

Pay Related Benefit for Jobseekers

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Table of Contents

Contents

Table of Contents	2
Introduction	3
Summary of Key Points from SVP	3
Detailed Response to Strawman Proposals	4
Benefit, Risk and Mitigation.....	4
Extending a PRB model to other Benefit payments	5
Coverage	6
Payment level	6
Access to secondary supports	6
Duration	7
Labour market impacts and replacement rates	7
Working Age Payment Proposal	8
Conclusion.....	9

Introduction

The Society of St Vincent de Paul (SVP) welcomes the opportunity to respond to the public consultation on Pay-Related Benefit for Jobseekers (PRB).

The introduction of a new, permanent, feature of the Social Welfare system is an important moment, and the proposals contained in the Department of Social Protection's Strawman would drastically alter the experience of many payment recipients. We see this as a key part of a dialogue about the importance of income adequacy within the social protection system.

Summary of Key Points from SVP

- The new PRB payment recognises that the extreme income cliff many newly unemployed people face directly causes hardship, and that this can be prevented through increased generosity in social welfare payment levels.
- The suggested (illustrative) levels that this payment could be set at will mean many individuals and families are protected from experiencing poverty in the period of this payment.
- The short proposed time period of the payment may prove too little to cushion households from financial difficulty: many significant financial commitments cannot be renegotiated or reduced within 6 months, and at that stage the recipient may be forced to choose between an unsuitable job or a Jobseekers Allowance payment below the poverty line.
- SVP's main concern is that this new payment could signal a tiered approach to who is offered an adequate level of income protection from the state, with a fault line appearing between people who are perceived to have 'earned' a decent level of income protection, and those who are considered not to have contributed sufficiently. This will inevitably fall hardest on those excluded from the labour market and engaged in other responsibilities: one parent families, people with disabilities or ill health, carers, and the longer term unemployed who require in-depth support. We must therefore see full equality and poverty proofing for subsequent stages of policy development.

- Low-income and part-time earners without children should also be offered the assistance of the social protection system, and this must be within a clearer and fairer framework than existing Jobseekers Allowance rules. However, further analysis and consultation is required to assess whether a pay-related working age payment is the best response to this issue.
- The additional funding of these new payments needs to be additive to existing funding. It cannot come at the expense of much-needed increases in social welfare rates for all other recipients.
- Further development of this proposal must include an equality and poverty impact assessment to ensure any new changes to the scheme do not impact negatively on higher risk and marginalised groups.

Detailed Response to Strawman Proposals

Benefit, Risk and Mitigation

We support an earnings-linked Pay-Related Benefit for workers which would provide a cushion for people with existing financial commitments, subject to an income floor that offers a Minimum Essential Standard of Living.

The new PRB payment recognises that the extreme income cliff many newly unemployed people face directly causes hardship, and that this can be prevented through linking payment levels to previous earnings. The suggested (illustrative) levels that this payment could be set at will mean many individuals and families are protected from experiencing poverty in the period of this payment.

However, we are concerned that this new payment could signal a tiered approach to who is offered an adequate level of income protection from the state, with a fault line appearing between people who are perceived to have 'earned' a decent level of income protection, and those who are considered not to have contributed sufficiently. This goes against the 'solidarity' principle referenced in the consultation document: the social protection system should, according to the principle of solidarity, offer a decent income floor to all recipients.

Importantly, this will also inevitably fall hardest on those excluded from the labour market and engaged in other responsibilities: one parent families, people with disabilities or ill health, carers, and the longer term unemployed who require in-depth support.

We must therefore see full equality and poverty proofing published for subsequent stages of policy development and set a minimum social protection floor that ensures all recipients can meet a Minimum Essential Standard of Living.

Extending a PRB model to other Benefit payments

We see a clear rationale and benefit to extending an earnings-linked model to employees receiving short-term supports such as Maternity or Illness Benefit, subject to a floor that offers a Minimum Essential Standard of Living.

