

# Further analysis on the reform of bereavement benefits for new claims from April 2016

## Great Britain

26 June 2013

# Introduction

## Reference materials

This report presents information that extends DWP's high level analysis on the reform of bereavement benefits in Great Britain from April 2016. This policy change is outlined in the Government response and the higher level analysis is explained in the impact assessment:

### ***Bereavement Benefit for the 21st Century – Government response***

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181257/bereavement-benefit-consultation-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181257/bereavement-benefit-consultation-response.pdf); and

### ***Replacement of existing Bereavement Benefits for New Claims from April 2016 – impact assessment***

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/197843/pensions-bill-ia-annex-c-replacement-of-existing-bereavement-benefits-for-new-claims-from-april-2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197843/pensions-bill-ia-annex-c-replacement-of-existing-bereavement-benefits-for-new-claims-from-april-2016.pdf).

## Measurements

**The purpose of this note is to expand the evidence base to provide estimations on the proportion of future claimants that benefit and lose-out because of the change, through:**

- “what if” scenarios of notional gain or loss to individual recipients for those in receipt of Widowed Parents Allowance (WPA), Bereavement Allowance (BA) and Bereavement Payment (BPT), so that the impact of the change can be assessed within existing benefit groups; and
- based on these examples and estimates of the volume and duration of new claims and on the proportion of claimants in and out of work, it is possible to extrapolate the overall and sub-group position around overall winners and losers.

## Important note

It is important to understand that the illustrations of this document and the impact assessment serve as an indication of what the average person in groups and sub-groups might gain or lose if the reform was initiated now. Payments in individual cases may differ from the central estimates.

# Background

## Bereavement benefit reform

The Government is reforming bereavement benefits as part of wider welfare reform. DWP has undertaken a series of steps prior to the start of the legislative process. This includes the following:

- commission of social research on existing recipients experiences, which was published in February 2012:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/139144/rrep790.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/139144/rrep790.pdf.pdf);
- consult with interested parties on policy options from December 2011 to March 2012, with the Government response to feedback published in July 2012:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/176820/bereavement-benefit.pdf.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/176820/bereavement-benefit.pdf.pdf) and  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/181257/bereavement-benefit-consultation-response.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181257/bereavement-benefit-consultation-response.pdf); and
- outline fiscal impact of moving from the costing of the current system to that of the proposed one, which was published in the main impact assessment of April 2013:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/197843/pensions-bill-ia-annex-c-replacement-of-existing-bereavement-benefits-for-new-claims-from-april-2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197843/pensions-bill-ia-annex-c-replacement-of-existing-bereavement-benefits-for-new-claims-from-april-2016.pdf).

## Legislating for the reform

Measures to legislate for this reform are included in the Pensions Bill which was introduced to Parliament on 9 May 2013. The Bill is currently in Committee in the House of Commons and following completion of the remaining Commons' stages it will move to the House of Lords. The analysis herein and the information in the aforesaid documents are being shared publicly to help inform debate as the legislation passes through Parliament.

## Current system

Currently, bereavement benefits (baseline position) consist of three different payments:

**Bereavement Payment (BPT)** – a one off tax-free payment of £2,000 payable to someone after their wife, husband or civil partner has died; and if eligible

**Bereavement Allowance (BA)** – a taxable weekly benefit which can be paid to someone for up to 52 weeks from the date of death of their wife, husband or civil partner if they are over 45 and under State Pension age. The rate of BA is reduced by around 7% for each year the recipient is/was under the age of 55; or

**Widowed Parent's Allowance (WPA)** – a taxable weekly benefit which may be payable to a parent whose husband, wife or civil partner has died if they have at least one dependent child for whom they are entitled to Child Benefit. It is payable until

the claimant reaches State Pension age or upon cohabiting or remarriage/formation of civil partnership.

