**Joint Committee on Jobs, Social Protection and Education**

**Briefing on income and other issues relating to transitions to employment**

**21st September, 9.30am**
**Planning Unit**
**Department of Social Protection**

## Summary/Key points

### Introduction

There are concerns expressed that the financial incentive to leave the Live Register to work is not strong. In this regard the Live Register is often viewed as if it were a static group. However, while large numbers of people have been unemployed for a substantial period and long-term unemployment has risen significantly, there is also very significant outflow from the register in any given month – particularly among those who have been unemployed for shorter periods. These include exits to employment and occur in the context wherein strong financial incentives to return to employment exist for the majority of unemployed persons on the Live Register.

While other considerations are involved in the return to work patterns, financial incentives, which depend on the balance between the individual/family's disposable income when employed and when unemployed, are of obvious importance. This presentation, after firstly providing some contextual detail on Live Register composition and dynamics, outlines the fact that, in terms of net income, people are generally better off in work.

Beyond financial considerations, return to work patterns are often a function of more than financial rewards and include such considerations as work availability, family commitments, travel to work time and the type of available employment. The presentation will also touch on some of the issues and developments pertaining to these considerations.

### Live Register - profile of registrants and claim closure analysis

This material is supplied for general information purposes. The live register profile highlights that;

- Over three quarters of persons on the Live Register are claiming a personal rate only,
- Almost half (50%) of the people on the Live Register receive less than the maximum personal weekly rate,
- Those qualifying for Rent Supplement or Mortgage Interest Supplement are a small minority of the totals on the Live Register,
- For many unemployed people, unemployment is a short-term experience,
- Customers with no dependents tend to have higher rates of claim closure i.e. they tend to move off the Live Register quicker.

### Replacement Rates

- The replacement rate for given income levels measures the proportion of out-of-work benefits received when unemployed against take home pay if in work,

- The higher the replacement rate, the lower the incentive to work – a replacement rate in excess of 70% may be considered to be excessive,
- For the overwhelming majority of social welfare recipients, replacement rates are relatively low,
- High replacement rates are generally associated with a relatively high number of dependent children and receipt of rent or mortgage supplement – but the overall percentage of individuals on rent/mortgage supplement is only 14% of total JA/JB numbers in payment.

**Rent Supplement**

- The transfer of tenants from rent supplement to the local authorities (RAS) will help achieve a key Government commitment of removing barriers to employment and return rent supplement to its original intention of a short–term income support payment.

**Advisory Group on Tax and Social Welfare**

- Examining issues around the tax system and other state services that have an impact on employment decisions as well as other factors such as childcare and transport.

**Activation Policy**

- Payment of benefit will be linked to, and dependent upon, participation in the activation process. The approach to activation will be tailored based on the clients profile and needs.
- Establishment of the National Employment and Entitlements Service to deliver the required coherent activation process to deliver this.

## 1. Live Register - profile of registrants

**<u>Background</u>**

There is occasional public debate about whether people on the Live Register have a financial incentive to work, sometimes accompanied by speculation about the extent to which are in reality looking for work, given the level of wages available in the economy and the level of social welfare payments made to people on the Register. The following information gives some background in that regard.

- The current maximum rate of Jobseeker's Benefit or Jobseeker's Allowance is:
  - €188.00 per week for a single person
  - €312.80 per week for a couple
  - €342.60 per week for a couple with one child
    (A further €29.80 per week is paid in respect of each additional child).

- Over three-quarters of the people on the Live Register are claiming a personal rate only e.g. they are either single or may have a spouse or partner who is working etc.:
  - 77% or 361,000 are claiming for themselves only (i.e. no dependents) (60% or 280,000 are single people)

- 5% or 21,500 are couples with no children
- 4% or 18,000 are couples with one child
- 8% or 36,000 are couples with two or more children
- 3% or 16,000 are claiming personal rate + one child
- 4% or 18,000 are claiming personal rate + two or more children

- Almost half (50%) of the people on the Live Register receive less than the maximum personal weekly rate:
  - 19% or 90,800 receive no payment
  - 15% or 70,700 receive payment for part of the week only
  - 16% or 75,000 others receive Jobseekers' Allowance or Jobseeker's Benefit of less than the maximum personal rate of €188.00

- People on the Live Register may also qualify for other payments, provided they meet the qualification conditions for those payments, notably Rent Supplement or Mortgage Interest Supplement – however, these are a small minority of the totals on the Live Register:
  - 10.4% or 48,000 are getting Rent Supplement
  - 2.5% or 11,600 are getting Mortgage Interest Supplement

- The numbers of people on the Live Register are at historically high levels. Of the 471,117 people signing on the Live Register at week-ending 19th August**,** 2011:
  - 322,950 (69%) were claiming means tested Jobseeker's Allowance,
  - 117,320 (25%) were claiming Jobseeker's Benefit,
  - 30,847 ( 6%) were claiming PRSI credits.