SVP often supports people who, due to illness, are out of work for a period, and current Illness Benefit rates mean people can immediately fall below the poverty line and be unable to keep up with essentials such as existing rent or mortgage payments. To meet these payments people have to compromise on other expenditure. As Illness Benefit is intended to be a short-term payment these recipients often don't receive additional support such as Christmas bonuses or recent Autumn 2022 double payment¹ for the cost of living leading to high levels of hardship for this group.

For Maternity Benefit, the rate in Ireland provides just a quarter of average earnings². In an international context, while paid at just over the OECD average length of time, the rate represents the lowest payment rate relative to average earnings of OECD members. The National Women's Council have pointed out this is particularly important for lower income women for whom 'Three quarters of women earning less than €20,000 and more than half of those earning €20,000-€30,000 do not receive any maternity income support from their employers'.³

As the ESRI have reported, there is international evidence of the public health benefits of linking Illness Benefit to previous earnings, and benefits to gender equality when linking Maternity Benefit to earnings due to a reduction in the gender wage gap.⁴ This presents a strong case for higher levels for these Benefits.

¹ <https://www.oireachtas.ie/en/debates/question/2022-10-06/268/>

² https://www.oecd.org/els/soc/PF2_1_Parental_leave_systems.pdf

³ https://www.nwci.ie/images/uploads/NWC_PBS_2023_Shaping_our_Future.pdf

⁴ https://www.esri.ie/system/files/publications/BP202302_0.pdf

Coverage

In principal SVP agrees with the eligibility criteria for the scheme but would recommend that additional analysis would be provided for those who have to leave work due to caring responsibilities. Our experience during the pandemic found that lone parents in particular had a lack of clarity on their entitlement to PUP if they had to give up work “voluntarily” to care for their child during school closures.

Payment level

SVP believes that each person should be guaranteed a level of income protection by the state that allows them to at least meet a Minimum Essential Standard of Living. This income level means people can afford to live in dignity with the means to participate in daily life, and it is a level that should provide a benchmark for social welfare rates. Without this commitment across social welfare, poverty is built into the system for people who are relying on the safety net.

At SVP we see the clear impact of social welfare rates that are below the poverty line and a MESL benchmark. We would like to see more information on the evidence base for the payment floor of €100 as this represents a very low level.

We note that 90% of JB claims are from those without children but are concerned by the decision not to include allowances for children. The scheme is pay-related but capped which could disproportionately impact families with children. Other European countries (Austria for example)⁵ include increases in the payments for those caring for children. We would like to see further information on the logic, and potential impact, of not including allowance in the payment design and recommend that additional payments are provided using QCI levels at a minimum.

To futureproof the value of the payment, we would like to see a commitment to benchmarking the minimum payment to rates to the MESL. The introduction of a new payment would be an opportunity to build this in from the start.

Access to secondary supports

Currently a person in receipt of Jobseekers Benefit can apply for secondary benefits such as the medical card, Rent Supplement and the Back to School Allowance. Moving to a pay-

⁵ https://www.esri.ie/system/files/publications/BP202302_0.pdf

related system would push many over the income threshold for these benefits. Depending on the level of pay-related JB a person receives could lead to a net loss in terms of overall entitlement. Further analysis on the potential impact is required.

Duration

The proposed period of PRB at 6 months is very short and will build in a fast-approaching cliff-edge to newly unemployed people. Pre 2009, the duration of JB was 15 months and has been reduced to the current duration of 9 months. We would be concerned about a further reduction in the duration of the payment under the current proposals. It may prove too little to cushion households from financial difficulty: many significant financial commitments cannot be renegotiated or reduced within 6 months, and at that stage the recipient may be forced to choose between an unsuitable job or a Jobseekers Allowance payment below the poverty line.

Incentivising the take up of any role on offer does not represent the best long-term choice for an individual or the labour market more widely. In conjunction with extending the duration beyond 6 months, we see the benefit of tapering the rate after a certain time-period rather than cutting it off entirely (longer than the suggested three months), to allow a person a longer time to find appropriate employment opportunities including engaging with the Public Employment Service.