### **Future scheme**

Going forward the proposed policy (the option) is to open entitlement to Bereavement Support Payment (BSP) based on a single year of Class 1 or 2 National Insurance contributions. It will be paid in lump sums and instalments over 12 months.

*Indicative tax free values* for it are in the region of £4,300 for recipients without children and £9,800 for those with dependent children. These awards will be disregarded for other benefits.

Note that actual values and periodicity will be defined in regulations. It is anticipated that this option will replace the current system for new claims from April 2016.

### **Signposting**

Further information around the arrangements for those in receipt of the new BSP relating to availability of employment support, disregarding from Universal Credit (UC) and other benefits calculations and the tax status of payments is available in the Government response and main impact assessment.

# Results

## Information

The analytical work of this section aims to estimate whether individuals gain or lose from the reform of bereavement benefits, in order to do this the modelling accounts for how many people received bereavement benefits and for how long, and reflects what types of benefits are received by them at present and in the future and their incomes.

The data used to derive benefit and tax rates is limited, and therefore estimates will be subject to some uncertainty. However, the following analysis uses the best available data and assumptions to deliver reasonable outputs.

## Features

To illustrate impacts, the approach underpinning the findings of the *theoretical* examples of this document are based on the premise that the reform is implemented in 2012/13, and draw on the aspects described below (information behind the main results are available in Annex 1 tables).

### The number of people affected by the change and their duration in receipt

It is important to accurately capture the size of the groupings impacted from the introductory year (the cohort of interest) and the durations they are on benefit; these are the inflows to the new benefit in that first year split into the existing benefit groups of Table 1a and 1b of Annex 1. These volumes are calculated differently for:

- the WPA group – overall number of inflows for 2012/13 is consistent with the Budget 2013 forecast, and expected duration in receipt is based on analysis of the 2002/03 cohort of inflows;<sup>1</sup>
- the BA group – overall number of inflows for 2012/13 is also consistent with the Budget 2013 forecast, and age of claimants is based on the age profile of the 2012/13 cohort; and
- the BPT group – overall number of inflows for 2012/13 are based on projection of Management Information.

These sub-populations are broken down further into those in and out of work based on long-run proportions from the Labour Force Survey (LFS) – the employed share for WPA recipients is around three fifths and for BA claimants is about half.

### The variation in people's income

It is important to incorporate some degree of deviation in incomes of those impacted from the initial year onwards. These Income levels influence the amount of UC received and the tax liability incurred. These average rates are calculated separately under the current and proposed arrangements for each of the existing benefit groups split by employment status and income quartiles.

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<sup>1</sup> Note that a small adjustment is made using breakdowns from the 2001/02 cohort.

## Findings

Under the policy, the net gain or loss calculation compares:

- the overall value of the current system which equates to the sum of the legacy bereavement benefits and UC proxies for other working age benefits (amount calculated based on income including the said legacy benefits), less tax liability on legacy benefits. The UC receipt and tax paid differs across income quartiles; and
- the total worth of the proposed scheme which equates to the sum of the new benefit and UC (amount calculated based on income excluding BSP). Again UC receipt and tax paid varies across income quartiles.

Tables 2, 3 and 4 of Annex 1 show the results in terms of net gain or loss for existing benefit groups, split by employment status and income quartiles. These tables can be used to assign the inflows in the set duration and age bands of Table 1 of the same annex into net winner or loser states. The following table extrapolates these states for each of the groups to estimate the proportions better off or worse off owing to the introduction of reform within existing benefit groups and overall.

### Percentage better off or worse off under the new Bereavement Support Payment by existing bereavement benefits groupings (based on arithmetic mean component estimates)

|                          | Better off    |                   |           | Worse off     |                   |           |
|--------------------------|---------------|-------------------|-----------|---------------|-------------------|-----------|
|                          | Those in work | Those out of work | All       | Those in work | Those out of work | All       |
| WPA group                | 12            | 43                | 25        | 88            | 57                | 75        |
| BA group                 | 30            | 51                | 40        | 70            | 49                | 60        |
| BPT group                | 100           | 100               | 100       | 0             | 0                 | 0         |
| <i>BA and BPT groups</i> | 53            | 67                | 60        | 47            | 33                | 40        |
| <b>Across all groups</b> | <b>43</b>     | <b>62</b>         | <b>52</b> | <b>57</b>     | <b>38</b>         | <b>48</b> |

Note: (1) values are rounded to the nearest per cent.

