



3/10/2017

INOUE Submission to Department of Social Protection's Proposed Working Family Payment

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INTRODUCTION

The Irish National Organisation of the Unemployed welcomes this opportunity to make a submission to the proposed *Working Family Payment*.

“The INOU is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all. We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society.”
(INOUE Mission Statement)

The organisation has over 215 affiliated organisations and 2,600 individual members. We work at the local and national level on issues affecting unemployed people through the provision of training and welfare rights information services; analysis of Government policies and related advocacy work; and working with a wide range of other organisations on issues of common concern.

CURRENT CONTEXT

On February 1st, 2017 the Central Statistics Office (CSO) published the Survey of Income and Living Conditions 2015. In 2015 the at-risk-of-poverty rate decreased to 16.9%. However, for unemployed people the at-risk-of-poverty rate increased by 5.5% to 43.5%. Even though the deprivation rate for unemployed people decreased by 7.9% to 45.5%, it was still 20% higher than the national rate. The consistent poverty rate for unemployed people increased by 2% to 26.2%, a figure that is three times the national rate.

On 21st February, 2017 the Central Statistics Office published the Quarterly National Household Survey (QNHS) for Quarter 4 2016. During 2016 the unemployment rate dropped, by 1.9% to 6.7%. While the long-term unemployment rate decreased by 1.1% to 3.6%, bringing this figure back to Q3 2009 levels. What these figures demonstrate is unemployed people’s desire to work, work that must be decent and sustainable if people are to move out of poverty and participate fully in society.

KEY PRINCIPLES

The Department of Social Protection’s engagement with people of working age should:

- Support people to access decent and sustainable employment;

- Be a person centred service, which is very much in keeping with the Department’s first strategic objective to *“put the client at the centre of services and policies”*;
- Be pro-active and supportive, including supporting people to maximise their income;
- Ensure the full & pro-active provision of information;
- Ensure flexibility in the system to facilitate participation;
- Deliver good support services with a particular focus on re-skilling; provision of childcare; accessible transport;
- Ensure integrated provision within and across relevant Departments, Agencies, organisations on the ground;
- Identify clear pathways from activation programmes out into the wider labour market; and,
- Commit to and deliver on an inclusive service and identify how the requirements of ‘public sector duty’ will be met.

Such an approach should underpin any new policy development or ensure that existing policies are really meeting the needs of unemployed people and others of working age. Good information provided in a timely and supportive way can make a big difference to people’s lives. For example:

- Awareness of what the INOU calls the ‘fast-track system’ could support an unemployed person to access short-term work, build up their links with the labour market which ultimately could support them to move into sustainable employment. This information is available on www.welfare.ie but lacks visibility as it is part of the Frequently Asked Questions (FAQ 20) on the Jobseekers Allowance page on the Department’s website.
- Similarly, moving into employment and moving away from a weekly payment to a monthly pay cheque can cause cash flow problems for many unemployed people, particularly those who have no other means, and may impact on their ability to take up employment. Access to a SWA payment, through the ‘payment pending wages’ mechanism could make a big difference to people in this circumstance, and would be a small investment by the Department for a much bigger return.
- Practical mechanisms such as these should be promoted by the Department of Social Protection to facilitate unemployed people to move from welfare to work.

On page 134-135 in the Programme for Government it talks about *“A Supportive Social Welfare System”* much of which is in keeping with the principles outlined above: however, there is always a danger that in seeking to reduce ‘welfare dependency’ the commitment to *“protect the weakest and most vulnerable in our society from poverty and exclusion”* will be undermined. To that end it is absolutely critical that the system

“fosters independence through retraining and employment” and that the Government *“provide the resources to invest in services that protect the weakest and most vulnerable in our society from poverty and exclusion.”* The current focus on a ‘work first’ approach is not one that is suitable for those people who are distant from the labour market and who require integrated services across a range of agencies to meet their needs. The Department must operationalize its mission statement, *‘To promote active participation and inclusion in society through the provision of income supports, employment services and other services’*, this is absolutely critical if the issue of jobless households is to be addressed. Supports and service provision must find ways of engaging with working age adults that move beyond a focus on conditionality and its application, to one that is informed by social inclusion, equality and human rights approaches. An approach that will be required to ensure that the Department is meeting its obligations under Section 42 (1) of the Irish Human Rights and Equality Commission Act 2014, which states that *“A public body shall, in the performance of its functions, have regard to the need to-*

