April 2012

Citizens **Information** Board
information · advice · advocacy

Volume 39: Issue 4
ISSN 0790-4290

Relate

The journal of developments in social services, policy and legislation in Ireland

Contents

Promoting employment

The Government has recently published plans to address long-term unemployment and support the creation of new jobs. There are also plans to change the structures for further education and training. Here we give a summary of the plans.

Pathways to Work

Pathways to Work is the Government's policy statement on labour market activation, that is, on how the State engages with and supports unemployed people to get back to work. In particular, it is trying to prevent long-term unemployment (being unemployed for more than a year) and to ensure that unemployed people fill a proportion of any new jobs that are created. It is based on five strands:

- More regular and continuing engagement with unemployed people by the National Employment and Entitlements Service (NEES)
- Greater targeting of activation places
- Providing incentives to unemployed people to take up opportunities
- Providing incentives to employers to provide more jobs for unemployed people
- Changing institutions to deliver better services to unemployed people

Unemployed people must commit to seeking work and taking part in education and training opportunities. Otherwise they may lose unemployment payments.

The policy document sets out specific targets for engagement with unemployed people. Profiling of unemployed people will be carried out by NEES. This will establish what assistance the person needs to get a job and it is intended that virtually all new claimants for unemployment payments will be profiled by the end of 2012. They will be expected to sign a rights and responsibilities contract, the "social contract", which will commit them to a personal progression plan. This contract will be introduced in May 2012 in some Department of Social Protection (DSP) offices.

Pathways to Work sets out specific goals to be achieved by 2015:

- **People who are currently unemployed**: the Department of Social Protection will provide supports to every person who is currently unemployed with a particular focus on those who are long-term unemployed. Those supports include employment advice, job search assistance or referral, education, training and work experience. The aim is that 75,000 of those who are currently long-term unemployed will be working by 2015.

- **People who become unemployed in the future**: the aim is to reduce the average time spent on the Live Register from 21 months now to less than 12 months by the end of 2015.

The document also commits to engagement with employers so that they are offered candidates to fill full-time vacancies. The DSP wants to increase the number of jobs that are filled through its employment services. Specific targets will be set later in 2012 but the interim target is to ensure that 40% of vacancies are filled through the DSP employment services (formerly the responsibility of FÁS) by 2015. Further information is available from: **welfare.ie**.

Action Plan for Jobs 2012

The Government has published the *Action Plan for Jobs 2012* which aims to create jobs by improving the environment in which business operates. The action plan aims to create 100,000 new jobs by 2016.

The plan includes measures to remove barriers to job creation and improve competiveness, to promote innovation and trade and to support new and existing businesses. It also identifies individual sectors that have potential for growth and sets out plans to maximise the impact of that potential.

Access to funding will be made easier for all enterprises and specifically for small and medium enterprises (SMEs). The plan also proposes to change the institutional arrangements for supporting SMEs by abolishing City and County Enterprise Boards and transferring their role to Enterprise Ireland and Local Enterprise Offices in each local authority.

Access to funding

The plan outlines a number of innovation, research and development proposals. It also describes a range of measures for improving the financing of small and medium enterprises and supporting businesses at start-up.

Among the specific plans for improved access to funding are:

- A new Development Capital Scheme for indigenous companies which have significant prospects for jobs and export growth – this is expected to be in operation by the end of March 2012.
- A temporary partial credit guarantee for SMEs who have difficulties accessing credit. This requires legislation which is expected to be enacted by the end of June 2012.
- A Micro-Finance Fund which will provide up to €100 million in extra lending for micro-businesses over ten years. Loans of up to €25,000 will be available to individual businesses. It is expected that this fund will be in operation in Autumn 2012.

Tax and PRSI

The corporation tax exemption for start-up companies will be extended to 2014 and the tax incentives for research and development will be improved.

The Employer Job (PRSI) Incentive Scheme will be extended and simplified:

- It will be extended to cover the first 18 months of employment
- Time spent on the Work Placement Programme and JobBridge will count as qualifying periods for the scheme
- People on eligible payments will be able to undertake short SOLAS* courses without affecting their eligibility
- Time spent in casual unemployment may count towards the qualifying period for the scheme in certain circumstances

*A new further education and training authority SOLAS (Seirbhísí Oideachais Leanúnaigh agus Scileanna) is to be established. FÁS will be renamed SOLAS on an administrative basis as soon as possible.

