



**Isle of Man  
Government**

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# **A Consultation Document**



**Proposed changes to the minimum  
work requirements for employed  
person's allowance**

**&**

**Proposed change to income support for  
lone parents**

Issued by:  
The Treasury, Social Security Division  
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## 1. Minister's foreword

Through the Programme for Government 2016-2021 the Treasury has been tasked with -

- "Ensuring our welfare system is providing better defined and more appropriate support for people"; and
- "Changing the way we help people get back to work by establishing clearer support pathways".

We are currently progressing a number of projects and initiatives under these broad objectives.

One of those objectives is to look at whether the current provisions for Employed Person's Allowance (or "EPA" for short) strike a fair balance between –

- offering appropriate levels of support to working families on low incomes; and
- society's expectations of what people should do to reduce or eliminate their need for state support.

Currently, lone parents are required to work just 16 hours a week in order to qualify for EPA, regardless of the age of their children. It appears reasonable that once their youngest or only child is settled into school they should be expected to work longer hours.

For couples, only one member of a couple is required to work at least 30 hours a week to qualify for EPA. It appears reasonable that once their youngest or only child is settled into school one or both of them should be expected to work more hours. This may mean that some "stay at home" parents of older children will have to go to work.

However, we recognise that in certain situations it would be unreasonable to expect EPA claimants to have to increase their hours of work to remain entitled to benefit - and we would be grateful to receive comments about what those situations might be. This will help us to frame the legislation and make appropriate exceptions.

I appreciate that the proposed changes, set out in this document, are significant, and that in some cases it will require EPA recipients to make a "step change" to meet the proposed new requirements. But I believe they are reasonable.

Of course, the availability of suitable jobs is a pre-requisite to increasing the minimum work requirements for EPA. The local labour market is exceptionally buoyant at present and registered unemployment is the lowest it has been for 14 years. There are ample opportunities for employment, for those who want to work. But many of those opportunities are being taken up by people who need work permits, when instead they could be met by enhancing the local labour force.

There is another issue raised in this consultation, which is whether lone parents whose youngest child is aged between 6 and 11 and who need financial support should be required to claim jobseeker's allowance, rather than claiming income support as they do now. This would mean that they would have to take steps to either look for work or improve their prospects of getting work. Currently, under the income support rules, lone parents are not required to undertake any work-related activity until their youngest child is aged 12. It seems reasonable that those lone parents should have to "engage" at an earlier stage, in order that we can help them take up work at the earliest opportunity and help them achieve a better outcome for their families.

Thank you for taking the time to consider our proposals. I look forward to receiving your comments.

Hon. Alf Cannan MHK

Minister for the Treasury

## 2. Overview

The purpose of this consultation is to invite interested parties to consider and comment on -

- proposed changes to the minimum work requirements for Employed Person's Allowance (EPA) for certain groups; and
- a change to the eligibility gateway for income support for lone parents

which are described in this document.

In particular, we would like to hear from: people receiving EPA, lone parents receiving income support, members of the public, employers, the third sector and representative bodies.

We would especially welcome suggestions as to in what circumstances exceptions should be made to the proposed changes.

## 3. Why we are consulting

This consultation will enable us to decide whether: the proposed changes should be progressed, whether they need changing and what exceptions may need to be made.

All respondents should be aware that the Isle of Man Government is subject to the provisions of the Freedom of Information Act 2015, and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

## 4. The proposed changes

We believe that many people getting EPA whose children are settled in school could reasonably work more hours than they currently do, and could therefore reduce or eliminate their reliance on EPA.

Furthermore, as they get to keep 30p of every extra pound they earn, the more they work and earn the better off they and their families will be.

If their earnings increase to the extent that they no longer qualify for EPA, they would keep all of their additional earnings above their applicable amount (less tax and National Insurance).

**Therefore, we propose that for certain groups the minimum work requirements for EPA should be increased.** Details of the proposals are set out in this document.

We recognise that there are circumstances where the proposed new minimum work requirements would not be appropriate and will therefore make certain exceptions.

We are not proposing any change to the minimum work requirements for: -

- lone parents whose youngest or only child is under 6;
- disabled workers; and

- couples where one or both partners cares for a severely disabled person.

We also propose that **income support** should only be available to lone parents whose youngest or only child is aged under 6. Lone parents with older children could claim jobseeker's allowance instead, or EPA if they are able to meet the minimum work requirements.