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- The number of long-term unemployed (signing on for twelve months or more) continues to rise:
  - 41% or 191,300 are signing on for twelve months or more
  - 59% or 280,000 are signing on for less than twelve months
    (36% or 168,000 are signing on for three months or less)
    (18% or 85,400 of these are casual or part-time workers)

- Some categories are more likely to remain unemployed:
  - People who have a dependent spouse and/ or dependent children
  - People who also receive Rent or Mortgage Interest Supplement

- However, for many unemployed people, unemployment is a short-term experience. Significant numbers of people leave the Register for work and for other reasons. In some instances, people will return to the Register and perhaps leave it again later in the year – these are counted as two, three etc. exits below:
  - 264,000 exits from Live Register schemes this year up to end of July;
  - 84,000 or 32% of these left to take up employment;
  - 57% of exits had been signing on for six months or less;
  - 77% of exits had been signing on for twelve months or less.

- In summary, the great majority of people on the Live Register have a strong financial incentive to work and significant numbers leave the Register each year. However, despite the cash support provided by schemes such as Family Income Supplement, some households perceive particular difficulties in moving off the Register e.g. families who receive Rent or Mortgage Interest Supplement in addition to their weekly Jobseeker's Allowance or Benefit. More details on closure rates for these customers are given below.

**Worked example**

A case highlighted in media reports earlier this year gave an example of an employer offering work for €28,000pa and this not being taken up by those on the Live Register. The Department of Social Protection understands that this involved two separate instances of men with a qualified adult and four child dependants being offered the job. The following tables set out the monetary position, as it might apply to such an example, and demonstrate that there is an incentive to work.

**Jobseeker's Allowance recipient with increases in respect of a qualified adult and four qualified children:**

| **Benefit income** | **Weekly income** | **Annual income** |
|---|---|---|
| Personal rate plus qualified adult | €312.80 | €16,266 |
| Child Benefit in respect of four children | €144.00 | €7,488 |
| Child dependent increases for four children | €119.20 | €6,198 |
| Fuel Allowance (€20 per week x 32 weeks) | €12.31 | €640 |
| Total welfare income (excluding rent) | €588.31 | €30,592 |
| Rent supplement (Dublin) | €230.00 | €11,960 |
| Rent supplement (Galway) | €151.00 | €7,852 |
| Total welfare income **(Dublin)** | €818.31 | €42,552 |
| Total welfare income **(Galway)** | €739.31 | €38,444 |

**Married person, at work, four children, earning €28,000 per annum:**

| **Work income** | **Weekly income** | **Annual income** |
|---|---|---|
| Gross earnings from work | €538 | €28,000 |
| Less PRSI and USC | €41 | €2,135 |
| Net income from work | €497 | €25,865 |
| Plus Family Income Supplement | €196 | €10,190 |
| Plus Child Benefit for four children | €144 | €7,488 |
| Total net income (excluding rent) | €837 | €43,543 |
| Rent supplement (Dublin – RAS rules) | €70 | €3,647 |
| Rent supplement (Galway – RAS rules) | nil | nil |
| Total work and benefit income (Dublin)* | €907 | €47,190 |
| Total work and benefit (Galway)* | €837 | €43,543 |
| **Additional income from work (Dublin)** | **€89** | **€4,638** |
| **Additional income from work (Galway)** | **€98** | **€5,099** |
| Entitlement to medical card retained for 3 years# | | |

# People who have been unemployed, or are in receipt of the One-Parent Family Payment for a minimum of 12 months, will retain their medical card for a period of three years if they commence employment.
* Different rent allowance ceilings apply in various parts of the country.

## 2. Live Register by level of entitlement and analysis of closures

A breakdown of the Live Register at August 19th by level of entitlement and family composition is provided in table 1. The main allowances paid in addition to adult rates of payment are increases for qualified adults (IQAs) and children (IQCs), while further supplements are paid through Supplementary Welfare in respect of specific needs. The main supplements highlighted here relate to housing benefits (Rent Supplement, Local Authority Mortgage Allowance and Mortgage Interest Supplement). Claim closures in the previous month (July) are related to registrants in each category to give an illustration of the categories of registrant that are more or less likely to leave the Register;

- Customers with no paid dependants and no housing benefits are by far the largest category on the Register (327,789 or 70% of all registrants). This group had a 14% higher than average rate of closures;

- Customers without IQAs but with IQCs had the next highest level of entitlements, with 15,652 having one dependent child, 12,667 having two dependent children and 7,065 having three or more dependent children. These customers' spouses did not qualify for an IQA payment due to means or other reasons, and closure rates were close to the average level, while falling with higher entitlements/QCIs;

- Customers with an IQA with or without IQCs had higher levels of entitlements; the 47,476 customers in this group were spread fairly evenly across the four family types. Overall, this group had 67% of the average rate of closures with the level of closing claims falling in line with rising entitlements/QCIs from 75-51%;

- Registrants with a housing benefit claim in payment had distinctive characteristics. Housing benefit claimants without dependents had 57% of the average level of closures. Again, the closure rate was lower for families with children, though the difference in closure rates for customers with 1, 2 and 3 or more QCIs was less pronounced than for families without housing benefits.

