking puzzled. (*laughs*) We're all puzzled about this one, Ken, because initially when this plan was announced, I was definitely told you couldn't, but I don't know if there's been a change of heart, Sally?

WEST: I don't know this one off the top of my head either, Ken. We need a little bit of time to look this up. I know that the rules for deferment although they sound straightforward can be incredibly complicated and the issues about inheritance was one of the issues I know there's complexity to. There is a detailed DWP guide to deferring state pension, which I think covers it. I think we can look this one up and put something on the website and get back to you, Ken, on this one.

LEWIS: Yes. I have to say I did read that guide when someone else raised this with me and I still don't know what the rules are. So without checking and getting one of the lovely people at the DWP who help with these things, I'm afraid I still don't know the answer, Ken. There's some confusion. What I *do* know is that you will be able to get ... sorry your widow would be able to get an enhanced pension based on your deferment, but whether she can actually get the

lump sum itself I think is still a bit of a moot point.

WEST: We can definitely check this one out and we'll get back to you. And, as I say, we can put the information ... I'm sure Paul can put the information on the Money Box website.

LEWIS: Well indeed. (*laughing*) It's always nice to have a caller who raises the one question none of us can answer, isn't it, Sally? Right, well we are really coming to the end of our time, I'm afraid. I'm sorry for all those people who haven't been able to get through. We've had an awful lot on pensions, that pension question, and on other things. Let me just thank Sally West of Age Concern and Eddy Graham from Child Poverty Action Group. And thanks to you for all your calls and emails. You can find out more about state pensions and benefits from the BBC Action Line - that's 0800 044 044 - or our website, bbc.co.uk/moneybox, where you can listen to the programme again, download a copy onto your computer, subscribe to the podcast, and in a couple of days read a transcript of just how confused Sally and I were over that last question. (*laughs*) I'm back at noon on Saturday with Money Box. Vincent Duggleby's here to take your calls on Money Box Live next Monday afternoon.