## 5. Background

Two of the stated objectives in the Programme for Government 2016–2021<sup>1</sup> are to -

- *"Ensure our welfare system is providing better defined and more appropriate support for people";* and
- *"Change the way we help people get back to work by establishing clearer support pathways".*

We are progressing a number of projects and initiatives under these broad objectives, one of which is to review the current minimum work requirements for EPA.

EPA is a means-tested social security benefit paid to certain working families and "disabled workers" (as defined in social security legislation) who have low incomes.

EPA is not available to single people unless they are classed as disabled workers.

EPA is only available to couples who don't have children if –

- one or both of them is a disabled worker; or
- one or both of them is a full-time carer for a severely disabled person; and

one or both of them works for at least 16 hours a week.

To qualify for EPA claimants must meet minimum work requirements. These requirements vary according to the claimant's circumstances.

Currently lone parents claiming EPA must work for at least 16 hours a week to qualify for benefit, whilst for couples with dependent children one or both partners must work for at least 30 hours a week. This is irrespective of their children's ages.

There is no limit to the number of hours a person may work and still qualify for EPA, as long as their reckonable income is below their "applicable amount". An applicable amount is made up of certain allowances, i.e. a basic allowance according to family type, additional allowances for dependent children, eligible housing costs and a premium if they work for 24 or more hours a week.

The amount of EPA payable in any case is 70% of the shortfall between a family's reckonable income – which is most commonly just their net earnings - and their applicable amount.

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<sup>1</sup> GD No. 2017/0002

EPA can be awarded for up to 26 weeks at a time, though awards are usually for just 4 or 12 weeks at a time. Broadly speaking, changes in circumstances which occur during the period of an award do not affect that award.

Around 1,200 families currently receive EPA, two-thirds of which are lone parents and one-third of which are couples with dependent children.

In the current financial year just over £10 million will be spent on EPA.

## **6. The proposed changes to EPA**

We believe that many recipients of EPA whose children are settled in school could reasonably work more hours than they currently do, and could therefore reduce or eliminate their reliance on EPA.

So, we are proposing that for certain groups the minimum work requirements should be increased, as follows:

### Lone parents

- Lone parents whose youngest or only child is aged between 6 and 11 should have to work at least 24 hours a week to qualify for EPA.
- Lone parents whose youngest or only child is aged 12 or over should have to work at least 30 hours a week to qualify for EPA.

We are not proposing to change the minimum work requirement for lone parents whose youngest or only child is under age 6 – this would continue to be 16 hours a week.

The current and proposed minimum work requirements are summarised in the table below

Age of youngest/only child	Current minimum work requirement	Proposed minimum work requirement
Under 6	16 hours per week	16 hours per week
6 to 11	16 hours per week	24 hours per week
12 or over	16 hours per week	30 hours per week

### Couples with dependent children

- Couples whose youngest or only child is under age 6 should have to work a total of at least 35 hours a week;
- Couples whose youngest or only child is aged between 6 and 11 should have to work a total of at least 48 hours a week; and
- Couples whose youngest or only child is aged 12 or over should have to work a total of at least 60 hours a week.

We propose that they could make up those hours between them and in any combination they choose.

So, for example, if their youngest child is aged 8, one partner could work 40 hours a week whilst the other works for 8 hours a week. Or, as a further example, they could both work for 24 hours a week. It would be for them to arrange whatever suits them.

The current and proposed minimum work requirements are summarised in the table below.

Age of youngest/only child	Current minimum work requirement	Proposed minimum work requirement
Under 6	30 hours per week	35 hours per week
6 to 11	30 hours per week	48 hours per week
12 or over	30 hours per week	60 hours per week

As can be seen, the proposed minimum work hours for couples are double that for lone parents, except where the youngest or only child is under age 6.

The 35 hours per week proposed minimum work requirement for couples with a child under 6 is based on the premise that –

- it is reasonable to expect one partner to work full-time, and
- full-time positions are generally seen as being for at least 35 hours a week.

We believe it is logical and reasonable to expect the members of a couple to work twice the number of hours required of a lone parent.

As is currently the case, where a person’s hours of work fluctuate, the average number of hours they work is taken into account.

We recognise that there will be circumstances where the proposed minimum working requirements are not achievable, for example if one member of a couple is incapacitated or cares for a disabled relative, and we would make exceptions for such circumstances.