Enterprise agencies

There will be a number of changes to the enterprise agencies. The existing City and County Enterprise Boards (CEBS) will be abolished. Instead, there will be a new Micro-Enterprise and Small Business Unit in Enterprise Ireland. It will work with local authorities to establish a network of Local Enterprise Offices (LEOs) in each local authority. Enterprise Ireland will also set up a Potential Exporters Division. Further information is available at: **enterprise-ireland.com**.

CEBs/Local Enterprise Offices

The new LEOs will combine the enterprise support service of the current CEBs and the business support work of the Business Support Units in the local authorities. They will have a key role in providing mentoring for micro-business. They will be staffed by CEB and local authority officials.

There are currently 35 County and City Enterprise Boards. They support micro-enterprises (employing up to ten people) and promote economic activity and entrepreneurship in their areas. Until the new LEOs have been established, the CEBs will continue to operate.

At present, CEBs provide the following range of grants:

- **Priming Grants** (up to 50% of the investment or €80,000) are available to micro-enterprises for business start-ups within the first 18 months of start-up

- **Business Expansion/Development Grants** (up to 50% of the investment or €80,000) are also available to micro-enterprises to grow and develop
- **Feasibility/Innovation Grants** are available to micro-enterprises to help with the cost of pre-start-up studies. In the S&E region these are worth up to 50% of the investment; in the BMW region up to 60%; with an overall cap of €20,000 in both regions.

CEBs also provide non-financial supports such as mentoring, E-commerce, enterprise education, and women in business networks as well as training programmes on start your own business, business management and capability development. CEBs made over €11 million in grants in 2010.

Community Enterprise Centres

The plan proposes to establish a new Community Enterprise Development Programme for the maintenance or establishment of a strong business development function in Community Enterprise Centres (CECs) funded by Enterprise Ireland. There will be up to 30 such centres with a full-time business development function. They will provide a 50% grant towards eligible costs or €50,000 over two years.

Full details of the Action Plan for Jobs 2012 are available at: **djei.ie**.

Further education and training

Changes are being made to the further education and training structures.

SOLAS will take over the further education function currently carried out by vocational education committees (VECs) and the training function currently delivered by FÁS. (The employment services and employment programmes part of FÁS has already transferred to the Department of Social Protection.) An implementation group, chaired by the Minister of State at the Department of Education and Skills is drawing up an action plan for these developments. Further information is available at: **education.ie**.

Local Education and Training Boards

The 33 current VECs will become 16 Local Education and Training Boards. The general scheme of an Education and Training Boards Bill to give effect to this change has been published.

City of Dublin, Donegal and Kerry VECs will be renamed Local Education and Training Boards but will not be merged. The following VECs will be merged and located as follows:

Location	Merged VECs
Cork	Cork city and county
Tallaght	Co. Dublin and Dún Laoghaire
Limerick	Co. Limerick, Limerick City and Clare
Nenagh	Tipperary
Wexford	Wexford and Waterford
Athenry	Co. Galway, Galway city and Roscommon
Castlebar	Mayo, Sligo and Leitrim
Monaghan	Cavan and Monaghan
Drogheda	Louth and Meath
Mullingar	Longford and Westmeath
Portlaoise	Laois and Offaly
Naas	Kildare and Wicklow
Carlow	Carlow and Kilkenny

Finance Act 2012

The Finance Act 2012 brings into effect the taxation changes announced in the Budget and a number of other changes. The Act is lengthy and complex and deals with a number of different taxes. The main tax changes that affect individuals were described in the January 2012 issue of *Relate*. Here we give further information on some of these changes and describe some of the other changes that have been introduced.

The changes in motor taxes are being brought into effect by the Motor Vehicles (Duties and Licences) Bill 2012.

Mortgage interest relief

The Act provides for the changes to mortgage interest relief outlined in the Budget and clarifies that first-time buyers will qualify for the increased relief (at 30%) if they drew down their first mortgage in the period 2004–2008 or made their first mortgage interest payment in that period. The increased relief also applies if the individual moved to a second or subsequent home during the period.