- a) Eliminate discrimination,*
- b) Promote equality of opportunity and treatment of its staff and the persons to whom it provides services, and*
- c) Protect the human rights of its members, staff and the persons to whom it provides services.”*

INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

Section 42 (1) builds on Ireland’s obligations under a range of international law including the United Nation’s International Covenant on Economic, Social and Cultural Rights; and there are three articles under the Covenant that are pertinent to this submission and they are articles 6, 7 and 11.

Article 6 (1) “includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts, and will take appropriate steps to safeguard this right”; and under subsection (2) the *“steps to be taken by a State Party to the present Covenant to achieve the full realization of this right shall include technical and vocational guidance and training programmes, policies and techniques to achieve steady economic, social and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual.”*

For the most vulnerable in Irish society and those most distant from the labour market subsection (2) of this right is critical, and from the feedback the INOU receives from individual members, affiliates and users of our services it is how access to these supports are delivered that is important, in particular how supportive or not they are of the person and assisting them to reach their full potential. In the Programme for

Government it notes that *“The new Government must ensure that work always pays more than welfare.”* If poverty is also to be addressed, as it should, then ensuring unemployed people most distant from the labour market are equipped to compete for and access decent jobs will be crucial in securing equitable outcomes.

Article 7 of the Covenant recognises “the right of everyone to the enjoyment of just and favourable conditions of work” including under subsection (a) Remuneration which provides all workers, as a minimum, with: (i) Fair wages and equal remuneration for work of equal value without distinction of any kind, in particular women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work; and (ii) A decent living for themselves and their families in accordance with the provisions of the present Covenant”.

In Ireland’s increasingly flexible labour market not all employees would recognise the rights described in *Article 7*. So it is not sufficient that *“The new Government must ensure that work always pays more than welfare. This involves recalibrating our social welfare system so that jobseekers are given every opportunity to work, while at the same time protecting the most vulnerable in society with fair income supports.”* The Government must also address the uncertainty of working hours, the fragmentation of work and the subsequent uncertainty of income that face so many employees and people seeking to move from welfare to work. This is absolutely imperative if the cycle of poverty facing so many people is to be adequately addressed. The lower rate of Employers PRSI on the Class A stamp for those employees earning €376 or less per week does not lend itself to the provision of a fuller and more secure weekly income. A wider labour market focus will be required if the Programme for Government (PfG) commitment to *“Increase the minimum wage and ensure that the interests of low-paid workers and people in precarious work situations are adequately protected” (p104)* is to be honoured. In the PfG there is a commitment to *“Increase the minimum wage to €10.50/hour by 2021”*, while this commitment is welcome, and €1.25 more than the current National Minimum Wage of €9.25, it is still €1 shy of the current Living Wage recommendation for single people.

On the 19th June, 2015 the United Nations Committee on ESCR¹ published their concluding observations on Ireland’s third report under International Covenant on Economic, Social and Cultural Rights. Under Article 7, the Committee recommended that the State *“review all relevant legislation to ensure just and favourable conditions of work for all workers, including the minimum wage, working hours and rest days, and improve data collection, particularly on zero-hour contracts. It further recommends that the State party take the necessary steps to ensure that the minimum wage applies to all employees and ensures a decent living for workers and their families.”*

¹ Reference: E/C.12/IRL/CO/3

In their publication '*When the Living Wage is not Enough*'², the Vincentian Partnership for Social Justice, note the Minimum Essential Standard of Living for two parent families with one to four children varied from €720.17 to €1,159.09 depending on where the family lived; for one parent families with one to two children the spread was €492.72 to €840.50. *Article 11 (1)* of the International Covenant on Economic, Social and Cultural Rights recognises “*the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent.*”

Under this Article, the United Nations Committee on ESCR recommended “*that the State party step up its efforts to reduce poverty*” and “*that the State party integrate a human rights based approach in all poverty reduction programmes and strategies, guaranteeing entitlements to individuals and ensuring accountability.*”

PROPOSED WORKING FAMILY PAYMENT

According to the Department’s call for submissions the proposed *Working Family Payment* has two stated objectives to (i) make work pay; and (ii) tackle child poverty: and, will specifically target low income families; promote work over welfare by supplementing, for low income families, on a graduated basis, the income of a household, while at the same time incentivising more work; play a vital role in assisting families to remain in work, incentivise those moving from welfare to work, and prevent families from becoming at risk of poverty.

