

# Means Testing Social Welfare Payments: Policy Challenges

INOU Discussion Forum

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**Issues to be explored**

# Longstanding Issue 1

- At present if a person on a Jobseeker's Allowance payment receives an offer of part-time work, they could find themselves in a dilemma if that work is spread over the whole of the working week, rather than concentrated over three days or less.
- This anomaly is not new.
- The National Economic and Social Council (NESC) noted that "*a person with one regular hour of work per day on each of four working days (a total of four paid hours a week) does not qualify, while a person with full-time work on three working days (a total of twenty-one paid hours) does. It can be argued that this interpretation of what constitutes availability for work is based on the patterns in working hours of the economy in the past, and does not reflect the more service-based, customer-focused and globally engaged economy of today.*" (p142, Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession, 2011 report)

- A commitment to *"Prepare a paper on options to modify the longer term jobseeker assistance payment by utilising the Revenue real time earnings data to adjust payment levels in line with a person's weekly earnings, to guarantee a basic income floor and ensure that in all cases a person's income increases when they work."* (No. 43)
- *"The Commission recommends that working-age payments should be reformed to move towards an income related working-age assistance payment available to all households. The payment should be designed so as to avoid subsidising lowpaid employment."* (Recommendation 12.2)

## Pathways to Work 2021-2025

## Commission on Taxation and Welfare

## INOU Pre-Budget Asks

- Introduce a work-friendly Social Welfare system for Jobseekers reflective of changing work practices, based on hours worked rather than days worked.
- In the meantime, increase the daily earnings income disregard for Jobseeker's Allowance to €25 per day for both the main claimant and qualified adult equally.
- At present the daily earnings income disregard for someone on Jobseeker's Allowance taking up part-time work is €20 per day, up to a maximum of €60 per week.

- *The rationale in developing a Working Age Payment is to create a greater link between welfare payments and employment earnings such that a person will always experience an increase in income when they take on additional work.*
- *It is also intended to remove inconsistencies in payment rates between people in similar situations and to move away from the 'days worked' model whereby a person is disqualified for payment on a day where they might only work for 1 or 2 hours.*
- *Furthermore, a new scheme should be easier to understand and administer and should militate against distorted income effects for people returning to work, such as significant 'income cliffs' or loss of income.*
- *The proposed model 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. (Section 4.5)*

## Working Age Payment proposed in Strawman on Pay Related Benefit

# Working Age Payment proposed in Strawman on Pay Related Benefit

- It will be important to see what is in the Strawman for this proposal when it is published. If the changes are designed to support unemployed people to take up part-time work that they feel would strengthen their links with the labour market, it would be a very welcome development.
- In particular if point nine on page thirty of the consultation document is realised, which states *"This would be to guarantee a basic income floor and ensure that in all cases a person's income increases when they work."*
- However, if the proposal is to completely merge Jobseeker's Allowance with a reconfigured Working Family Payment, this could exacerbate income adequacy questions for some families, while improving the situation of others.
- As the Table in Slide 8 illustrates, if the Working Age Payment proposal is to give unemployed people 60% of the weekly income limit that applies for their family type under the Working Family Payment, some families may be better off, while others would be better off on a Jobseeker's Allowance payment.

## Jobseeker's Allowance Payment v Proposed Working Age Payment

Household Type / Payment Type	Jobseeker's Allowance	Working Family Supplement Weekly Income Limit (WIL)	Working Family Supplement Possible WIL	Working Age Payment at 60% of WIL	Difference
Single	232		419	251.5	19.5
Single person with one child	278	645		387	109
Couple	386		557.7	334.6	-51.4
Couple with one child	432	645		387	-45
Single person with two child	332	746		447.6	115.6

**Note:** Single weekly income limit is based on National Minimum Wage €12.70 x 33 hours per week; Couple figure based on the differential between a family with one child and a family with two children.



## Supplementary Welfare Allowance and Part-time Work

- Of particular concern is the issue that arises for people on Supplementary Welfare Allowance (SWA) who are working part-time, that any weekly income i.e. wages they earn will be taken into account in full.
- For example, a single person on Jobseeker's Allowance who works for three days a week and earns €300 will lose €144 on their Jobseeker's Allowance payment.
- However, if another person on SWA earns the same amount of money, they will lose their whole SWA payment, €230, an €86 difference.
- People on SWA can be in difficult circumstances, falling through the cracks in the system, not quite meeting the criteria for one scheme or another.
- Given that one of the objectives of SWA is "*to guarantee a standard basic minimum income*", it would be important that people are supported to improve their circumstances and enjoy a minimum essential standard of living.

