

A Strawman Public Consultation Process for a Pay-Related Jobseeker's Benefit Scheme in Ireland.

Submission by the Citizens Information Board (February 2023)

Introduction

The Citizens Information Board (CIB) welcomes the opportunity to respond to the Pay-Related Jobseeker's Benefit Strawman Consultation Paper published by the Department of Social Protection.

CIB, funded by the Department, is the national agency responsible for supporting the provision of information, advice and advocacy on social and public services through our website and through CIB-funded services – Citizens Information Services (CISs), the Citizens Information Phone Service (CIPS), Money Advice and Budgeting Services (MABS), the National Advocacy Service (NAS) for people with disabilities and the Sign Language Interpreting Service (SLIS). CIB also collaborates and engages with a range of Non-Governmental Organisations (NGOs) that support and represent the interests of disadvantaged sections of the population.

CIB is particularly aware of the pressures now being experienced by the public arising from increasing energy costs, general inflationary pressures, and difficulties in accessing and affording housing. These pressures will impact most severely on people who are dependent on social welfare payments and services or who are in low-pay and/or precarious employments. It is also likely that people who become unemployed will experience significant challenges when faced, sometimes suddenly, with a drop in income. A new approach to Jobseekers' Benefit is, therefore, timely and necessary.

CISs dealt with 788,902 queries from 394,400 callers in 2022.¹ Over 30,000 of these queries related to the issue of unemployment. Of the unemployment-related queries, 53% concerned Jobseeker's Allowance (16,118), 31% Jobseeker's Benefit (9,441), and the remainder concerned general matters of social welfare payments and work, Jobseeker's Transitional Payment, and issues relating to unemployment following self-employment. CISs received some 11,934 queries relating to Jobseekers Benefit in 2021 and 9,441 in 2022.

CIB-funded services consistently report that many clients present with complex queries and problems, requiring multiple interactions with state services and supports. Clients are also likely to have experienced difficulties in their attempts to determine their entitlements and to understand the regulations and processes that attach to those entitlements. The eligibility criteria for Jobseeker's Benefit, in particular, can be difficult for many people to understand.

¹ For further detail, see <https://www.citizensinformationboard.ie/en/data-hub/>

Structure of Submission

The Submission is set out under a number of headings related to the themes included in the Consultation Document and which address the various indicative questions identified in the document.

General context for considering pay-related benefit

Ireland has a relatively progressive taxation and redistribution system. Income inequality has remained fairly stable compared to other developed countries, where it has grown.² While the Irish social protection system has worked relatively well in terms of reducing poverty and inequality, the lack of investment in public services impacts people on low incomes in particular and impedes participation in the labour market by low-income groups. The OECD has observed³ that our system has historically developed cash benefits more than services. The impact of this, for example, on people with disabilities is a combination of a relatively comprehensive cash benefit regime combined with weak and fragmented services for social integration, occupational health, vocational rehabilitation and training. NESC has stated that the challenge for policy makers is to identify an appropriate mix of responses—cash and services—and to sequence their development in an integrated manner.⁴

Commenting on the appropriate mix between cash and services in Ireland, NESC has argued that the radical development of services is the most important route to improving social protection.⁵ However, Ireland has lagged somewhat behind other EU countries in engaging people in activation programmes and, in particular, in supporting parents to combine child care and employment.⁶

Most EU countries provide significant income replacement rates during the first months of unemployment (e.g. ranging from 55% in Austria to 90% in Denmark, with most countries having around 60%). However, this is not the case in Ireland and the development and implementation of the Strawman Proposal on PRB offers a way forward to address this gap.

The experience of Covid-19 demonstrated the significant drop in income on sudden loss of employment for individuals who were new to the social welfare system. At this time, CISs and MABS highlighted the impact of sudden losses of income on their clients and raised the need for increased welfare payments in the early stages of job loss as a cushioning element.⁷

General observations by CIB on the Strawman proposals

CIB welcomes the recognition in the Strawman Proposal that the development of a new Pay-Related Benefit (PRB) scheme should be a first step in a suite of measures to reform supports for jobseekers.

² Johnston, H., McGauran, A.M., (2021), *Social Insurance and the Welfare System: Towards a Sustainable Developmental Welfare State*, NESC Background Paper 151/1.

http://files.nesc.ie/nesc_background_papers/151_background_paper_1.pdf

³ Cited in NESC (2020), *The Future of the Irish Social Welfare System: Participation and Protection*. Report No. 151. http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf

⁴ *Ibid.* p. (xviii).