**Table 1 LR on 19th Aug 2011 by level of entitlement and housing benefits* payments**

| | No IQCs | 1 IQC | 2 IQCs | 3+ IQCs | Total |
|---|---|---|---|---|---|
| IQA in payment and IQCs, no HBs | 15,891 | 9,940 | 10,866 | 10,779 | 47,476 |
| No IQA in payment, no HBs | 327,789 | 15,652 | 12,667 | 7,065 | 363,173 |
| Number of registrants with HBs | 38,822 | 8,290 | 7,499 | 5,857 | 60,468 |
| **Total registrants** | 382,502 | 33,882 | 31,032 | 23,701 | 471,117 |
| | | | | | |
| Claim closures in July; | | | | | |
| *IQA in payment and IQCs, no HBs* | 979 | 649 | 661 | 473 | 2,762 |
| *No IQA in payment, no HBs* | 32,334 | 1,360 | 1,090 | 531 | 35,315 |
| *Number of registrants with HB* | 1,932 | 383 | 318 | 200 | 2,833 |
| **Total closures** | 35,245 | 2,392 | 2,069 | 1,204 | 40,910 |
| | | | | | |
| Rate of closures compared to average | | | | | |
| *IQA in payment and IQCs, no HBs* | 0.71 | 0.75 | 0.70 | 0.51 | 0.67 |
| *No IQA in payment, no HBs* | 1.14 | 1.00 | 0.99 | 0.87 | 1.12 |
| *HB in payment by number of IQCs* | 0.57 | 0.53 | 0.49 | 0.39 | 0.54 |

**Housing benefits include Rent Supplement and Local Authority/Mortage Interest Supplement*

## 3. Replacement Rates

### Introduction

Return to work patterns are often a function of more than financial rewards and include such considerations as work availability, family commitments, travel to work time and the type of available employment. However, financial incentives are important and these depend on the balance between the individual/family's disposable income when employed and when unemployed.

The replacement rate for given income levels measures the proportion of out-of-work benefits received when unemployed against take home pay if in work. While there is no pre-determined level of replacement rate which would influence every individual's decision to work, clearly the higher the replacement rate, the lower the incentive to work. A replacement rate in excess of 70% may be considered to be excessive.

High replacement rates are usually considered to be unsustainable in the absence of relevant and timely labour activation such as appropriate education, training or job placement measures and where sanctions are imposed where such are not availed of.

Replacement Rates measure unemployment traps and are calculated as follows.

$$\text{Replacement Rate} = 100 \times \frac{\text{Out of work family disposable income}}{\text{In work family disposable income}}$$

The higher the replacement rate the greater the disincentive to take up offers of employment.

### Analysis of Replacement Rates within Live Register

Following the changes to payable rates in the Budget, Live Register data was analysed to determine the extent to which replacement rates reflected the actual position of those on the jobseekers allowance and benefit.

All Jobseekers allowance and benefit claims that are currently in payment for a full week were analysed. At the time of this examination (February 2011) there were 305,889 such claims. This figure excludes all casual claimants, who are working for part of the week; as well as claims that have not been authorised and were awaiting payment.

It should be noted that the analysis of single, married and co-habituating families for this exercise is based on extraction from the adult dependant data field which determines whether an increase for a spouse or child is payable . This does not necessarily reflect a person's marital status but can be taken as indicative of their family status.

*Entitlement to particular rates of jobseekers' allowance and benefit cases, as well as secondary payments, can be affected by the presence of spousal earnings, household composition and duration of payment. Because of these factors people may experience differential replacement rates at different stages during the lifecycle of their claims. As it is not feasible to map all individual rates this exercise identifies the more typical examples of households and individuals. The replacement rates for these typical scenarios are identified and the incidence of these scenarios is mapped against the Live Register cohort mentioned above.*

**Definition of income**

*Included in the calculation of in-work income are income from employment, Taxation, PRSI, Universal Social Contribution and Child Benefit. For a couple with children the more beneficial of either Family Income Supplement or Spouse's Jobseeker's Assistance is included. For a one-parent family One-Parent Family Payment (OFP) and FIS are included if applicable.*

*Included in the calculation of out-of-work income are the main Social Welfare payments (maximum rate payable of Jobseeker's Assistance (JA), One-Parent Family Payment including personal, adult dependent and child dependent rates as applicable), Fuel Allowance, Smokeless Fuel Allowance and Child Benefit.*

*Rent Supplement and Local Authority Differential Rent were included for the analysis of specific situations.*

**Family Types being examined**

- Single Claimants
- Married and co-habitation couples
    - Couple with no Children
    - Couple with 1 Child
    - Couple with 2 Children
    - Couple with 4 Children

Income levels analysed

- National Minimum Wage (NMW)
- Two thirds of the Average Industrial Earnings (67% AIE)

Casual cases on the live register can work between 1 and 3 days in any week. Accordingly, the replacement rate for this category of claim is variable depending on the level of social welfare payment (and associated secondary benefits) received in any given week. As a result of this we have not included casual cases in our analysis, however as casuals receive less than a full weekly rate the relevant replacement rate would tend to be less than the pertaining rate for their family category.