Special Assignee Relief Programme

The Act provides for exemptions from income tax for certain employees who come from abroad to take up positions in the Irish-based operations of their employer. The rules are quite complex but, in general, such employees will be exempt from income tax on 30% of their salary between €75,000 and €500,000. The employee must be assigned for a minimum of one year and a maximum of five years. Such employees will pay

PRSI and the Universal Social Charge in the normal way. Their employers may also provide a trip home each year and may pay up to €5,000 in school fees for each child without liability for benefit-in-kind taxation. The scheme is being introduced for a three-year period and will end on 31 December 2014 (existing beneficiaries may continue to benefit for up to a total of five years). This scheme replaces the remittance scheme, which is now abolished.

Foreign Earnings Deduction

A Foreign Earnings Deduction is being introduced to help companies who are trying to expand into emerging markets in Brazil, Russia, India, China and South Africa. This means that employees who spend at least 60 days in a tax year in these countries will be able to get up to €35,000 a year of their income tax-free. The scheme will operate until the end of 2014.

Civil partnership

In general, civil partners are now taxed in the same way as married couples – see *Relate*, July 2011. The Finance Act provides that legally binding maintenance agreements entered into by civil partners who separate will be treated in the same way as similar agreements between married couples.

Revenue Job Assist

The Revenue Job Assist scheme provides extra tax allowances for people who take up employment after having been unemployed for at least a year.

The employment must amount to 30 hours a week or more and the job must be likely to last at least a year. The extra allowances will now be available to people who have been signing on for credits and are available for three years.

Until now, these extra allowances were available only to people who had been receiving certain payments from the Department of Social Protection. These payments are Jobseeker's Benefit, Jobseeker's Assistance, One-Parent Family Payment, Disability Allowance, Blind Pension, Illness Benefit (continuously for three years) and Invalidity Pension (continuously for one year).

The extra allowances are an extra personal tax allowance and a child tax allowance for each qualifying child. In the first year, the extra allowance is €3,810 plus €1,270 for each qualifying child. The allowances in the second year are €2,540 plus €850 for each child and in the third year they are €1,270 and €425 for each child. These allowances are granted at the marginal rate of tax.

Tax relief on third-level fees

The third-level student contribution charge was increased to a maximum of €2,250 in the Budget. The Finance Act provides for corresponding changes in the tax relief arrangements for third-level fees. This means that the first €2,250 of fees paid will not be eligible for tax relief in the case of full-time students and the first €1,125 will not be eligible in the case of part-time students.

If a parent is claiming tax relief for student fees, the operation of this rule means that tax relief is available for the student contribution paid in respect of the second and subsequent students in the family.

Tax relief is granted at the standard rate (20%) and the maximum annual relief is €7,000 for a course of study.

Share-based remuneration

There are several changes to the taxation of share-based remuneration and to the application of the USC to that remuneration.

Pension pots

The Act makes a number of changes to the rules governing the taxation of pension pots which are over the Standard Fund Threshold or the Personal Fund Threshold (see *Relate*, October 2011). These changes are designed to address situations where people with both a public sector pension and a private pension could be subject to very high taxation.

Capital Acquisitions Tax

For some time, there has been a link between the thresholds for Capital Acquisitions Tax (CAT) and the Consumer Price Index. This meant that the thresholds increased as the cost of living increased. In the past few years, the thresholds have been reduced. The link with the cost of living is now removed by this Act. In Budget 2012, a reduced threshold was announced for Group A (gifts to children). The Act provides for this and also rounds up the thresholds for the other two groups. This means that the thresholds for CAT are now:

- Group A: €250,000
- Group B: €33,500
- Group C: €16,750

These thresholds apply to gifts and inheritances received on or after 7 December 2011. The date for paying and filing CAT will be 31 October in future, instead of 30 September.

