

## United Kingdom

Exchange rate: U.S.\$1.00 equals 0.69 pounds (£).

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First laws:** 1908 (old-age pension), 1911 (disability insurance), and 1925 (old-age and survivors' insurance).

**Current laws:** 1992 (consolidated legislation), 1995 (pensions), 1999 (welfare reform and pensions), 2000 (child support, pensions and social security).

**Type of program:** Dual social insurance and social assistance system. Provisions and benefit amounts shown as of April 2001.

#### Coverage

**Basic state retirement pension (flat-rate) and additional pension (commonly called the State Earnings-Related Pension Scheme (SERPS)):** Compulsory contributions for employed persons earning £72 a week (the lower earnings level) or more. Employer or employee may contract out of SERPS according to specified conditions.

**Basic state retirement pension (flat-rate) only:** Compulsory contributions for self-employed persons with net annual income of £3,955 or more.

Voluntary contributions payable by nonemployed persons, employed persons earning below £72 a week, and self-employed persons with annual net income below £3,955.

#### Source of Funds

**Insured person:** Employees, 10% on weekly earnings between £87.01 and £575. (Certain married women and widows pay 3.85%.) If contracted out of SERPS, 8.4% on weekly earnings between £87.01 and £575. Contributions cover all benefits (including sickness, maternity, work injury, unemployment benefits, and part of the cost of medical services).

**Self-employed person:** Flat rate of £2 a week plus 7% of net income between £4,385 and £29,900 a year. Self-employed contributions cover all but unemployment benefits.

**Voluntary contributor:** Flat rate of £6.75 a week. Contributions cover only flat-rate retirement and widow's benefits.

**Employer:** 11.9% of employee's earnings over £87 a week; 3% contracted-out rebate, salary-related pension schemes, and 0.6% money purchase schemes. Contributions cover all benefits (including sickness, maternity, work injury, unemployment benefits, and part of the cost of medical services).

**Government:** Total cost of means-tested allowances and other noncontributory benefits. Also, treasury grant to

contributory programs up to 17% of benefit expenditure per year covers shortfalls.

Maximum earnings for contribution purposes (except for employers, self-employed persons, and nonemployed persons) are £575 a week. Minimum earnings are £72 a week.

15% of above contributions are allocated to the National Health Service toward the cost of medical care.

#### Qualifying Conditions

**Old-age pension:** Age 65 (men) or 60 (women, gradually rising to 65 from 2010 to 2020).

**Basic state retirement pension (flat-rate):** 50 weeks of paid contributions before April 1975 or contributions based on earnings of at least 50 times the lower earnings level in tax years April 1975 to April 1978. Since 1978, contributions have been based on earnings 52 times the lower earnings level. Coverage required for approximately 90% of the years in working life (generally 44 years for women, 49 for men). Pension is reduced proportionately with shorter coverage.

Number of years needed for full pension reduced if caring for child or elderly or disabled relative. No pension is payable if proportion of full pension is less than 25%. Coverage is credited for period covered by claims for certain benefits (such as incapacity benefit, and jobseeker's allowance).

**SERPS:** Based on contributions paid as an employed person on earnings between the National Insurance lower and upper earnings level in any tax year from April 1978 onward.

SERPS is being reformed through the State Second Pensions (S2P) as of April 6, 2002. The reform aims to boost the additional pensions of low earners and to allow certain carers and long-term disabled people to build up an additional pension for the first time.

**Old person's pension (noncontributory retirement pension):** Age 80 and ineligible for contributory pension or entitled to a pension of less than £43.40 a week. Resident in UK for 10 years in any 20-year consecutive period after age 60.

**Long-term incapacity benefit:** Contributions are paid on earnings of at least 25 times the weekly lower earnings level in any 1 tax year (April to March), plus contributions paid or credited on earnings of at least 50 times the weekly lower earnings level in each of the 2 complete tax years before the start of the benefit year (January to December) in which the claim is made. Payable after 52 weeks of disability (as determined by medical test), or after 28 weeks to those who are terminally ill or receiving the highest-rate care component of disability living allowance.

As of April 6, 2001, contributions are paid on earnings to at least 25 times the weekly lower earnings level in 1 of the last 3 tax years before the benefit claim year, plus contributions paid or credited on earnings of at least 50 times the weekly lower earnings level in both of the last 2 tax years before claim starts.

**Age addition:** Additional amount is payable with long-term incapacity benefit if disability began before age 45. Payable outside UK for temporary absences of up to 6 months.