**Main Findings from February Extract**

For this analysis we look at social welfare records in payment (February 2011). All awarded Jobseekers allowance and benefit claims were analysed (305,899). The above figure excludes all casual claimants and claim awaiting payment.

| | | |
|---|---|---|
| Claims Examined | 305,899 | (100%) |
| | | |
| Of these: | | |
| Local authority mortgage | 124 | (0%) |
| Mortgage Interest Relief | 8,899 | (3%) |
| Rent Supplement | 37,857 | (12%) |
| | | |
| Means Assessed | 41,004 | (13%) |

For each of the above family types a replacement rate was calculated. The addition of means and rent to the analysis pushes some claimants below or above the standard replacement rate for their category. From detailed analysis of the awarded claims on the live register:

- 72% of all claims are at the exact replacement rate for their respective category;
- 13% have a lower replacement rate than indicated as means are assessed against their basic payment. The average means assessed against a person on the live register is €124;
- 15% have a higher replacement rate due to the value of supplementary payments (Rent, Mortgage Interest, Local authority interest).
- Of the 305,788 total on the LR, 258,908 (85%) are not in receipt of a supplementary payment (Rent, mortgage, LA mortgage). Of these our central analysis relates to 256,160 – based on an analysis of only certain family types.
- Of this 256,160 the following may be noted:

  **When compared to National Minimum Wage income:**
  **- 90% have an RR less than 70%**
  **- 10% have an RR less than 80%**

  **When compared to 67% of Average Industrial Earnings income:**
  **- 82% have an RR less than 60%**
  **- 12% have an RR less than 70%**
  **- 6% have an RR less than 80%**

For the overwhelming majority of social welfare recipients, replacement rates are relatively low. High replacement rates are generally associated with a relatively high number of dependent children and receipt of rent or mortgage supplement – but the

overall percentage of individuals on rent/mortgage supplement is only 15% of total JA/JB numbers receiving payment for a full week. This demonstrates the imperative of moving as many people as possible on to RAS. RAS, like local authority differential rent, is assessed on a percentage of income basis and is neutral from a Replacement Rate point of view.

## 4. Reform of rent supplement

There are several commitments contained in the Programme for Government in relation to the rent supplement scheme including removing barriers to employment.

The most appropriate way for this to happen is for local authorities to take over responsibility for meeting the accommodation needs of these individuals. In this regard the Minister for the Environment, Community and Local Government and the Minister for Housing & Planning on the 16th June 2011 announced a new housing policy framework statement reflecting the content of the Programme for Government (Government for National Recovery 2011 – 2016) and setting out the principles to underpin the development of housing policy into the medium term. This policy framework statement contained an announcement in relation to the transfer of responsibility for providing for the housing needs of long term rent supplement recipients to housing authorities on a phased basis.

This transfer of tenants from rent supplement to the local authorities will help achieve a key Government commitment of removing barriers to employment and return rent supplement to its original intention of a short–term income support payment.

The Programme for Government outlined, in terms of identifying and eliminating poverty traps, highlighted rent supplement and mortgage supplement scheme rules as areas which could be strengthened in assisting persons moving from welfare to work. The major condition highlighted for change for both schemes is the 30 hour per week employment rule (Persons working more than 30 hours per week are ineligible for rent or mortgage supplement.

Any proposal to change the 30 hour per week employment rule would need to take account of the resultant increased programme expenditure (as there would invariably be more recipients) and the impact on the incentive to work for those currently in low paid employment. Similarly, it will reduce the incentive for certain income earning bands to consider seeking out higher paid employment opportunities.

The removal of the 30 hour rule will also have considerable cost and staffing implications for the Department. For mortgage interest supplement there is the potential for significant and immediate programme expenditure increases as persons currently in full-time employment could potentially qualify for mortgage interest supplement support though currently precluded by the 30 Hour rule. It will also create the need for extra administrative resources to track differential rents for both schemes to ensure that persons' personal circumstances are tracked.

The new housing policy framework announcement, transferring of long-term rent supplement recipients to housing authorities on a phased basis, is the most appropriate way of assisting people move from welfare to work.