Stamp duty

The Act provides that stamp duty will be a self-assessed tax in the same way as other taxes. Among other things, this means that:

- Instruments must be stamped within 30 days of a transaction
- There will be no adjudication procedure, as previously
- Revenue will have the power to make assessments
- Audit and appeal procedures will be introduced

Basic payment accounts

The Department of Finance and the Department of Social Protection are currently planning a pilot scheme of basic payment accounts further to the Report of the Steering Group on Financial Inclusion and it is expected that basic payment accounts will become available to people experiencing financial exclusion in the near future (see *Relate*, December 2011).
The Act provides that a basic payment account must meet the following conditions:

- The account holder must not have used a bank account in the three years prior to opening the account
- All social welfare payments payable to an individual must be paid into the account
- Other amounts up to a maximum of €2,000 in two consecutive quarters can be lodged to the account

The banks have agreed not to charge transaction fees on such accounts. The Act provides that the stamp duty levy payable on debit and ATM cards will not apply to a card issued in respect of these accounts.

Administration and compliance

The Act includes a number of changes to the administration of the tax system and to the enforcement of tax laws. It also includes provisions dealing with international obligations in respect of exchange of information. Ireland currently has 69 double taxation agreements in place. There are 15 exchange information agreements and four more are being finalised.

One-Parent Family Payment (OFP)

Several changes to the One-Parent Family Payment (OFP) Scheme were announced in Budget 2012. Changes were also introduced in 2011. The main change concerns the age limits for children in respect of whom an OFP is payable. Different age limits apply depending on when the claim for the payment was made. Changes in the means test are also being phased in. The other general rules in respect of who qualifies are not changed.

There were 90,267 people getting OFP at the end of January 2012. Payments were being made in respect of 149,196 qualified children. It is estimated that approximately 46% of the recipients are in paid employment. There were 6,212 recipients who were also receiving Family Income Supplement.

Age limits

The reduction of the age limit is being applied on a phased basis and will not affect existing customers until 2013. Changes will depend on when you started claiming.

Claims made before 27 April 2011

If you claimed the OFP before 27 April 2011, your situation is as follows:

- In 2012, you may continue to receive the payment until your youngest child reaches the age of 18, or 22 if in full-time education
- In 2013, the age limit will be 17 for your youngest child (or up to the end of the 2012/13 academic year or age 22 if in full-time education)
- In 2014, the age limit will be 16 (with no exception for full-time education)
- From 2015, the age limit will be 7

Claims made between 27 April 2011 and April 2012

If you claimed the OFP between 27 April 2011 and April 2012, your situation is as follows:

- In 2012, you may continue to receive the payment until your youngest child reaches 14
- In 2013, the age limit will be 12
- In 2014, the age limit will be 10
- From 2015, the age limit will be 7

Claims after April 2012

If you claim the OFP after April 2012 you may continue to receive it as follows:

- In 2012, until your youngest child reaches 12
- In 2013, until your youngest child reaches 10
- From 2014, until your youngest child reaches 7

Exceptions to the age limits

If you are receiving the Domiciliary Care Allowance in respect of a child, then the OFP may continue until that child reaches the age of 16.

If your spouse or civil partner dies, you may get the OFP for two years from the date of the death or until your youngest child reaches 14.

Means test

At present, the first €130 a week of earnings is disregarded in the means test for OFP. This will be reduced between 2013 and 2016 as follows:

- 2013: €110
- 2014: €90
- 2015: €75
- 2016: €60

Half of the earnings above these figures and up to €425 a week are also disregarded. If you earn more than €425 a week, you do not qualify for OFP. Before 5 January 2012 if your earnings went above €425 per week you could continue to get a half-rate One-Parent Family Payment for six months.

This temporary payment was discontinued for new claimants from 5 January 2012. People who were getting the temporary payment on 5 January 2012 are not affected.

Other changes

Lone parents are also affected by the changes to the Community Employment scheme described below.

Budget developments

Some changes have taken place since the Budget in relation to carers and Family Income Supplement (FIS) and in the Community Employment schemes.

Carers and FIS

Budget 2012 (see *Relate*, January 2012) provided that income from Carer's Allowance and Carer's Benefit would be taken into account for the purposes of calculating entitlement to FIS in the same way as other payments are assessed. This is to be the case for both existing and new claimants. It has since been decided to phase in this provision over three years.