**Severe disablement allowance (noncontributory, no means test):** Age 16 to 64, incapable of work for at least 28 consecutive weeks and insufficient contributions for incapacity benefit. If incapacity began after age 20, must also be assessed as 80% disabled. Not available to new claimants as of April 6, 2001, but provision has been made for young people under Incapacity in Youth.

Age additions are also payable with this benefit depending on the age at the date of onset. The additions are paid in age bands: under 40, 40 to 49, and 50 to 59.

**Disability living allowance (noncontributory, no means test):** Disability starting before age 65 (allowance can be paid beyond the age of 65 if entitlement started before age 65). Usually paid after 3 months of disability (except if terminally ill). Amount determined by care and mobility needs.

**Attendance allowance (noncontributory, no means test):** Disability starting at age 65 or older. Usually paid after 6 months of disability (except if terminally ill). Lower or higher rate determined by care needs.

**Disabled person's tax credit (noncontributory, no means test):** In paid work of 16 hours or more per week, with an illness or disability that creates a disadvantage in securing employment. Must have savings of £16,000 or less and be receiving a qualifying benefit such as disability living allowance, attendance allowance, or other disability-related allowances.

**Invalid care allowance (noncontributory, no means test):** Paid to person earning £72 a week or less (after allowable expenses) who forgoes full-time work to care for severely disabled person (receiving certain qualifying benefits) for 35 hours or more a week. Aged over 16 and under 65 at time of claim. Not in full-time education.

**Survivor pension:** Deceased met coverage requirements for old-age pension or was pensioner at death.

**Widowed parent's allowance:** For widowed parent with at least one dependent child under age 19 for whom he or she receives child benefit.

**Bereavement allowance:** Weekly benefit payable to widows and widowers aged 45 and over without dependent children. Payable for 52 weeks following date of widowhood. The weekly rate of bereavement allowance payable to those age 45 to 54 is related to their age at the date of entitlement.

**Bereavement payment:** Lump-sum payment of £2,000 payable immediately to help with costs arising on death of husband or wife. Deceased person must have paid National Insurance contributions.

**Guardian's allowance:** For people bringing up an orphan or, in very limited circumstances, a child with one surviving parent.

**Income support (noncontributory, means-tested, social assistance benefit):** Available to people with income below certain levels. Amount depends on age, income, and circumstances. Not payable if savings are over £8,000 or if working more than 16 hours a week.

## Old-Age Benefits

**Basic state retirement pension flat rate:** Maximum is £72.50 a week.

Dependent supplement: £43.40 a week for dependent adult; £9.70 a week for first child for whom child benefit is paid and £11.35 a week for each other such child.

Increment for deferred retirement: 1/7% of pensions for each week of delayed retirement between ages 65 and 70 (men) or 60 and 65 (women) subject to minimum deferment of 7 weeks.

Age addition: £0.25 a week if aged 80 or over.

**SERPS:** Accrual rate is 1.25% a year of coverage, based on average indexed surplus earnings (indexed earnings over the lower earning level of final year before pensionable age) after 1978, equal to 25% of average earnings over notional working life of best 20 years.

For pensioner reaching pensionable age between April 1999 and April 2009, accrual rate on earnings after April 1988 decreases gradually from 25% to 20% of average earnings over entire working life.

For pensioners reaching pensionable age as of April 2000, indexed earnings will be calculated with reference to the lower earnings level of the years in which earnings are paid rather than the final year. Maximum amount is £131.22 a week.

**Old person's pension (noncontributory retirement pension):** £43.40 a week minus any old-age pension.

Benefit adjustment: Pensions increased annually according to price changes. (The amount of increase is calculated according to the retail price index from the previous September.)

**Income support (noncontributory, means-tested, social assistance benefit):** For single pensioner, £92.15 a week depending on age, minus amount of other pensions and income; for pensioner couple, £140.55 a week depending on age, minus amount of other pensions and income.

## Permanent Disability Benefits

**Long-term incapacity benefit:** Payable starting from 53<sup>rd</sup> week of incapacity (or starting from 29<sup>th</sup> week if terminally ill and disabled for at least 28 weeks) following payments of short-term incapacity benefit; £69.75 a week plus £43.40 a week for a dependent adult caring for claimant's child(ren) and £11.35 a week for dependent child.

**Severe disablement allowance (noncontributory, no means test):** £42.15 a week, plus £4.65, £9.35, or £14.65 depending on age when incapacity began; £25.00 a week for dependent adult, plus £9.70 a week for first child for whom child benefit is paid and £11.35 a week for each other such child.