## 5. Advisory Group on Tax and Social Welfare

While the DSP seeks to ensure that social welfare payments provide adequate support to households with their everyday needs without constituting financial barrier to works, it is important to understand that individual decisions around employment take place in a much broader context. There may be other issues around the tax system and other state services that have an impact on such decisions as well as other factors such as childcare and transport. In order to address this wider context, the programme for government (2011-2016) contained a commitment to set up a group to examine and make recommendations on the interaction between taxation and the social welfare system and to make recommendations that are cost effective, that improve work incentives and improves outcomes for people.

The main rationale for the establishment of the advisory group is to harness expert opinion and experience to address a number of specific issues around the interaction of the tax and social welfare system. The group is aware that a considerable level of analysis has already taken place on many of these issues and will, therefore, build on the work already completed.

## 6. Activation Policy

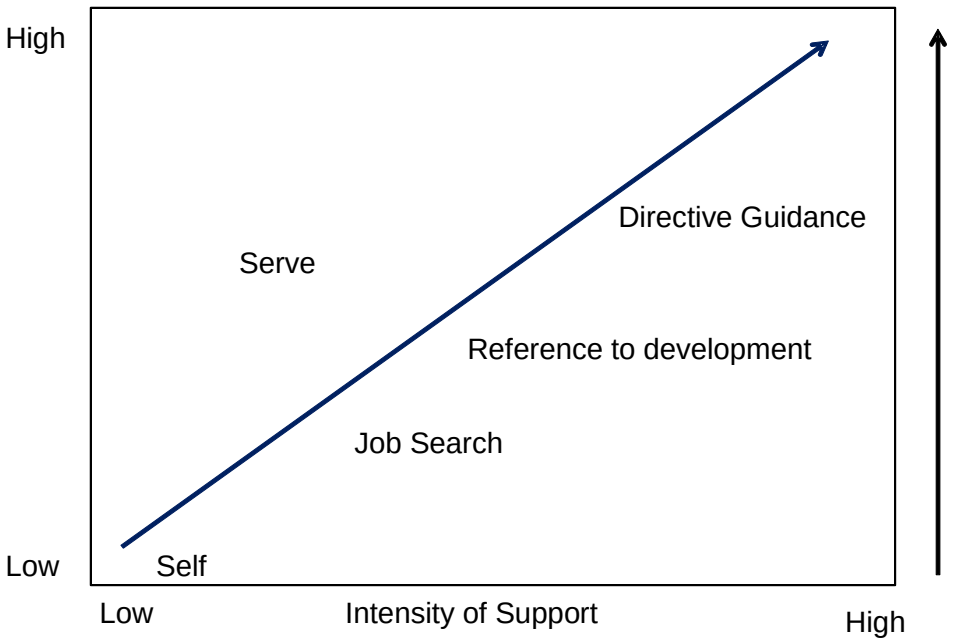
Activation is defined as the engagement with customers of the Department of Social Protection, of working age, who are in receipt of specified social welfare payments/benefits in order to support them and their families in progressing into employment and/or other appropriate progression. Such engagement shall be on the basis of the articulation of the supports to be offered to the customer to assist him/her to return to the workforce or otherwise progress.

In accepting payment of benefit, assistance and/or support, the customer shall agree to avail him or herself of the appropriate support measures offered during the course of the activation process, including employment, education, training and/or placement in employment schemes. The activation process complements the control process of the Department of Social Protection.

### Key activation objective

The payment of benefit will be linked to, and dependent upon, participation in the activation process. The approach to activation will be tailored based on the results of a client profiling system. Under profiling a person's probability of exit from the Live Register is determined with regard to a calculation based on a range of weighted characteristics such as education, employment experience etc.

Relationship between Client profile and Intervention Type and Frequency.




**Developments in Activation**

**A. The National Employment and Entitlements Service**

A detailed project plan for the establishment of the National Employment and Entitlements Service (NEES) was approved by the Government in July. This plan has now been published on the DSP website.

The NEES is a new service model for the Department. It will integrate the payment of benefits with the provision of employment support services and will develop a case management to client service. As part of this approach the FÁS Employment Services and Community Programmes and the Community Welfare Services (CWS) of the HSE are being merged into the Department of Social Protection (DSP).
Key characteristics of the new service are:

1: Integrated Services/One-stop-shop.
Service integration is designed to streamline processes for clients. The Department is well advanced in implementing the integration of the three constituent organisations and we expect that the full transfer of FÁS and CWS staff into the Department will be completed by the end of the year. Integrated customer offices will be rolled out from mid next year.

2: Case Management/Client Profiling

Under a 'case management' model all relevant client information (education, training, skills, employment experience etc.) is compiled to create a profile of each individual. This profile then informs the development of a personalised 'pathways to employment' progression plan that becomes the focus of the engagement between the client and the State benefits agency. As a first step the Department has already developed a profiling methodology in conjunction with the ESRI and is rolling this methodology to all of its offices throughout the country.