This means that, from January 2012, if you are applying for FIS for the first time or you are already getting FIS but are applying for renewal, any income you may have from a carer's payment will be taken into account as follows:

- One-third of the income from Carer's Allowance and Carer's Benefit payments will be assessed in 2012
- Two-thirds will be assessed in 2013
- The full amount will be assessed in 2014

The income disregard for Carer's Allowance is €332.50 a week for a single person and €665 for a couple.
This means that a couple can earn up to:

- €35,400 and qualify for the maximum rate of Carer's Allowance
- €59,300 and get a reduced rate

Carer's Benefit is not means-tested. A family with two children may qualify for FIS if they have a net income of €602 a week. There are currently 937 recipients of Carer's Benefit or Allowance whose spouse or partner qualifies for FIS. It is estimated that this change will result in savings to the National Exchequer of €1 million in 2012, €3 million in 2013 and €5 million in 2014.

Community Employment

The Community Employment (CE) programme is primarily a labour market progression programme but it is also recognised that socially valuable work is carried out by many of the schemes. CE will cost about €315 million in 2012. There are 22,000 places and 1,300 full-time supervisors. Two reviews of the schemes are underway.

Training and materials grant

Budget 2012 provided for a reduction in the training and materials grant to employers operating Community Employment schemes – from €1,500 to €500 for each participant. The Department of Social Protection is conducting a review of the income and funding of sponsoring organisations in order to assess their ability to continue to deliver the programme. This review is examining, among other things, the level of other State supports for the different schemes. No CE scheme will be forced to close as a result of the reduction in the grants before the review is complete. It is expected that the review will be completed by the end of March.

If, during the review, a CE scheme can demonstrate a need, it may get up to €1,000 training and materials grant for each participant instead of the basic €500.

Labour market progression

In 2011, the National Economic and Social Council (NESC) published a report on *Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession*. This report was critical of the labour market progression impact of CE schemes. The 2011 report by the Economic and Social Research Institute (ESRI), *What Can Active Labour Market Policies Do?* also commented that participation in CE did not lead to increased employment chances after participation. An earlier report by the Organisation for Economic Cooperation and Development (OECD) in 2009 noted that CE functions as low-paid public-sector employment for some participants.

Payments to CE participants

Budget 2012 provided that new participants on CE schemes may not get a social welfare payment as well as the CE payment. This applied from 16 January 2012 and affected new participants who were getting any of the following payments: One-Parent Family Payment, Deserted Wife's Benefit, a widow's, widower's or surviving civil partner's pension, Illness Benefit, Disability Allowance, Invalidity Pension or Blind Pension.

You are a new participant on a CE scheme if you have not been employed on a CE scheme in the 12 months before you start the current CE placement. If you were on maternity leave on 16 January and you subsequently return to the scheme, you are not considered a new participant. If you were approved for participation before 16 January but could only start after 16 January, you are treated as an existing participant. If you were a participant before 16 January and your contract is renewed after that, you may retain your social welfare payment provided you are continuously employed on CE from that date. This provision is subject to the standard CE participation limits and a final cut-off date for double payments of December 2014. All CE participants will receive a single payment only from that date.

Budget 2012 also included a provision that only one increase for a child would be payable where a participant is employed on a CE scheme and is receiving One-Parent Family Payment, Deserted Wife's Benefit or Widow's, Widower's or Surviving Civil Partner's Contributory Pension. This came into effect for new and existing participants on 20 February 2012. For existing participants, the increase for the qualified child is paid with the social welfare payment. New participants get the qualified child increase with their CE payment.

Funding for community groups

Funding for most programmes for community groups has been reduced for 2012. However, funding for the LEADER aspects of the Rural Development Programme has been increased by €34 million to €96 million. Funding for drugs programmes is channelled through community groups.

Programmes tackling drug abuse

About €260 million is provided in total for the various programmes tackling drug abuse – this is channelled through several departments and agencies. The Department of Health now has overall responsibility for the National Drugs Strategy. It is currently reviewing the structures underpinning that strategy at local, regional and national level, particularly the local and regional drugs task forces.

Some special Community Employment projects operate under the National Drugs Strategy 2009–2016 and they have about 1,000 participants.