A major issue facing unemployed people seeking to move from welfare to work is the nature of the work available, an uncertainty of hours and therefore the weekly income that can be accessed. The social protection system was designed for a more structured and certain labour market, and it is absolutely imperative that in a more flexible and less certain labour market that the social protection system acts as a counter balance to this uncertainty.

Family Income Supplement

For all its short comings, accessing *Family Income Supplement* is an important support in addressing in-work poverty and facilitating the welfare-to-work journey for those in low paid work and those contemplating a return to work where the pay is low. However, this potential is

² To download press ctrl and click http://www.budgeting.ie/download/pdf/vpsj_2016_when_the_living_wage_is_not_enough_mesl_working_paper.pdf

undermined by the length of the application form; the timing of the processing claims; and the fact that someone returning to work must approach their employer to fill in part of the form, which they may feel unable to do or fear the consequences.

It should be feasible through the Qualified Child Increase and Child Benefit systems to create a trigger for an automatic assessment for and application to Family Income Supplement. The decision to pay or not pay would then be informed by the information processed by the Revenue Commissioners when the individual takes up employment. Streamlining these processes would be important, not only for administrative purposes, but to ensure the employee is not left struggling to manage in the initial stages of employment.

In the Programme for Government it notes that *“In-work support for families on low incomes is vital in assisting families to remain in work, incentivise those moving from welfare to work and to prevent families from becoming at risk of poverty. The current Family Income Supplement creates major hurdles for unemployed parents transitioning from jobseekers welfare payments into work, and also locks many parents into working fewer hours.”* (p104)

The accuracy of this statement is debatable as Family Income Supplement (FIS) has a minimum number of hours working rather than a maximum, and it is this minimum number of working hours over a specific period of time that is proving to be problematic. FIS works off a 19 hour week or 38 hour fortnight. Given the concerns raised about precariousness of much of the work available, greater flexibility in the hours worked and over a longer time period is required. 15 hours a week or 60 over a four weekly period could make a difference to people with uncertain hours who are invariably in lower paid work.

Table 1 demonstrates the important role FIS and the Back to Work Family Dividend (BTWFD) plays, but more clearly demonstrates the importance of unemployed people accessing well paid employment as against the National Minimum Wage. It is therefore in the Department’s own interest to encourage and pursue the creation and maintenance of better paid employment, and to ensure that unemployed people are supported to acquire the necessary skills and experience to access such jobs.

Table 2 looks at the impact of bringing the minimum FIS weekly hours down to 15 and looks at the impact of the BTWFD over the two year period. The reduction of this payment over the two years and its subsequent loss will have an impact on household income, a loss which should be supported by additional hours work and / or improvement in pay. To secure the latter accessible opportunities for unemployed people and employees in low paid employment to improve their skills and employment prospects will be required.

Table 1											
Household Type	FIS Income limits	NMW @ 32 hours	Net Wage	FIS supports	BTWFD Year 1	Total Income	Average Wage @ 32 hours	Net Wage	FIS supports	BTWFD Year 1	Total Income
Single	-	296	293	-	-	293	707.2	563	-	-	563
Couple no children	-	296	293	-	-	293	707.2	630	-	-	630
Couple with one child	511	296	293	130.8	29.8	453.6	707.2	630	-	29.8	659.8
Couple with two children	612	296	293	191.4	59.6	544	707.2	630	-	59.6	689.6
Couple with three children	713	296	293	252	89.4	634.4	707.2	630	49.8	89.4	769.2
Couple with four children	834	296	250	350.4	119.2	719.6	707.2	630	122.4	119.2	871.6