⁵ *Ibid.* p. (xxii)

⁶ NESC (2020), *The Future of the Irish Social Welfare System: Participation and Protection*. Report No. 151. http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf.

⁷ CIB (2021) Pre-Budget Submission 2022: Addressing Citizens' Concerns on Adequacy of Income, Debt and Money Advice.

The strong inter-relationships and inter-connectedness that exist at present between various jobseeker provisions makes it imperative that the development of any new PRB provision should be accompanied by parallel development and reform of other jobseeker provisions, such as Jobseekers Allowance and the Working Family Payment. (Many queries to CISs refer to issues around both of those payments).⁸

CIB broadly concurs with the ESRI conclusion that there is a coherent economic case for linking benefit payments (unemployment, illness, maternity) to previous levels of earnings, at least for an initial period. Such an approach not only incorporates the social insurance contributory principle but, also, in the case of unexpected unemployment or sudden illness, provide a means of enabling people to manage their living situation more effectively in the short-term.

CIB agrees that the experiences gained during Covid-19 point clearly to the need for measures that will cushion people from the worst effects of becoming unemployed. CIB-funded services are acutely aware of the trauma and distress that can be experienced by people when they are subjected to sudden income loss, especially during times of increased financial pressures on many families and individuals such as that being experienced at present. MABS sees scenarios where sudden drops in household income are a key trigger for longer term indebtedness.

In considering the Strawman Proposal, CIB believes that a move toward a greater linking of entitlements to contributions, i.e., a move toward pay-related benefits, while having substantial merit, must be viewed in a wider context that includes the integration of a range of policies and provisions aimed at supporting low-income families and individuals. These include childcare provision, housing supports, education and training, pathways to employment, as well as income maintenance. For many CIS clients, the operation of the social welfare system is experienced as a system that makes it difficult for them to combine income from low income or part-time or casual work and social welfare payments when such a combination is the only realistic option available because of, for example, child care responsibilities and a reliance on low-paid part-time work.

CIB believes that it is important that PRB reform is framed within a perspective that other required reforms, particularly in the areas of Jobseeker's Allowance and Working Family Payment, will proceed in step with PRB reform.

CIB sees value in further considering the potential for gradual development of an income continuance plan modelled on the concept of 'flexicurity' as exists, for example, in Denmark, which supports a high degree of job mobility with an extensive income safety net for people during periods of unemployment allied to an effective active labour market policy.⁹

CIB is of the view that, in considering any restructuring of unemployment payments, a better balance will need to be struck between contributory principles, on the one hand, and principles of redistribution and solidarity on the other. This requires adequate provision by the State of those services and measures that can facilitate, enable and encourage unemployed people to enter, re-enter, and/or remain productive within the labour force.

⁸ Services dealt with 16,118 JA queries and a further 13,264 Working Family payment queries in 2022.

⁹ See, for example, NESc (2005), *The Developmental Welfare State: A Framework for Reform*, Report No. 113 http://files.nesc.ie/nesc_reports/en/NESC_113.pdf ps. 220-221.

Rationale for the introduction of PRB

The rationale for the introduction of PRB, as outlined in the proposal is, in the view of CIB, generally sound. The limits of the present Jobseekers' Benefit scheme are apparent and well recognised, as is the fact that many people who become unemployed believe that they are treated unfairly when, after long periods of employment and PRSI contributions, they find themselves in receipt of a basic and relatively low level of income support.

While accepting that a risk exists that PRB could be seen as a disincentive for a return to employment, CIB believes that the level of PRB payment being considered, the probable duration of PRB, as well as the likely financial pressures on unemployed people mean that any such risk is minimal and can be managed. This is confirmed by general research¹⁰ findings regarding replacement rates and disincentive effects. For example, currently some 80% of people on the live register return to work within 6 months.

While low-income workers may benefit more from higher replacement rates than their better-paid colleagues, lower-income persons are highly likely to have lower financial reserves and to have little disposable income or savings. This is clearly particularly challenging during periods like the present where the costs of living have been increasing significantly relative to income from employment.

CIB takes the view that any concerns regarding the disincentive effects of (moderately) high replacement rates would be offset by exploring ways in which higher rates integrated with better access to public services could do more to facilitate progression than minimally adequate welfare incomes.

As noted earlier, CIB also believes that investment in improved and well-designed and resourced supports for jobseekers toward the securing of employment will be an important and effective mechanism for reducing any tendencies to remain outside the labour force.