**Disability living allowance (noncontributory, no means test):** Care component is £55.30, £37.00, or £14.65 a week according to needs. Mobility component is £38.65 or £14.65 a week according to needs.

**Attendance allowance (noncontributory, no means test):** £37.00 or £55.30 a week according to needs.

**Disabled person's tax credit:** Basic rate is £56.05 a week, or £86.25 a week for a couple or lone parent. Enhanced disability tax credit is £11.05 a week, or £16.00 a week for a couple or lone parent; 30-hour tax credit is £11.45; tax credit for each child under 15 years is £26.00 and aged 16 to 18, £26.75. Additional £30 for disabled children; £41.05 if severely disabled.

Child care tax credit: If receiving disabled person's tax credit, may also receive up to 70% of cost of child care up to maximum of £100 for one child, £150 for two or more. Calculated by adding the credits together. Income over £92.90 (£72.75 for a single person) is reduced by £0.55 for each £1.

**Invalid care allowance (noncontributory, no means test):** £41.75 a week plus dependent supplements, if appropriate.

Benefit adjustment: Pensions and allowances increased annually according to price changes. (The amount of increase is calculated according to the retail price index from the previous September.)

**Income support (noncontributory, means-tested, social assistance benefit):** Single person aged 25 or older receives maximum weekly allowance of £94.60 less amount of other benefits and income.

### Survivor Benefits

**Widowed parent's allowance:** £72.50 a week, plus £9.70 a week for first child for whom child benefit is paid and £11.35 a week for each other such child.

**Bereavement allowance:** Amount varies with age at widowhood or when widowed parents' allowance ends. Age 55 or older, £72.50 a week; aged 45 to 54, percentage of full rate is paid.

**Bereavement payment:** Lump-sum payment of £2,000 payable immediately to help with costs arising on death of husband or wife.

**Guardian's allowance:** £11.35 a week per child; reduced to £9.70 if higher rate of child benefit is payable for child.

Benefit adjustment: Allowances adjusted annually according to price changes.

**Income support (noncontributory, means-tested, social assistance benefit):** Widow aged 18 to 59 with dependent children (up to age 18) receives weekly allowance of £53.05 plus £31.45 to £32.25 per child (depending on age of child) minus amount of other benefits and income.

### Administrative Organization

Job Centre Plus administers payment of pensions, benefits, and income-tested allowances through its network of central and district offices.

Inland Revenue Contributions Agency collects and records National Insurance contributions.

## Sickness and Maternity

### Regulatory Framework

**First law:** 1911.

**Current laws:** 1977 (national health service), 1992 (consolidated legislation), 1994 (incapacity benefit), and 1999 (welfare reform and pensions).

**Type of program:** Dual social insurance and social assistance system for cash benefits and universal system for medical care.

### Coverage

**Short-term incapacity benefit:** All employed and self-employed persons who satisfy certain conditions and are not eligible for statutory sick pay. Incapacity benefit is also payable to unemployed or nonemployed persons if they satisfy necessary contribution conditions.

**Statutory sick pay:** Paid by employer to employees with average earnings of £72 or more a week for 18 weeks.

**Maternity allowance:** All employed and self-employed persons who satisfy certain conditions and are not eligible for statutory maternity pay.

**Statutory maternity pay:** Paid by employer to women employees with average earnings of at least £72 or more a week.

**Medical care:** All residents, irrespective of nationality, payment of contributions or income tax.

### Source of Funds

**Insured person:** Incapacity benefit and maternity allowance, see Old Age, Disability, and Survivors, above.

**Employer:** Incapacity benefit and maternity allowance, see Old Age, Disability, and Survivors, above. Total cost of statutory sick pay (except for certain small employers) and 8% of statutory maternity pay.

Reimbursement of statutory sick pay abolished in 1994 (except for some small employers).

**Government:** 92% of statutory maternity pay (100% in the case of some small employers); small portion of statutory sick pay; most of medical care (National Health Service). Total cost of means-tested allowances.

**Medical care:** Funded mainly from general taxation; small proportion from National Insurance contributions and patients' copayments.

### Qualifying Conditions

**Short-term incapacity benefit:** At least 4 consecutive days of sickness within a period of incapacity for work.

Contributions paid on earnings of at least 25 times the lower earnings level in any 1 tax year (April to March), plus contributions paid or credited on earnings of at least 50 times the weekly lower earnings level in each of the 2 complete tax

years before the start of the benefit year (January to December) in which the claim is made. Payable to employees, self-employed, and unemployed under age 65 (men) or 60 (women) not receiving statutory sick pay from employer.