#### Disabled workers and carers of severely disabled persons

We are not proposing to change the minimum work requirements for disabled workers or couples where one or both members cares for a severely disabled person. In both cases the minimum work requirement would continue to be 16 hours a week.

## **7. Impacts of the proposed changes to EPA**

We believe that, if adopted, the increased minimum work requirements would –

- improve the financial position and social well-being for many families;
- benefit society and the economy generally;
- significantly enhance the local labour pool;
- reduce benefits expenditure; and



- increase National Insurance and tax revenues.

As EPA claimants get to keep 30p of every extra pound they earn, the more they work and earn the better off they and their families will be.

If their earnings increase to the extent that they no longer qualify for EPA, they would keep all of their additional earnings above their applicable amount (less tax and National Insurance).

Requiring some EPA claimants, and in some cases their partners, to work more hours as their children get older would add considerable capacity to the local labour pool. This would reduce local businesses' reliance on recruiting staff from off-Island to fill their vacancies and the number of work permit applications.

We recognise that the availability of jobs is a pre-requisite to increasing the minimum work requirements for EPA. The local labour market is exceptionally buoyant at present. Registered unemployment is at a 14-year low and the number of vacancies received at the Job Centre continues to increase. During September of this year 877 job vacancies were notified to the Job Centre and at the end of the month 598 remained.

Increasing the number of people in work, and the hours they work, would result in increased National Insurance and tax receipts and a greater spend in the local economy.

We recognise that some EPA recipients would need help in preparing for and finding additional work. Coaching would be provided by employment services officers who were formerly with the Department of Economic Development, but who are now with Treasury's Social Security Division.

We also recognise that the proposed changes may lead to an increase in demand for child care and for places on children's summer clubs and we will discuss this with the relevant providers.

## Questions about proposed changes to EPA

### Question 1

Do you think recipients of tax-funded benefits have a duty to society to reduce or remove their need for benefit, where they are able to do so?

Please tick only one box

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Provide any comments you wish to make on page 14

### Question 2

To what extent do you agree with the proposed new minimum work requirements for EPA for **lone parents**?

Please tick only one box

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Provide any comments you wish to make on page 14

### Question 3

To what extent do you agree with the proposed new minimum work requirements for EPA for **couples**? Remember that the members of a couple would be able to make up those hours between them and in any combination they choose.

Please tick only one box

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Provide any comments you wish to make on page 14

### Question 4

To what extent do you agree that the current local labour market is capable of providing sufficient suitable jobs or additional working hours to enable claimants of EPA, and where appropriate their partners, to meet the proposed new minimum working requirements?

Please tick only one box

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Provide any comments you wish to make on page 14

### Question 5

Do you foresee any problems with child care arising from the proposed new minimum working requirements for EPA?

Remember that we are not proposing any changes to the minimum work requirement for lone parents whose youngest or only child is aged under 6.

Please tick only one box

Yes

No

Not sure

Provide any comments you wish to make on page 14

## 8. Proposed changes to income support for lone parents

Income support is another means-tested social security benefit, which is available to certain groups of people who do not work, or who work for less than 16 hours a week.

One of those groups is a lone parent whose youngest or only child is aged under 12.

Income support claimants are not required to undertake any work-related activities to be entitled to benefit.

We believe it is reasonable that a lone parent whose youngest or only child is aged 6 or over – and should therefore be settled in school - should be taking steps to either prepare themselves for work or to look for work. Therefore, they should not be eligible to claim income support; they should claim jobseeker's allowance instead.

We propose that lone parents should no longer be able to qualify for income support once their youngest or only child reaches age 6.

### Question 6

To what extent do you agree that lone parents claiming income support whose youngest or only child is aged between 6 and 11 should have to prepare for work, or look for work, to qualify for benefit?

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Provide any comments you wish to make on page 14

Please use this space to add any additional comments or suggestions

## **9. Submissions**

Responses to the questions raised in this document, together with any comments or suggestions concerning the proposals, would be welcomed. Anyone wishing to submit a response to this consultation is invited to do so by 11 January 2018. Responses should be sent to:

Jamie Beaman, Policy Section  
Social Security Division  
2<sup>nd</sup> Floor Markwell House  
Market Street  
Douglas IM1 2RZ

Email: [Consultation.SSD@gov.im](mailto:Consultation.SSD@gov.im)

In any consultation exercise the responses received do not guarantee that changes will be made to what has been proposed.

### **Confidentiality**

The information you send may be published in full or in a summary of responses.

All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2002). If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be agreed to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.







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