3: Rights and Responsibilities

As part of the NEES approach clients will be expected to accept that along with their right to a payment comes a responsibility to seek to overcome their dependency on this payment. Failure to engage in the progression plan will lead to a reduction, and potentially a withdrawal' of payments. Legislative authority to reduce the value of payments in the case of clients who do not participate in the activation process was enacted in the Social Welfare (Misc Provisions) Act 2010.

4: Engagement with Employers.

As part of NEES the Department will work to establish and manage strong, commercially based, relations with employers and private sector recruitment agencies. In doing this it will seek to build on existing examples of close co-operation such as that between FÁS and the Pharma industry in the South of the country.

5: Strong links with education/training sector.

The service will develop and establish strong links with the further education sector through the new further education and skills authority - SOLAS. At a corporate level a formal service level framework agreement, including an operating protocol, will be concluded before the end of the year providing for the NEES to have input into the identification and selection of courses to be offered and setting out the terms and conditions under which its clients can access these courses.

6: Control of Fraud

The minimisation of fraud and error in the social welfare system will continue to be a key focus of the Department and will be an integral part of the NEES approach. The client interviews as part of the case management approach will provide an opportunity to assess the client for risk of fraud. This will complement the on-going work of inspection staff and the Special Investigation Unit of the Department. The more frequent interactions with the client and the application of sanctions for non-participation in in the client progression plan will also act to 'surface' potential cases of fraud or abuse.

**B. Other measures**

JobBridge – the National Internship Scheme

This is a time limited scheme operating for two years only with 5,000 places. Internship placements will operate for a 6 or 9 month period with the payment of €50 per week additional to social welfare entitlements. It will operate in the private, public and voluntary sectors.

Tús scheme

Tús is a community work placement initiative which will provide up to 5,000 short-term, quality work opportunities for those who are unemployed for more than a year. Some €30 million has been provided in the Department's Estimates in 2011 to fund

the roll-out of the initiative. This initiative is being delivered through the network of local development companies and Údarás na Gaeltachta in Gaeltacht areas.

Back to Education Allowance

The focus of BTEA is to assist those who are most marginalised and distant from the labour market to acquire the necessary education to improve their chances of becoming independent of the social welfare system. The BTEA scheme can offer participation in second and third level education by enabling eligible people on social welfare to continue to receive a payment while pursuing an approved full-time education course that leads to a higher qualification than that already held.

There were 25,032 participants engaged with BTEA in the 2010/2011 academic year (85% of whom originated from jobseekers payments) which represents a 20% increase on the 2009/2010 academic year. The 2009/2010 academic year saw an increase of 79% on the previous academic year. 27% of all BTEA participants were aged under 25 years old.

Back to Work Enterprise Allowance

The Back to Work Enterprise Allowance (BTWEA) is designed to provide a monetary incentive for people who are long term dependant on social welfare payments to make engagement in self employment financially attractive and viable, while allowing them to retain a reducing proportion of their qualifying social welfare payment over two years (100% in year 1 and 75% in year 2).

Since May 2009 the duration of the BTWEA was reduced from 4 years to 2 years for new applicants and the qualifying period reduced from 24 months to 12 months, provided a person has an underlying entitlement to Jobseeker's Allowance. While the Back to Work Allowance scheme for employees was closed to new applicants from the 1st May 2009, existing participants retained their entitlements.
At the end of June 2011, there were 9,601 participants in the BTWEA scheme and 480 people availing of the back to work employee strand which is closed to new applications since 1 May 2009

Short Term Enterprise Allowance

The Short Term Enterprise Allowance (STEA) is payable to a person who qualifies for Jobseekers' Benefit and who wishes to commence in self employment and is payable for the duration of their Jobseeker's Benefit entitlement. At the end of June 2011 there were 1,229 participants in the STEA.

Employer Job PRSI Incentive scheme

The Employer Job PRSI Incentive Scheme was launched in June 2010. Under the scheme, if an employer took on an additional member of staff in 2010, who had been unemployed for 6 months or more, s/he would be exempted from paying employers' PRSI for 12 months. The job must be new and additional, be for at least 30 hours a week and last for at least six months. An extension of the scheme was agreed to end 2011 in the context of the Budget and National recovery plan.

Facilitator Service

There is a network of Facilitators at a local level in the Department. Facilitators work with social welfare recipients to identify appropriate training or development programmes which will enhance the skills that the individual has and ultimately improve their employment chances, as well as help them to continue to develop

personally. They work in close co-operation with other agencies and service providers including FÁS, VEC, other education and training providers and the local and community and voluntary sector. In addition they provide advice and support to customers who wish to access the back to education scheme, the back to work scheme, and the short term enterprise allowance scheme of the Department.