The mainstreamed drug programmes funding (under the provision of the social housing programme) was reduced by 75% to €100,000. These five programmes are in the areas of Dublin City Council and South Dublin County Council. The Department of the Environment, Community and Local Government and the relevant local authorities are currently examining other funding possibilities for these programmes. The Department initially agreed to provide funding for the first quarter of 2012. After that, there was to be no further funding for these programmes from the housing budget.

The Department has now agreed to provide further funding of €100,000 up to June 2012. It is intended that there will be no further funding from the housing budget after that.
The Department of Education and Skills used to provide financing to 36 drugs projects through the VECs in Dublin City, Dublin County and Dún Laoghaire. The overall allocation to these projects was reduced by 32% in 2010. This resulted in six projects getting no funding. The Department carried out a review of the remaining 30 projects in 2010. As a result, 23 projects were transferred to what is now the Department of Children and Youth Affairs. Two projects ceased to be funded and five continue to be funded by the Department of Education and Skills.

Local and Community Development Programme

The Local and Community Development Programme aims to tackle poverty and social exclusion through partnership between Government and its agencies and people in disadvantaged communities. The Programme is managed by Pobal on behalf of the Department of the Environment, Community and Local Government. Funding of just under €55 million has been provided under the programme for 2012 – this is a reduction of €8 million on the 2011 allocation.

Industrial relations legislation

The Industrial Relations (Amendment) (No.3) Bill 2011 is currently being discussed by the Oireachtas. It provides for

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

Head Office
Ground Floor
George's Quay House
43 Townsend Street
Dublin 2

t + 353 761 07 9000
f + 353 1 605 9099
e info@ciboard.ie
w www.citizensinformationboard.ie

changes to the system of Joint Labour Committees which set minimum wages in certain sectors and to registered employment agreements. Joint Labour Committees propose the terms of Employment Regulation Orders. Up to 7 July 2011, these orders were made by the Labour Court and were then legally binding on the sectors concerned. Registered Employment Agreements are agreements between unions and employers which are registered with the Labour Court and are then legally binding on the parties. The Bill is expected to be amended as it goes through the legislative process.

A review of the Joint Labour Committee and Registered Employment Agreement System was published in 2011 – see *Relate*, June 2011. In July 2011, the High Court ruled that certain aspects of the existing legislation on Joint Labour Committees were unconstitutional. In particular, the courts criticised the process of making Employment Regulation Orders and the failure to have adequate Oireachtas scrutiny of this process. There are several court cases challenging the Registered Employment Agreement System which is currently in place.

The Oireachtas is entitled to devolve certain law-making powers to other bodies but it must give those other bodies guidance on how those powers are to be used. This Bill sets out that guidance for the Labour Court when it is making Employment Regulation Orders and when it is registering employment agreements. The following are some of the main points of the Bill.

Registered Employment Agreements

There are currently 73 Registered Employment Agreements (REAs) in existence, of which 50 relate to individual employments. The Bill sets out the principles which the Labour Court must apply when registering agreements that apply to more than one employer.

There will be various requirements to establish that the parties to the agreement represent a significant part of the sector. Registering individual agreements will remain a simple process. The Bill also provides that the Minister must confirm the agreements and any subsequent variations. The Oireachtas will have the power to annul the agreements. The Labour Court, in exceptional circumstances, will have powers to change the agreements without the agreement of the parties. Employers will be able to plead inability to pay. The Bill provides for a simpler enforcement mechanism to enforce the agreements.

Employment Regulation Orders

The Labour Court will review each Joint Labour Committee when this Bill becomes law and will review again every five years. It is likely that several will be abolished.

The Bill sets out the principles that the Labour Court must apply when making an Employment Regulation Order (ERO) and provides for Ministerial approval and Oireachtas scrutiny. The following will be excluded from EROs:

- Pay or time off work in respect of public holidays
- Sunday premiums or equivalent compensation for Sunday work
- Payments in lieu of notice
- Redundancy payments

This is because these are already covered in general legislation. The Bill also deals with the procedures to be used by Joint Labour Committees (JLCs) and provides for a new enforcement arrangement. There is also an inability to pay clause.

Relate email subscription

If you would like to receive *Relate* by email you can subscribe by sending an email with the subject line SUBSCRIBE to relate@ciboard.ie and including your name and your organisation if applicable.