



## **Time to end long-term unemployment: Supporting the transition from Social Welfare to Work**

### **INTRODUCTION**

Budget 2007 is of particular significance given that it represents the first Budget to be framed against the backdrop of the new Partnership Agreement, Towards 2016. Budget 2007 will also be the last opportunity for the Government to meet the remaining relevant National Anti-Poverty Strategy (NAPs) targets. One key NAPs target is the elimination of long-term unemployment by 2007. However, the numbers of people who are long-term unemployment has increased by over 5,000 to 29,600 in the intervening five years since the target was established. Budget 2007 represents the last major opportunity to create the conditions to meet this NAPs target.

Eliminating long-term unemployment is one of the major milestones to achieving a full employment society. The INOU strongly believes that Budget 2007 represents an unprecedented opportunity for the Government to achieve this. We know that there are very significant resources available to the Government. The ESRI has estimated that the exchequer finances will include an additional €3 billion to spend in excess of planned finances to date. Similarly, Gross National Product (GNP) and Gross Domestic Product (GDP) continue to grow at rates in excess of most of our European neighbours.

In addition to attempting to achieve a full employment society, it is necessary to ensure that unemployed people live life in dignity with their families, while they are unemployed. The INOU is therefore calling for significant increases in social welfare payments together with the removal of existing employment traps, the promotion of in-work benefits and improvements in the eligibility criteria for employment supports, in this submission to the Department of Social & Family Affairs.

The following submission sets out the key INOU priorities for the 2007 Budget. These priorities represent benchmarks on what are necessary to achieve and maintain a full employment society.

### **ISSUES COVERED INSIDE:**

- **Remove Existing Employment Traps/Improve In-Work Benefits**
- **Ending Child Poverty**
- **Social Welfare Payments**
- **Employment Supports**
- **Self Employment Supports**

## 1 Remove Existing Employment Traps/Improve In-Work Benefits

- **Retention of Secondary Benefits**

The gross household income limit of €317 (the old £250) per week for the retention of secondary benefits is unchanged since 1994. Although the Government has introduced some welcome disregards since 1994, the failure to increase this threshold continues to cause unnecessary unemployment traps for people wishing to move from social welfare to employment. The INOU is calling on the Government to significantly increase this threshold in line with the general costs of living in the intervening period. We calculate that the Consumer Price Index has increased by approximately 39% since 1994. An equivalent income increase would be €125 (on a rounded up basis) to bring it up to €442. We are calling on the Government to increase the income limit by €125 over the next two years. In this year's budget, the INOU is seeking an increase in the income limit threshold of €65.

### **RECOMMENDATION:**

**Increase the income limit for the retention of secondary benefits by €65 to €382.50.**

- **Increase Allowable Income Thresholds**

The INOU is calling on the Government to raise the assessment of income thresholds where an unemployed person is working up to 3 days a week and claiming a Jobseekers Allowance payment.

These income thresholds have not changed for many years and are both unrealistic and a disincentive to taking up employment.

The INOU is calling on the Government to increase the daily disregard from €12.70 per day to €20 per day where a claimant has no child dependants. The INOU is also calling on the Government to reduce by 15% (from 60% to 45%), the deduction from the unemployment payment of the net wages (after tax) where a claimant has child dependants.

### **RECOMMENDATION:**

**Increase the daily disregard from €12.70 per day to €20 per day where a claimant has no child dependants and to reduce by 15% (from 60% to 45%), the deduction from the unemployment payment of the**

**net wages (after tax) where a claimant has child dependants.**

## 2 Ending Child Poverty

- **Family Income Supplement (FIS)**

FIS was introduced to increase the reward from work by providing low paid households with additional income. However, the take-up of FIS remains very small. A similar benefit for low paid workers in New Zealand has a 92% take-up. The best way to achieve a similar level of take up in Ireland is to ensure people receive the payment automatically. While the INOU welcomes the recommendation in Towards 2016 for the National Economic and Social Council to help resolve the current impasse in relation to linking FIS to Child Dependent Allowance payments, we believe this should be achievable in the short-term.

In the interim, in order to improve the financial benefits of low paid work, FIS needs to keep pace with increases in average earnings. FIS is currently calculated at 60% of the difference between net weekly income and the income limit for the family size. The INOU calls for the income limits to be increased and for the calculation of FIS to be re-examined to ensure a discernible reward from work is maintained.

### **RECOMMENDATION:**

**Significantly raise the income limits for Family Income Supplement. Review the calculation of FIS.**

As an interim measure, prior to the introduction of a second tier child payment, the INOU is calling on the Government to increase the Child Dependent Allowance payment. CDAs have not been increased since 1994, whereas the Consumer Price Index has increased by 39% since then (and other indicators have increased more substantially). The INOU calls for an increase in the CDA payments to €24.

### **RECOMMENDATION:**

**Increase the Child Dependent Allowance payment by €7.20 to €24.**

## 3 Social Welfare Payments

- **Basic payments**

The outstanding (agreed) Sustaining Progress and NAPS targets of setting the lowest rate of social welfare at €150 in 2002 terms by 2007 is

a key target. It is particularly important that social welfare payments are significantly increased as the inflation rate continues to increase. The current inflation rate is 4.2%. In order to achieve the target and to take account of significant inflation increases including electricity (20% increase), gas (34% increase) etc this Budget should increase the lowest social welfare rate by at least €17 per week to €182.80.