# Longstanding Issue 2

- Many people do not make the transition from Jobseeker's Benefit (JB) to Jobseeker's Allowance (JA) for a variety of reasons, including failing the means-test associated with JA.
- If an unemployed person can no longer access income supports, they can find themselves unable to fully access employment service supports or education, training and employment programmes.
- The capital disregard for a Jobseeker's Allowance payment has remained at €20,000 for the last eighteen years. Using December 2016 as the base, in 2005 the Consumer Price Index was 89.2, while in 2023 it was 119.4, an increase of 34%.
- If, for example, a person is saving to buy a house, a deposit of only €20,000 will not get them very far.

## JOBSEEKER'S ALLOWANCE CAPITAL MEANS TEST

Current Capital	Weekly Means Assessed	Proposed Capital	Proposed Weekly Means Assessed
First €20,000	Disregarded	First €35,000	Disregarded
Next €10,000	€1.00 per €1,000	Next €17,500	€1.00 per €1,000
Next €10,000	€2.00 per €1,000	Next €17,500	€2.00 per €1,000
Balance	€4.00 per €1,000	Balance	€4.00 per €1,000

**INOUE Pre-  
Budget Asks**

## Supplementary Welfare Allowance and Capital Disregard

- Current capital disregard for Supplementary Welfare Allowance is €5,000, in comparison to €20,000 on a Jobseeker's Allowance payment or €50,000 on a Disability or Carer's Allowance payment.
- The difference in capital assessments can present problems where a person is applying for JA/OPFP/CA/DA and is relying on SWA pending the outcome of the application; or a person who is appealing a refusal / suspension of JA/OPFP/CA/DA and applying for SWA pending the outcome.
- As a way to streamline the system, the INOU has advised that the SWA capital disregard be brought into line with the payment the person is applying for or is appealing a refusal or suspension.
- And given that €5,000 no longer has the purchasing power it once had, the organisation has asked that this limit be raised to €20,000.

- **6.1 Means and contributions**
- **No proposed changes to means test and contributions**
- Eligibility for current long-term disability payments is based either on PRSI or a contributory condition or a means test, in addition to the medical and other eligibility requirements, such as how long the applicant has been living in Ireland (habitually resident). This Green Paper proposal does not suggest any changes to the means, habitual residence, and contributory requirements currently in place.
- Given the feedback to date, the proposals in this Green Paper are no longer on the table.

## Green Paper on Disability Reform

# Alternatives to Means Testing

- In effect Child Benefit is Ireland's only universal payment:
  - there is no requirement to build up a certain number of pay-related social contributions or meet any means-test criteria;
  - paid to the person caring for the child, who must be living in Ireland and satisfy the Habitual Residence Condition;
  - paid for a child aged under 16; and
  - for children aged 16-18 who are in full-time education / training or have a disability and cannot support themselves.
- In response to the COVID-19 pandemic the Government introduced the Pandemic Unemployment Payment (PUP):
  - Initially a flat rate payment of €350 per week to employees and self-employed whom the health restrictions made unemployed;
  - Rate of payment changed as the extent and duration of the pandemic became apparent.
  - Unlike a Jobseeker's payment there was no requirement for a certain number of pay-related social contributions or to meet the means-test criteria.
  - Applicants had to be aged between 18 and 66 years, their employment ceased because of C19 health restrictions, and be fully unemployed.

- Basic Income for the Arts:
  - is pilot scheme running over 3 years: 2022 to 2025;
  - It aims to support the arts and creative practice by giving a payment of €325 a week to artists and creative arts workers;
  - The main objective of the scheme is to address the financial instability faced by many working in the arts;
  - 2,000 eligible artists and creative arts workers were selected at random and invited to take part in the pilot scheme.
- Universal Basic Income:
  - Re Basic Income Ireland a *"proposal that the state should make a regular payment to every individual resident regardless of circumstances, without any means test or work requirement.*
  - *It would be enough to live a frugal but decent life without additional income.*
  - *No one should be deprived of their basic needs, no matter what their circumstances of birth or accidents of life.*
  - *Everyone should have control over the balance between paid work and the other obligations, interests and concerns that make life worth living.*
  - *We must support risk-taking entrepreneurs, eliminate the poverty trap, and inject spending power into communities neglected by the globalised economy."*

## Alternatives to Means Testing