The increased participation by non-Irish nationals in the Irish labour force – and the possibility that they could face unemployment at some stage – will act to highlight Ireland's outlier position¹¹ as lacking a form of PRB that is in keeping with many of our EU partners. Reform of Ireland's Jobseekers Benefit should bring Ireland into line with other developed economies.

CIB cautions that the reforms being considered could act to further alienate and stigmatise recipients of non-pay-related welfare supports. It is highly important, therefore, that attention should continue to be given to providing adequate income and other supports to non-PRB recipients, those reliant on means tested social assistance payments, which re-iterates the need for parallel reforms of other jobseeker payment supports.

CIB agrees that social insurance rates, for employees and employers and for the self-employed, should be increased to cover the additional costs to the Social Insurance Fund (SIF) or the Exchequer that may

¹⁰ See for example - Kakoulidou, T., Doolan, M. and Roantree, B., 2022, *Earnings Related Benefits in Ireland – Rationale, Costs and Work Incentives*, Budget Perspective 2023 Paper 2, ESRI, Dublin -

<https://www.esri.ie/publications/earnings-related-benefits-in-ireland-rationale-costs-and-work-incentives>

¹¹ Theano, Kakoulidou, Michael Doolan and Barra Roantree (2022), *Earnings-related benefits in Ireland: rationale, costs and work incentives*, ESRI,

<https://www.esri.ie/publications/earnings-related-benefits-in-ireland-rationale-costs-and-work-incentives>

arise as a result of the introduction of a PRB scheme for jobseekers. The present rates of PRSI contributions are noted as being substantially lower than those of many other EU and OECD countries. At the same time, MABS has regularly raised concerns about the capacity of people on persistently low incomes to pay increased PRSI contributions in a sustainable manner. In this regard, some consideration could be given to a lower incremental scale of contributions or a longer timeframe for low-income workers to reach higher level of contributions to address affordability issues.

CIB is of the view that the proposed reform of PRB should logically be extended to other short-term income supports such as Illness Benefit, Maternity Benefit, Paternity and Parent's Benefit.

Coverage

CIB agrees with the general approach to coverage of a new PRB scheme, but with a number of reservations.

People already in receipt of Jobseeker's Benefit when PRB is introduced should stay on that payment during a transition period until their benefit expires. This would follow logically from the fact that their PRSI contribution record will, most probably, have been based on the old rates of contribution as opposed to a new (and higher) level of contribution.

Self-employed people

Notwithstanding the fact that there may be considerable difficulty in determining the income record of self-employed workers, CIB believes that efforts should be made to integrate the position of self-employed with that of employed workers in a new PRB system. This is likely to involve greater DSP – Revenue Commissioners' collaboration, more stringent income reporting by self-employed persons, and the design of systems for PRB determination specifically tailored for the situation of self-employed persons. Also, despite the greater monitoring in recent years, there may still be a proportion of people registered as self-employed who are de facto employees. Equally, there are considerable numbers of persons who are truly self-employed but whose work is precarious and low-paid. It would be unjust if these workers were to be excluded from PRB, especially if their PRSI contribution rates were increased to reflect improved eligibility.

Part-time and casual workers

CIB is of the view that the exclusion of casual and part-time workers as set out in the proposal is discriminatory and penalises many workers who are, for a variety of reasons, in low-paid and precarious employments. In light of the fact that many of these workers are unlikely to be eligible for any of the proposed higher rates of PRB, and in view of the fact that the system should be enabling and encouraging a move into full-time employment, CIB feels that a more positive and inclusive approach to part-time workers is advisable.

Under the Strawman Proposal, people who have less than five years' prior contributions but at least two years (of which six months must have been in the 12 months prior to claim) is to be set at 50% of the person's prior gross income subject to a cap of €300 per week (about 33% of gross adjusted average industry weekly earnings). Recently published research¹² shows that that nearly two-thirds of retail workers are earning less than €451 per week. This means that they would receive €225 a week under the proposed PRB. More pertinently, perhaps, is the fact that many such workers may not meet the contributions criteria because of the nature of their employment (casual and part-time). It is noted

¹²MANDATE (2023), *Smoke and Mirrors*
https://mandate.ie/app/uploads/2023/02/15952_smokemirrors_report_interior.pdf

that retail accounts for around 10% of all direct employment in Ireland. There continues to be a level of in-work poverty in Ireland (4.4% according to SILC data¹³).