**RECOMMENDATION:**

**Increase the lowest social welfare payment by a minimum of €17 per week.**

- **Fuel Allowance**

The price of fuel has escalated in the past year. Recent increases of 34% and 20% in Gas and Electricity prices will cause severe hardship for people on social welfare payments. The Department of Social and Family Affairs has acknowledged this by making improvements in the household benefits package to "protect social welfare recipients from the increased cost of Gas and Electricity". However, this package is applicable only for those who are in receipt of the Electricity and Gas Allowance. The INOU is calling on the Government to ensure that unemployed people and other social welfare recipients who will not benefit from the improvements in the household benefits package will also be "protected from the increased cost of Gas and Electricity". The INOU is calling on the Government to increase the Fuel Allowance by €6 a week.

**RECOMMENDATION:**

**Increase the Fuel Allowance by €6 a week to €20.**

- **Increasing social solidarity through the Social Insurance system**

Despite high levels of employment growth Ireland currently experiences very high levels of redundancy. It is over ten years since the key element of PRSI was abandoned. However, many people who lose their jobs are dismayed that their Jobseekers Benefit payment does not reflect a percentage of what they earned. Social insurance against unemployment should provide a guarantee that Jobseekers Benefit will replace a proportion of lost earned income for a period of time, subject to a minimally adequate rate.

**RECOMMENDATION:**

**Reintroduce a guarantee that Jobseekers Benefit will replace a proportion of lost**

**income through PRSI.**

## **4 Employment Supports**

- **Back to Work Allowance**

The INOU welcomed the decision in last year's budget to reduce the qualifying period for eligibility for the Back to Work Allowance from 5 years to 2 years. However, this decision fell short of restoring the original eligibility criteria of 12 months for access to the Back to Work Allowance. Changing the eligibility criteria back to 12 months, to allow long-term unemployed people to access the BTWA would present a realistic option for many people being referred under the NEAP process.

**RECOMMENDATION:**

**Reduce the eligibility criteria for the Back To Work Allowance from 2 years to 12 months for people in receipt of an unemployment payment.**

## **5 Self Employment Supports**

- **Back to Work Enterprise Allowance Scheme (BTWEA)**

The BTWEA is one of the few supports available to individual long-term unemployed people trying to set up their own business. The INOU welcomed the decision in last year's budget to reduce the qualifying period for eligibility from 3 years to 2 years. However, the numbers of people eligible for the BTWEA is limited as the qualifying period is 2 years unemployed and the longer a person is unemployed the less likely they are to have the resources, motivation and supports to set up a business. We urge the Government to reduce the eligibility criteria to one year as the BTWEA has proved to be very effective in assisting unemployed people set up their own business.

**RECOMMENDATION:**

**Reduce the eligibility criteria for the Back to Work Enterprise Allowance to those 12 months or more unemployed.**

Furthermore we call for the extension of FIS to BTWEA recipients in line with its availability to those in receipt of the Back to Work Enterprise Allowance.

**RECOMMENDATION:**

**Extend Family Income Supplement to those in receipt of Back To Work Enterprise Allowance.**



## INOUE KEY RECOMMENDATIONS FOR BUDGET 2006

ISSUE	RECOMMENDATIONS
<b>Social Welfare Payments</b>	<ul style="list-style-type: none"><li>• Increase the lowest social welfare payments by at least €17</li><li>• Increase the Qualified Adult Allowance payment by €17 to achieve the 70% target</li><li>• Increase the Child Dependent Allowance payment by €7.20 to €24</li><li>• Increase the Fuel Allowance by €6 to €20</li><li>• Reintroduce a guarantee that Unemployment Benefit will replace a proportion of lost income, through PRSI</li></ul>
<b>Ending Child Poverty</b>	<ul style="list-style-type: none"><li>• Link FIS to the Child Dependent Allowance payment</li><li>• Increase the income limits for FIS</li></ul>
<b>Eliminating Employment Traps/Improving In-Work Benefits</b>	<ul style="list-style-type: none"><li>• Significantly increase the income limit (currently €317.43) for the retention of secondary benefits by €65 to €382.50</li><li>• Increase the daily disregard from €12.70 per day to €20 per day where a claimant has no child dependants and to reduce by 15% (from 60% to 45%), the deduction from the unemployment payment of the net wages (after tax) where a claimant has child dependants</li></ul>
<b>Employment Supports</b>	<ul style="list-style-type: none"><li>• The qualifying period for the BTWEA should be reduced to 12 months and recipients should be eligible for FIS</li><li>• Return the qualifying period of the Back to Work Allowance to 15 months</li><li>• Extend FIS to those in receipt of Back to Work Enterprise Allowance</li></ul>

### Other INOUE Recommendations

- Significantly raise the Back to School Clothing and Footwear Allowance income limits in line with those applying to FIS, and increase the payment rates to €150 and €220 (for younger and older children respectively).
- Raise Qualified Adult payment rates to 70% of the personal rate in Budget 2007. The INOUE calls on the Government to increase the Qualified Adult Allowance rate by €18.
- End the policy of direct provision. In the interim, substantially increase the actual cash payments made to asylum seekers to reduce their risk to poverty.
- Increase the income threshold of eligibility for the medical card. Ensure that every person solely dependent on a social welfare payment should automatically receive a medical card.
- Increase the earnings disregard in relation to Rent Supplements.
- Increase the earnings threshold of both the Qualified Adult Allowance and Child Dependent Allowance payments.

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