## Micro-simulation modelling

The findings above and in Annex 1 are based on the following components:

- DWP's INFORM forecasts of stocks of and flows into bereavement benefits. This is also the base data for the official benefit expenditure tables produced at each fiscal event – please see the latest Budget 2013 tables at the following link: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/195319/expenditure\\_tables\\_Budget\\_2013.xls.xls](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/195319/expenditure_tables_Budget_2013.xls.xls);
- the department's Policy Simulation Model (PSM) projections of average benefit rates. This is the principal tool for transforming Family Resource Survey (FRS) data into projected rates within groupings in future periods. The stability of such rates is subject to micro-simulation assumptions and sub-sample size;
- technical assumptions based on survey data, for instance the LFS long-run employment proportions stated above, and administrative data, for example that of the National Statistics and frontline Management Information on bereavement benefits. The accuracy of these also depend on data volume and quality; and
- in very limited cases analytical judgement to adjust the inputs going into the bereavement benefits reform model from the aforesaid sources, for example to calibrate average UC and tax information with the Budget 2013 arithmetic and fit anomalous data points to historical and distributional patterns.

# Annex 1

*The following parts correspond to the tables and explanations of the main impact assessment, but condense the information down to what is required to support understanding of the results section. The audience is advised not to consider the outline of the policy change and explanation of the analysis in this document in isolation, but with sight of the other key documents mentioned in the above sections.*

## Cohort impacted

The relative size of groups that lose or gain relative to the current system are based on the volume of new BSP claims in 2012/13. Tables 1a and 1b below which show future inflows in 2012/13 split by key dimensions – WPA by duration of claim and BA by age of recipients. Inflows data for BPT is not available from a published source but projections based on Management Information are 9.25 thousand new claims in the first year of the reform.

**Table 1a and 1b: inflows (in thousands) for WPA by length of claim and BA by age of recipient, 2012/13**

| Number of years of the claim                    | WPA inflows | Age             | BA inflows   |
|---|-------------|-----------------|--------------|
| Greater than equal to 0 and less than 1 year    | 0.30        | 45 years old    | 0.16         |
| Greater than equal to 1 and less than 2 years   | 0.93        | 46 years old    | 0.31         |
| Greater than equal to 2 and less than 3 years   | 0.91        | 47 years old    | 0.34         |
| Greater than equal to 3 and less than 4 years   | 0.83        | 48 years old    | 0.41         |
| Greater than equal to 4 and less than 5 years   | 0.75        | 49 years old    | 0.54         |
| Greater than equal to 5 and less than 6 years   | 0.62        | 50 years old    | 0.63         |
| Greater than equal to 6 and less than 7 years   | 0.55        | 51 years old    | 0.74         |
| Greater than equal to 7 and less than 8 years   | 0.55        | 52 years old    | 0.84         |
| Greater than equal to 8 and less than 9 years   | 0.48        | 53 years old    | 0.94         |
| Greater than equal to 9 and less than 10 years  | 1.01        | 54 years old    | 1.08         |
| Greater than equal to 10 and less than 11 years | 0.75        | 55-64 years old | 13.25        |
| Greater than equal to 11 and less than 12 years | 0.59        |                 |              |
| <b>Total</b>                                    | <b>8.26</b> | <b>Total</b>    | <b>19.24</b> |

Note: values are rounded to the nearest ten and so do not always sum to totals.