From April 6, 2001, contributions paid on earnings to at least 25 times the lower earnings level in 1 of the last 3 tax years before the benefit claim year, plus contributions paid or credited on earnings equal to at least 50 times weekly lower earnings level in both of last 2 tax years before claim starts.

Young people incapacitated before age 20, or age 25 if they have been in education or training, may be able to receive incapacity benefit without satisfying the contribution conditions.

**Statutory sick pay:** At least 4 consecutive days of sickness within a period of incapacity for work. Paid to employees under age 65 with average earnings of £72 or more a week.

**Maternity allowance:** All employed and self-employed persons must have worked for at least 26 weeks in the 66-week period before the expected week of childbirth and have average earnings of at least £30 a week in a 13-week period. Not receiving statutory maternity pay from employer.

**Statutory maternity pay:** Employed continuously for at least 26 weeks by same employer up to and including the 15th week before expected week of childbirth; average earnings £72 or more a week.

**Medical benefits:** No minimum qualifying period.

**Income support (noncontributory, means-tested, social assistance benefit):** Available to people with income below certain levels. Amount depends on income and circumstances.

### ***Sickness and Maternity Benefits***

**Short-term incapacity benefit:** Lower rate payable for up to 28 weeks at £52.60 a week, plus £32.55 a week for a dependent adult. Payable after 3-day waiting period. Higher rate is payable from week 29 to week 52 at £62.20 a week, plus £32.55 a week for a dependent adult. An increase of £9.85 a week is payable for eldest dependent child and £11.35 for each subsequent child dependent(s).

**Long-term incapacity benefit:** Payable from week 53 at £69.75 a week, plus £41.75 a week for a dependent adult. Dependent children are paid at the same rate as for short-term incapacity benefit.

**Statutory sick pay:** £62.20 a week. Payable for up to 28 weeks of incapacity after 3-day waiting period.

**Maternity allowance:** Payable for up to 18 weeks. The 18 weeks may start at any time from the 11<sup>th</sup> week before the expected date of childbirth to the week following childbirth. The standard rate is £62.20 a week. Women who do not qualify for the standard rate will receive 90% of average earnings (up to a maximum of £62.20).

**Statutory maternity pay:** 6 weeks at 90% of average earnings up to 12 weeks at the standard rate of £62.20 a week. Payable for 18 weeks. The 18 weeks may start at any time from the 11<sup>th</sup>

week before the expected date of childbirth to the week following childbirth.

**Income support (noncontributory, means-tested, social assistance benefit):** Single persons, for example, receive £53.05 to £94.60 a week depending on their circumstances.

### ***Workers' Medical Benefits***

Medical services provided by doctors and dentists under contract with and paid directly by National Health Service, and by public hospitals. Includes general practitioner care, specialist services, hospitalization, maternity care, dental care, medicines, appliances, home nursing, and family planning.

Patients pay 80% of cost of any dental work up to £360. Patients pay £6.10 for each prescription. Those receiving income support or family credit and their adult dependents, children under age 16 (under 19 if student), pregnant women, and nursing mothers are exempt from dental and prescription charges. People over state pension age and certain other groups are exempt from prescription charges. Exemption is also available to others with low income under National Health Service Low Income Scheme.

No limit on duration of benefits.

### ***Dependents' Medical Benefits***

Same as for family head.

### ***Administrative Organization***

Department for Work and Pensions administers cash benefits through its district and local offices.

Department of Health administers medical services through National Health Service.

Health Service includes eight regional health authorities and numerous other health authorities.

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### ***Work Injury***

#### ***Regulatory Framework***

**First Law:** 1897.

**Current law:** 1992 (consolidated legislation).

**Type of program:** Social insurance system.

#### ***Coverage***

Employed persons. Excludes self-employed persons.

#### ***Source of Funds***

**Insured person:** See Old Age, Disability, and Survivors, above.

**Employer:** See Old Age, Disability, and Survivors, above.

**Government:** See Old Age, Disability, and Survivors, above.

## Qualifying Conditions

**Work injury benefits:** No minimum qualifying period.

### Temporary Disability Benefits

**Temporary disability benefit:** Same as short-term incapacity benefit under Sickness and Maternity Benefits, above, for first 52 weeks. If disability continues, long-term incapacity benefit is paid (see Permanent Disability Benefits under Old Age, Disability, and Survivors).

**Income support (noncontributory, means-tested, social assistance benefit):** Available to people with income below certain levels. Amount depends on income and circumstances. Not payable if savings exceed £8,000 or if working more than 16 hours a week.