CIB is also concerned that the position of seasonal, full-time workers, (e.g., school traffic wardens, tour guides), has not been addressed in the Strawman proposal. While this group may constitute a relatively small proportion of the workforce, it should be noted that many of these seasonal workers are in state or state-funded employment, are guaranteed work each year, and may have long employment and contribution records. It would appear reasonable that their status under a PRB scheme should at a minimum allow for an option to participate. This would have the added advantage that people would not be under pressure to seek alternative employment, or be obliged to participate in training initiatives or job search processes not relevant to them.

There may be a need to give further consideration to any potential effects that PRB would have on the situation and choices of cross-border (ROI – N. Ireland) workers. Earlier research has suggested a complex mix of welfare, taxation, wage rates and family-related factors¹⁴ makes it difficult to adequately compare the ROI-UK systems. However, it is recognised that, at present, the structure of payments in Ireland is closer to that of the British than the continental European model, with a greater role for social assistance payments like Jobseeker's Allowance than unemployment insurance payments like Jobseeker's Benefit.

Qualifying conditions

CIB agrees strongly with the proposal to base the assessment of eligibility for PRB on more recent employment and contribution records. The existing basis has proven cumbersome and, to a large extent, unfair and ineffective.

CIB agrees in general terms with the proposals regarding the number and timing of paid contributions. Special arrangements may be needed here if PRB is, as suggested above, is extended to self-employed, part-time and casual workers.

Public Employment Services

CIB is of the view that engagement with the Public Employment Service to assist people to return to employment should be strengthened if PRB is introduced. We consider that there is a need to improve these services in order that they can be truly facilitative and effective in assisting jobseekers move into employment. Employment Services will need to ensure that personal and family circumstances, local employment opportunities, and real assessment of individual need are taken into account. CIB-funded services point to the fact that a substantial cohort of job seekers report experiencing Employment Services as focusing more on 'moving people on' rather than being truly enabling in terms of enhancing employment opportunities.

¹³ Survey on Income and Living Conditions (SILC) 2021

<https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2021/povertyanddeprivation/>

¹⁴ Callan, T., C. O'Dea, B. Roantree and M. Savage (2016). *Financial incentives to work: Comparing Ireland and the UK*, Budget Perspectives 2017, Economic and Social Research Institute, Dublin.

<https://www.esri.ie/system/files/publications/BP201702.pdf>

Level of PRB

- CIB agrees with the proposal that the rate of payment a person receives under the PRB scheme be directly linked to their previous employment earnings using a fixed percentage of previous earnings rather than using bands.
- CIB agrees that 60% of prior gross earnings be adopted as an appropriate rate of payment for people with five or more years of paid contributions.
- CIB agrees that 50% of prior gross earnings be adopted as an appropriate rate of payment for a person with at least two but less than five years of paid contributions.
- CIB also agrees that the rate of payment should be based on previous earnings gross of tax and other statutory deductions rather than net of such deductions.
- CIB agrees with the general principle of a weekly payment cap and payment floor. We do, however, feel that it would be unwise and not useful at this juncture to specify a financial amount for either. We would strongly suggest that the amounts involved, at all levels, should be linked with and benchmarked against a number of factors, including the National Minimum Wage or the planned National Living Wage, the national Average Weekly Wage, the Consumer Price Index and/or other such measures.

The approach to using a 12-month period for calculation of average salaries is viewed by CIB as reasonable. However, there is likely to be a cohort of people working low hours on low pay for whom this benchmark would be inadequate to give them an adequate replacement income.

Duration

CIB believes that the proposed duration for a PRB (6 months) should be extended to 9 months and should involve a staggered approach where payment rates drop incrementally the longer a beneficiary remains on the payment. Tapering the withdrawal of PRB would help avoid a 'cliff edge' when payments are removed. This will assist in avoiding poverty and unemployment traps and should help in facilitating return to employment.

CIB notes that over 80% of jobseekers exit the present Jobseeker's Benefit scheme within 6 months and would anticipate similar if not higher exit rates in a reformed scheme.

CIB does not fully share concerns that the PRB will have a negative effect on the labour market. We are of the view that, as in many other EU and OECD countries, the PRB – with the proposed increased replacement rates – if balanced with other services and supports as outlined earlier – would have minimal effect on work incentives.

CIB is of the view that the proposed rules for requalification for the scheme, - that a person will be eligible for PRB for a maximum of 6 months in any 24-month period – is a fair arrangement.

CIB is of the view that there would be merit in adopting a PRB that extends for a longer period of time than 6 months and that gradually tapers to meet, for example, the level of Jobseeker's Allowance.