Table 2													
Household Type	FIS Income limits	NMW @ 15 hours	Net Wage	FIS supports	BTWFD Year 1	Total Income Year 1	Total Income Year 2	Average Wage @ 15 hours	Net Wage	FIS supports	BTWFD Year 1	Total Income Year 1	Total Income Year 2
Single	-	138.75	138	-	-	138		331.5	325	-	-	325	
Couple no children	-	138.75	138	-	-	138		331.5	328	-	-	328	
Couple with one child	511	138.75	138	223.8	29.8	391.6	376.7	331.5	328	109.8	29.8	467.6	452.7
Couple with two children	612	138.75	138	284.4	59.6	482	452.2	331.5	328	170.4	59.6	558	528.2
Couple with three children	713	138.75	138	345	89.4	572.4	527.7	331.5	328	231	89.4	648.4	603.7
Couple with four children	834	138.75	138	417.6	119.2	674.8	615.2	331.5	328	303.6	119.2	750.8	691.2

Income Disregards: Hours v Days

Of particular concern to the INOU is the situation facing unemployed people who find part-time work, potentially the only work that is available to them, but the hours on offer are spread over the week and they find themselves likely to lose their Jobseekers payment. As Table 3 demonstrates being able to work part-time and claim some social assistance payments, can make a big difference between people’s ability to manage. Though it should be noted that even with this support these families will not enjoy the Minimum Essential Standard of Living identified on page 5 for two parent families with one to four children. Notwithstanding that the INOU urges the introduction of an hours-based social welfare system and re-design the earnings disregard accordingly.

Table 3									
Household Type / Payment Type JA	Weekly Social Welfare Income	Assessed SW Income	NMW @ 15hours*	Net Wage	Total Income	Assessed SW Income	Average Wage @ 15 hours	Net Wage	Total Income
Single	193	133.75	138.75	138	271.75	18.1	331.5	325	343.1
Couple no children	321.1	261.85	138.75	138	399.85	146.2	331.5	328	474.2
Couple with one child	350.9	291.65	138.75	138	429.65	176	331.5	328	504
Couple with two children	380.7	321.45	138.75	138	459.45	205.8	331.5	328	533.8
Couple with three children	410.5	351.25	138.75	138	489.25	235.6	331.5	328	563.6
Couple with four children	440.3	381.05	138.75	138	519.05	265.4	331.5	328	593.4

Another advantage of this approach, which facilitates an unemployed household to combine income from employment with their Jobseekers payment, is that it also supports unemployed households with no children. A striking feature of the Survey of Income and Living Conditions published on February 1st is the 8.2% increase in the at-risk-of-poverty rate for single adult households from 26.6% in 2014 to 34.8% in 2015. It will be critically important that the Action Plan for Jobless Households addresses the poverty facing so many children and their families, but it will also be important to address the poverty and social exclusion facing single adult households. Feedback from INOU affiliates, and in particular those working in rural and urban areas tackling structural inequalities, highlight the need for a different approach to engage with

people distant from the labour market, for whom a 'work first' approach may not be appropriate, and who may need a more developmental and supportive approach before entering or re-entering the labour market.

CONCLUSION

It is absolutely critical that unemployed people and their families are supported to move from welfare to work and that such a move will enhance their income and their ability to participate fully in Irish society and its economic development. Within the existing system much could be done to improve the welfare to work journey for unemployed people and their families and the INOU recommends:

- Embedding the Minimum and Essential Standard of Living concept into social protection, employment and labour market policies;
- The introduction of an hours-based social welfare system and a re-design the earnings disregard accordingly;
- Changing the criteria on FIS from 19 hours a week or 38 hours a fortnight to 15 hours a week or 60 hours a month to support people in a labour market that has become increasingly fragmented;
- Automating access to FIS and streamlining this access to ensure that there is as small a time gap as possible between the individual taking up work and their access to supports through FIS;
- The active promotion and extension of the 'Fast-Track system' to facilitate people to take-up short-term options that could enhance their CV and labour market links;
- The active promotion of 'Payment Pending Wages' to support unemployed people to manage the transition from a weekly unemployment payment to a biweekly or monthly employment payment;
- Greater interdepartmental and interagency working to ensure that other supports and services are adequate and accessible, in particular childcare, transport and housing;
- Addressing the fragmentation of employment and subsequent income derived from employment;
- The introduction of a Living Wage.