## “What if” scenarios

Under the policy for WPA claims going forward from 2012/13 and BA and BPT claims in this year the outturns for what the *average* person in groupings might gain or lose are presented in:

- Table 2 which shows the net impact of the reform on those that would have been WPA recipients in the past by length of claim (up to 12 years);
- Table 3 which shows the net effect of the change on those that would have been BA claimants in the past by age; and
- Table 4 which shows the net result of the reform on those that would have received the BPT only in the past.

The following notional examples split individuals in work and out of work. Current LFS data suggests that around three fifths of WPA recipients and about half of the BA claimants are in employment.

In all examples, these values are the net of payments under present and proposed benefits in each year of the claim. The overall worth of existing and new benefits bundles for those with and without dependent children are based on lump sums,

regular payments (this includes the effect of exempting the new benefit payments from UC awards), and for some recipients a tax liability.

Further descriptions of the key features of the new and old bereavement benefits for parents of dependent children and non-parents at or over 45 years old and under 45 years old, and explanation of the key assumptions of the net calculation are available in the main impact assessment.

**Table 2: WPA group net gain or loss in thousands of £s, 2012/13 prices difference between current and proposed schemes (based on arithmetic mean component estimates)**

| Number of years of the claim                    | Those out of work |      |      |      |      | Those in work |      |      |      |      |
|---|-------------------|------|------|------|------|---------------|------|------|------|------|
|   | In-year           |      |      |      |      | In-year       |      |      |      |      |
|   | Q1                | Q2   | Q3   | Q4   | All  | Q1            | Q2   | Q3   | Q4   | All  |
| Greater than equal to 0 and less than 1 year    | 9.4               | 6.8  | 3.7  | 3.4  | 5.2  | 6.2           | 3.8  | 3.6  | 3.4  | 4.2  |
| Greater than equal to 1 and less than 2 years   | 1.6               | -1.0 | -4.4 | -4.3 | -2.5 | -2.0          | -3.9 | -4.1 | -4.3 | -3.4 |
| Greater than equal to 2 and less than 3 years   | 1.6               | -1.0 | -4.2 | -4.2 | -2.4 | -1.9          | -3.8 | -4.0 | -4.2 | -3.3 |
| Greater than equal to 3 and less than 4 years   | 1.5               | -0.9 | -4.0 | -4.0 | -2.4 | -1.7          | -3.7 | -3.9 | -4.0 | -3.3 |
| Greater than equal to 4 and less than 5 years   | 1.5               | -0.9 | -3.8 | -3.9 | -2.3 | -1.6          | -3.6 | -3.7 | -3.9 | -3.2 |
| Greater than equal to 5 and less than 6 years   | 1.4               | -0.9 | -3.7 | -3.8 | -2.2 | -1.5          | -3.5 | -3.6 | -3.8 | -3.1 |
| Greater than equal to 6 and less than 7 years   | 1.4               | -0.8 | -3.6 | -3.7 | -2.2 | -1.5          | -3.4 | -3.5 | -3.7 | -3.0 |
| Greater than equal to 7 and less than 8 years   | 1.3               | -0.8 | -3.4 | -3.6 | -2.1 | -1.4          | -3.2 | -3.4 | -3.6 | -2.9 |
| Greater than equal to 8 and less than 9 years   | 1.3               | -0.8 | -3.4 | -3.5 | -2.0 | -1.4          | -3.1 | -3.3 | -3.5 | -2.8 |
| Greater than equal to 9 and less than 10 years  | 1.3               | -0.8 | -2.9 | -3.3 | -2.0 | -0.9          | -3.1 | -3.2 | -3.4 | -2.7 |
| Greater than equal to 10 and less than 11 years | 1.2               | -0.7 | -2.7 | -3.2 | -1.9 | -0.7          | -3.0 | -3.1 | -3.2 | -2.6 |
| Greater than equal to 11 and less than 12 years | 1.2               | -0.7 | -2.5 | -3.1 | -1.8 | -0.6          | -2.9 | -3.0 | -3.1 | -2.5 |

Note: (1) values are rounded to the nearest hundred; and (2) Q1-4 designates the quartile to which the estimates belong (Q1 = lowest income, Q4 = highest income).