Labour market impacts and replacement rates

We would see adequate rates of social welfare as having a positive impact on the labour market, resulting in jobseekers finding work that is of higher quality and better suited to their needs, which in turn will result in better longer-term outcomes for the individual and the labour market.

Everyone, both in and out of work, should be entitled to an adequate income and good standard of living and the prospect of a payment ending and moving to inadequate social welfare supports should not be used as a way to incentivise any employment. While employment leads to many benefits – social and financial – and should therefore be incentivised and enabled, the alternative does not have to be a poverty penalty.

When discussing the level of social welfare payments and how this might (dis)incentivise a return to work, it's important to remember this only captures one aspect of the overall 'package' that promotes a return to work. On the positive side, this includes the important

social aspects of going to work, a sense of financial independence, and future earning and career prospects. However its also balanced by the risk of poor quality work, and moving into a job that is unsuitable and poorly paid.

In Ireland high replacement rates creating employment disincentives are often cited, especially for households with children. SVP research (Working, Parenting, Struggling, 2019) has shown that Ireland's replacement rate for lone parents is below the EU average, and only slightly higher than the EU average for two parent households with children. This contrasts with Denmark, which has the highest replacement rates in the EU, and yet maintains high employment levels, and low child and family poverty rates. Rather than disincentivising employment, adequate income supports are a vital to mitigating the risk of poverty, including protecting children from child poverty.

In addition, to ensure jobseekers, including those on PRB, receive the best quality support we need to ensure Ireland's Employment Services are person-centred and built around the needs of jobseekers. For recipients of PRB this should include options for early engagement that provide tailored information and support options.

There must be an equitable balance between the financial incentive to work, and the safety net provided to those not working – including those not working due to health, disability, or caring responsibilities, or those preparing for re-entry into the labour market on a more sustainable basis. This must at a minimum provide people with income supports that allow them to meet their basic needs, as calculated by the Minimum Essential Cost of Living.

Working Age Payment Proposal

Analysis of social welfare supports using MESL data consistently shows that single persons – with or without children – are at the greatest risk of having an inadequate income and they 'consistently demonstrate[e] the greatest risk and depth of income inadequacy'.⁶ After Budget 2023 a single adult of working age on the Minimum Wage would have an income deficit of €147.19 to meet a decent standard of living.⁷

⁶ https://www.budgeting.ie/download/pdf/budget_2023_-_mesl_impact_briefing_-_revised.pdf

⁷ Ibid.

The days-worked model is arbitrary and leads to difficult decision-making for people in part-time work who have to navigate the labour market constricted by the rules of the social protection system.

However, while recognising the need to support this group, an earnings-based model in this instance may create an environment that encourages poor labour market conditions related to low hours/low pay. It could also undermine commitments to move towards a living wage for workers as outlined in the Programme for Government. There is also the potential to create a cliff-edge with high Marginal Effective Tax Rates for those wanted to increasing their working hours. This is evident from the Vincentian MESL Research Centre's analysis on the Working Family Payment.⁸

Instead, we propose the Department include the option of hours worked model or the earning disregard model that is applied to the Jobseeker Transition Payment in further rounds of consultation on in-work supports for adults without children.

Conclusion

SVP welcome the opportunity to respond to this consultation on pay-related social insurance. While in principle we support this change, it requires significant analysis and consultation to overcome the additional complexities and challenges it presents. Importantly, a full equality and poverty impact assessment should be carried out to ensure groups like women, lone parents and people with disabilities are effectively supported.

This discussion on the adequacy of our social insurance system should be carried out in conjunction with the Roadmap for Social Inclusion's commitment to develop a proposal for benchmarking working age payments. This is crucial if we are to avoid a two-tiered system of social protection.

⁸ https://www.budgeting.ie/download/pdf/mesl_2022_annual_update.pdf