### Permanent Disability Benefits

**Industrial injuries disablement benefit:** Up to £108.10 a week if 100% disabled. Payable from 15<sup>th</sup> week after accident or onset of disease.

Partial disability: From £21.86 a week for 14% disability to £101.61 a week for 90% disability.

Reduced earnings allowance: Only payable for occupational accidents or diseases before October 1990. Up to £45.20 a week if at least 1% disabled and unable to do the same job, resulting in loss of earnings.

Constant-attendance allowance: Payable if 100% disabled; £22.60 or £45.20 a week depending on need; £67.80 or £90.40 a week if needs are greater.

Exceptionally severe disablement allowance: £45.20 a week if receiving top two rates of constant-attendance allowance.

Income support (noncontributory, means-tested, social assistance benefit): Single person, for example, receives £53.05 to £94.60 a week depending on the degree of disability.

### Workers' Medical Benefits

Provided under the National Health Service.

### Survivor Benefits

See survivor benefits under Old Age, Disability, and Survivors, above.

### Administrative Organization

Department for Work and Pensions administers payment of pensions and income-tested allowances through its network of central and district offices.

Inland Revenue Contributions Agency collects and records National Insurance contributions.

## Unemployment

### Regulatory Framework

**First law:** 1911.

**Current law:** 1995 (jobseekers).

**Type of program:** Dual social insurance and social assistance system.

### Coverage

All unemployed jobseekers who meet the entitlement conditions.

### Source of Funds

**Insured person:** See Old Age, Disability, and Survivors, above.

**Employer:** See Old Age, Disability, and Survivors, above.

**Government:** See Old Age, Disability, and Survivors, above. Meets total cost of means-tested allowances.

### Qualifying Conditions

**Jobseeker's allowance (contribution-based):** Must be 18 or older and out of work or working less than 16 hours a week (16- to 17-year-olds may qualify only under specified conditions). Contributions paid on earnings of at least 25 times the lower earnings level in 1 of last 2 complete tax years (April to March) before the start of the benefit year (January to December) in which claim is made; and contributions paid or credited on earnings of at least 50 times the weekly lower earnings level in both the appropriate tax years. Earnings must not be higher than prescribed amount.

Must be registered at Job Centre: capable of, available for, and actively seeking employment; and have a current Jobseeker's Agreement. Questions relating to availability, unemployment due to voluntary leaving, misconduct on the job, refusal of employment, or disagreements over the Jobseeker's Agreement are dealt with by specialist decisionmakers.

**Jobseeker's allowance (income-based):** No income or an income that does not exceed the applicable amount. No entitlement to contribution-based jobseeker's allowance, insufficient or expired contribution-based jobseeker's allowance. Not payable if savings exceed £8,000 or if working more than 16 hours a week.

### Unemployment Benefits

**Jobseeker's allowance (contribution-based):** Flat-rate benefit for up to 6 months; £53.05 a week if aged 25 or older (£42.00, aged 18 to 24; £31.95 if under age 18). Payable after 3-day waiting period.

**Jobseeker's allowance (income-based):** Amount dependent on age and one household income and composition: for example, a single person receives £31.95 to £53.05 a week depending on age.

### ***Administrative Organization***

Inland Revenue Contributions Agency administers contribution records.

Administration of Jobseeker's Allowance through local centres called Job Centres.

### ***Family Allowances***

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#### ***Regulatory Framework***

**First laws:** 1945 (child benefit) and 1987 (family credit).

**Current law:** 1992 (consolidated legislation).

**Type of program:** Universal system (child benefit) and social assistance (working families tax credit).

#### ***Coverage***

Residents with one or more children.

#### ***Source of Funds***

**Insured person:** None.

**Employer:** None.

**Government:** Total cost.

#### ***Qualifying Conditions***

**Child benefit:** Child must be under age 16 (under 19 if full-time further education). Dependent upon conditions regarding residence and presence in the UK.

**Working families tax credit:** Families must have at least one child under age 6 (or under 19 if in full-time nonadvanced education), must work for at least 16 hours a week, and must not have savings in excess of £8,000.

#### ***Family Allowance Benefits***

**Child benefit:** £15.50 a week for eldest qualifying child, £10.35 for each other. For lone parents, £17.55 a week for eldest qualifying child.

**Working families tax credit:** Amount depends on income, partner's income, and number of children and their ages.

### ***Administrative Organization***

Department for Work and Pensions administers child benefit; to be transferred to Inland Revenue as of 2003.

Administrative organization arrangements for guardian's allowance to be transferred to Inland Revenue as of 2003.