**Table 3: BA group net gain or loss in thousands of £s, 2012/13 prices difference between current and proposed schemes (based on arithmetic mean component estimates)**

| Age             | Those out of work |     |      |      |      | Those in work |      |      |      |      |
|-----------------|-------------------|-----|------|------|------|---------------|------|------|------|------|
|                 | In-year           |     |      |      |      | In-year       |      |      |      |      |
|                 | Q1                | Q2  | Q3   | Q4   | All  | Q1            | Q2   | Q3   | Q4   | All  |
| 45 years old    | 7.8               | 5.2 | 1.1  | 0.3  | 3.1  | 3.7           | 1.4  | 1.2  | 1.0  | 1.8  |
| 46 years old    | 7.4               | 4.8 | 0.7  | -0.1 | 2.8  | 3.4           | 1.1  | 0.9  | 0.7  | 1.5  |
| 47 years old    | 7.0               | 4.4 | 0.2  | -0.6 | 2.5  | 3.1           | 0.8  | 0.6  | 0.4  | 1.2  |
| 48 years old    | 6.7               | 4.0 | -0.3 | -1.1 | 2.2  | 2.8           | 0.4  | 0.2  | 0.0  | 0.9  |
| 49 years old    | 6.3               | 3.6 | -0.7 | -1.5 | 1.8  | 2.5           | 0.1  | -0.1 | -0.3 | 0.6  |
| 50 years old    | 5.9               | 3.2 | -1.1 | -2.0 | 1.5  | 2.2           | -0.2 | -0.4 | -0.6 | 0.3  |
| 51 years old    | 5.5               | 2.8 | -1.5 | -2.5 | 1.2  | 1.9           | -0.5 | -0.7 | -0.9 | -0.0 |
| 52 years old    | 5.1               | 2.4 | -1.9 | -2.9 | 0.9  | 1.6           | -0.8 | -1.0 | -1.2 | -0.3 |
| 53 years old    | 4.7               | 2.1 | -2.2 | -3.4 | 0.5  | 1.3           | -1.1 | -1.3 | -1.5 | -0.6 |
| 54 years old    | 4.3               | 1.7 | -2.6 | -3.9 | 0.2  | 1.0           | -1.4 | -1.6 | -1.8 | -0.9 |
| 55-64 years old | 3.9               | 1.3 | -3.0 | -4.3 | -0.1 | 0.7           | -1.7 | -1.9 | -2.1 | -1.3 |

Note: (1) values are rounded to the nearest hundred; and (2) Q1-4 designates the quartile to which the estimates belong (Q1 = lowest income, Q4 = highest income).

**Table 4: BPT group net gain or loss in thousands of £s, 2012/13 prices difference between current and proposed schemes (based on arithmetic mean component estimates)**

| Age                | Those out of work |     |     |     |     | Those in work |     |     |     |     |
|--------------------|-------------------|-----|-----|-----|-----|---------------|-----|-----|-----|-----|
|                    | In-year           |     |     |     |     | In-year       |     |     |     |     |
|                    | Q1                | Q2  | Q3  | Q4  | All | Q1            | Q2  | Q3  | Q4  | All |
| Under 45 years old | 9.5               | 6.8 | 3.1 | 2.3 | 4.5 | 5.1           | 2.7 | 2.5 | 2.3 | 3.2 |

Note: (1) values are rounded to the nearest hundred; and (2) Q1-4 designates the quartile to which the estimates belong (Q1 = lowest income, Q4 = highest income).



# Annex 2

**This extension of the main impact assessment's high level analysis is issued to inform the Pensions Bill – Commons and Lords Committee, Parliament and the public at large in the interest of transparency.**

This document has been made available on the DWP website and sent to the Committee at the same date and time.

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26 June 2013