Reduced rates for failure to engage with the NEAP

The National Employment Action Plan (NEAP) is the main activation measure for jobseekers and provides for a systematic engagement of the employment services with unemployed people. The NEAP process is a key element in addressing the progression needs of those on the live register. It provides a stimulus to job search and affords an opportunity to explore, under professional guidance, the full range of employment and training services.

As one pillar of this overall approach, reduced rates were provided for in the Social Welfare Act 2010, which will encourage jobseekers to improve their skills, in order to avoid the risk of becoming long-term unemployed, and help them to progress into sustainable employment on a long-term basis. The intent of the reduced rates is to ensure compliance with the activation processes. Basically, there is a right to a payment but also a matching responsibility on the unemployed person to engage with the system.

The reduced rates, which apply to personal jobseekers payments, may be implemented where a jobseeker:

i) refuses an appropriate offer of training by an officer of DSP;
ii) refuses, or declines to avail of, an offer of training from FÁS;
iii) declines an intervention under the NEAP;
iv) does not attend NEAP meetings with a FÁS officer;
v) drops out of the NEAP process.

**Appendix**

**Replacement Rates 2011**

| | Replacement Ratio 2011 | | | | |
|---|---|---|---|---|---|
| | **NMW** | **67% AIE** | **AIE** | **150% AIE** | **200% AIE** |
| **Single** | 62.05% | 52.62% | 38.19% | 29.47% | 23.99% |
| **Couple 1 earn** | 68.70% | 65.02% | 58.09% | 43.47% | 36.00% |
| **Couple 1E+1CD** | 72.33% | 68.89% | 63.42% | 48.66% | 40.72% |
| **Couple 1E+2 CD** | 75.21% | 71.98% | 66.80% | 54.26% | 45.70% |
| **Couple 1E+4CD** | 76.49% | 73.54% | 67.74% | 63.43% | 55.36% |

## Breakdown of Replacement Rate calculations

## Single

| Single | NMW | 67% AIE | AIE | 150% AIE | 200% AIE |
|---|---|---|---|---|---|
| Gross | 17542.2 | 22534.5 | 33633.6 | 50450.4 | 67267.2 |
| Weekly | 337.35 | 433.36 | 646.80 | 970.20 | 1293.60 |
| Tax | 4.01 | 23.21 | 69.26 | 201.86 | 334.45 |
| USC1 | 10.51 | 17.23 | 32.18 | 54.81 | 77.45 |
| PRSI | 0.00 | 12.25 | 20.79 | 33.73 | 46.66 |
| *Net weekly* | *€322.83* | *€380.66* | *€524.57* | *€679.80* | *€835.03* |
| | | | | | |
| LTUA | 188.00 | 188.00 | 188.00 | 188.00 | 188.00 |
| Fuel Allowance | 12.31 | 12.31 | 12.31 | 12.31 | 12.31 |
| | | | | | |
| *Net weekly value* | *€200.31* | *€200.31* | *€200.31* | *€200.31* | *€200.31* |
| ***R/R*** | ***62.05%*** | ***52.62%*** | ***38.19%*** | ***29.47%*** | ***23.99%*** |

## Couple One Earner

| Couple (one earner) | NMW | 67% AIE | AIE | 150% AIE | 200% AIE |
|---|---|---|---|---|---|
| Gross | 17542.2 | 22534.5 | 33633.6 | 50450.4 | 67267.2 |
| Weekly | 337.35 | 433.36 | 646.80 | 970.20 | 1293.60 |
| Tax | 0.00 | 0.00 | 34.17 | 133.78 | 266.38 |
| USC1 | 10.51 | 17.23 | 32.18 | 54.81 | 77.45 |
| PRSI | 0.00 | 12.25 | 20.79 | 33.73 | 46.66 |
| Spouse JA | 146.4 | 96.1 | 0.0 | 0.0 | 0.0 |
| *Net weekly* | *€473.23* | *€500.01* | *€559.66* | *€747.88* | *€903.11* |
| | | | | | |
| LTUA | 312.80 | 312.80 | 312.80 | 312.80 | 312.80 |
| Fuel Allowance | 12.31 | 12.31 | 12.31 | 12.31 | 12.31 |
| | | | | | |
| *Net weekly value* | *€325.11* | *€325.11* | *€325.11* | *€325.11* | *€325.11* |
| ***R/R*** | ***68.70%*** | ***65.02%*** | ***58.09%*** | ***43.47%*** | ***36.00%*** |

**Note: For a couple with children the more beneficial of either Family Income Supplement or Spouse's Jobseeker's Assistance is included in the calculation of in-work income.**