Working Age Payment

CIB is broadly in agreement with the proposal to develop a Working Age Payment with the aim of providing a minimum income guarantee and creating greater linkages between welfare payments and

employment earnings in order to ensure that a person will always experience an increase in income where they take on additional work. The removal of inconsistencies relating to, for example, disqualification will be an important consideration.

It is noted that the proposed scheme would be based on the Working Family Payment model whereby a person receives a payment based on a percentage of the difference between their income and a specified threshold for their family type. However, how the Working Age Payment will be administered will be of crucial importance given the difficulties regularly reported by CIS clients with the Working Family Payment (WFP). Feedback from services in relation to WFP eligibility criteria and administrative difficulties featured in CIB's Pre Budget Submission 2023; these included non-eligibility for low-income self-employed workers; exclusion of those in temporary or low hours work (less than 19 hours per week) and impact of a change in hours of work. The WFP rate of payment is only reviewed every 52 weeks. This leaves a gap for families who experience loss of income, for example due to reduced working hours, or where an ex-partner ceases their maintenance payment, in the interim.

Individualised payments

The Strawman proposal that PRB would be an individualised payment, with no additional allowances payable in respect of family members (based on the fact that the payment is related to prior earnings rather than household composition) is one that CIB believes, requires careful consideration in order to ensure that families with a number of children are not negatively affected. While people could apply for Jobseeker's Allowance, this would have the effect of undermining the social welfare contributory principle. Social welfare individualisation is an important factor in achieving equity in social welfare policy, particularly for women, given that the majority of 'qualified' adults are women.

CIB notes that the Report of the Commission on Taxation and Welfare proposed that social welfare individualisation should be introduced on a cumulative and phased basis. This would consist of a series of changes that can be undertaken to ensure that individuals are treated distinctly and equally within the social welfare system. This, the Commission suggested had the potential to bring about a number of benefits, particularly for women, given that the majority of 'qualified' adults are women.¹⁵ Individualisation was regarded by the Commission as particularly important in relation to qualified adults whose partners are in receipt of means-tested social assistance benefits. It is obviously important to ensure that adequate secondary benefits, income disregards and/or responsive in-work supports are in place, if 'qualified' adults are to be encouraged to increase participation in the labour market as part of social welfare individualisation.

The Commission noted that the challenge for reform in this area is to strike a balance between accommodation of, and respect for caring responsibilities, and the promotion of labour market equality for both women and men.

In introducing change to the benefits system, particularly the introduction of a Working Age Payment, it will be important that the implications of individualisation be duly considered for those currently regarded as 'qualified adults'. There are two factors here: (i) the need to ensure that each individual within a household has an individual right to a benefit that is not dependent on their relationship with another person in the household; and (ii) the need to cater equitably for people who have caring responsibilities which impact on their ability to participate in the paid labour force.

¹⁵ Report of the Commission on Taxation and Welfare, <https://assets.gov.ie/234316/b4db38b0-1daa-4f7a-a309-fcce4811828c.pdf> p. 305.

The implications of moving towards individualisation with respect to ‘qualified’ adults who have caring responsibilities needs to be borne in mind, when proceeding with individualisation and the impact of any changes on eligibility for household-related benefits, e.g., Fuel Allowance.

Conclusion

It is reasonable to suggest that the contributory principle has diminished in importance in Ireland in relation to working age benefits with the expansion of means-tested support for families with children, renters, and in-work support. CIB sees the proposed PRB measure as redressing this imbalance by providing a welcome reform of the existing provisions for jobseekers and extending the concepts of social protection and the contributory principle, the latter which provides for a direct link between the PRSI contributions that a person has paid and entitlement to a varying range of benefits.

However, care must be taken to ensure that people who, for various reasons, do not meet contributory conditions are fully protected in the social welfare system and are not subjected to any lessening of status or income because they do not meet social insurance criteria. A move towards social welfare individualisation, as proposed by the Commission on Taxation and Social Welfare, would clearly be valuable in addressing this issue and should be expedited.

CIB believes that any PRB reforms can only be effective when they are located within the context of a wide range of measures and services, all of which must be integrated to provide jobseekers with adequate and meaningful supports in both coping with a sudden loss of income, with navigating return to work and, very importantly, having access to the public services that they require.

The overall challenge is to move towards the effective integration of public services (e.g. child care), income supports and active labour-market measures which will provide social protection to people, especially during times of financial loss. PRB must, therefore, be one of several essential reforms.

The proposed reform provides an opportunity to reimagine and restructure our approach to and our attitudes regarding employment and unemployment in a changing world of work. Clearly, the administration of a reformed system must ensure that the contributory principle works for all.