## Couple One Earner, One Child

| Couple + 1CD (one earner) | NMW | 67% AIE | AIE | 150% AIE | 200% AIE |
|---|---|---|---|---|---|
| Gross | 17542.2 | 22534.5 | 33633.6 | 50450.4 | 67267.2 |
| Weekly | 337.35 | 433.36 | 646.80 | 970.20 | 1293.60 |
| Tax | 0.00 | 0.00 | 18.59 | 118.21 | 250.80 |
| USC1 | 10.51 | 17.23 | 32.18 | 54.81 | 77.45 |
| PRSI | 0.00 | 12.25 | 20.79 | 33.73 | 46.66 |
| FIS | 107.50 | 61.28 | 0.00 | 0.00 | 0.00 |
| JA Means Assessed | 166.41 | 216.66 | 339.60 | 525.88 | 712.16 |
| JA Payable | 176.19 | 125.94 | 3.00 | 0.00 | 0.00 |
| CB | 32.31 | 32.31 | 32.31 | 32.31 | 32.31 |
| *Net weekly* | *€535.33* | *€562.11* | *€610.54* | *€795.76* | *€950.99* |
| | | | | | |
| LTUA | 342.60 | 342.60 | 342.60 | 342.60 | 342.60 |
| Fuel Allowance | 12.31 | 12.31 | 12.31 | 12.31 | 12.31 |
| | | | | | |
| CB | 32.31 | 32.31 | 32.31 | 32.31 | 32.31 |
| *Net weekly value* | *€387.22* | *€387.22* | *€387.22* | *€387.22* | *€387.22* |
| ***R/R*** | ***72.33%*** | ***68.89%*** | ***63.42%*** | ***48.66%*** | ***40.72%*** |

## Couple One Earner, Two Children

| Couple + 2CD (one earner) | NMW | 67% AIE | AIE | 150% AIE | 200% AIE |
|---|---|---|---|---|---|
| Gross | 17542.2 | 22534.5 | 33633.6 | 50450.4 | 67267.2 |
| Weekly | 337.35 | 433.36 | 646.80 | 970.20 | 1293.60 |
| Tax | 0.00 | 0.00 | 18.59 | 118.21 | 250.80 |
| USC1 | 10.51 | 17.23 | 32.18 | 54.81 | 77.45 |
| PRSI | 0.00 | 12.25 | 20.79 | 33.73 | 46.66 |
| FIS | 165.10 | 118.88 | 20.00 | 0.00 | 0.00 |
| JA Means Assessed | 166.41 | 216.66 | 339.60 | 525.88 | 712.16 |
| JA Payable | 205.99 | 155.74 | 32.80 | 0.00 | 0.00 |
| CB | 64.62 | 64.62 | 64.62 | 64.62 | 64.62 |
| *Net weekly* | *€597.44* | *€624.22* | *€672.65* | *€828.07* | *€983.30* |
| | | | | | |
| LTUA | 372.40 | 372.40 | 372.40 | 372.40 | 372.40 |
| Fuel Allowance | 12.31 | 12.31 | 12.31 | 12.31 | 12.31 |
| | | | | | |
| CB | 64.62 | 64.62 | 64.62 | 64.62 | 64.62 |
| *Net weekly value* | *€449.32* | *€449.32* | *€449.32* | *€449.32* | *€449.32* |
| ***R/R*** | ***75.21%*** | ***71.98%*** | ***66.80%*** | ***54.26%*** | ***45.70%*** |

## Couple One Earner, 4 Children

| Couple + 4CD (one earner) | NMW | 67% AIE | AIE | 150% AIE | 200% AIE |
|---|---|---|---|---|---|
| Gross | 17542.2 | 22534.5 | 33633.6 | 50450.4 | 67267.2 |
| Weekly | 337.35 | 433.36 | 646.80 | 970.20 | 1293.60 |
| Tax | 0.00 | 0.00 | 18.59 | 118.21 | 250.80 |
| USC1 | 10.51 | 17.23 | 32.18 | 54.81 | 77.45 |
| PRSI | 0.00 | 12.25 | 20.79 | 33.73 | 46.66 |
| FIS | 298.30 | 252.08 | 149.26 | 20.00 | 0.00 |
| JA Means Assessed | 166.41 | 216.66 | 339.60 | 525.88 | 712.16 |
| JA Payable | 265.59 | 215.34 | 92.40 | 0.00 | 0.00 |
| CB | 144.00 | 144.00 | 144.00 | 144.00 | 144.00 |
| *Net weekly* | *€769.13* | *€799.95* | *€868.50* | *€927.45* | *€1,062.68* |
| | | | | | |
| LTUA | 432.00 | 432.00 | 432.00 | 432.00 | 432.00 |
| Fuel Allowance | 12.31 | 12.31 | 12.31 | 12.31 | 12.31 |
| | | | | | |
| CB | 144.00 | 144.00 | 144.00 | 144.00 | 144.00 |
| *Net weekly value* | *€588.31* | *€588.31* | *€588.31* | *€588.31* | *€588.31* |
| ***R/R*** | ***76.49%*** | ***73.54%*** | ***67.74%*** | ***63.43%*** | ***55.36%*** |