The Disincentive Effects of Secondary Benefits

Final Report

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Summary

Background to the Study

This report presents a review of the effects of Secondary Benefits on the incentive to take up work (including atypical work) and employment programmes. Administration of Secondary Benefits is the concern of three separate departments: the Department of Social, Community and Family Affairs, the Department of Health and Children; and the Department of Environment and Local Government. Policy on retention of Secondary Benefits has developed in a piecemeal manner, and anomalies in interpretation and operation have arisen. The Partnership 2000 Programme identified unemployment as the single biggest contributor to social exclusion and made special mention of the need to improve the incentives to work. The Programme emphasised the role to be played by an integrated child income support system, reform of the Family Income Supplement scheme and developing a more incentive friendly Rent and Mortgage Supplement system.

Prior to considering the latter issue, the Department of Social, Community and Family Affairs (DSCF) commissioned this report and convened an interdepartmental steering group to oversee the study.

The terms of reference, which were drawn up by the Department of Social Community and Family Affairs in conjunction with this steering group, required the consultants to identify anomalies or inefficiencies in the current arrangements for qualifying for retention of Secondary Benefits; to assess the importance of Secondary Benefits and other entitlements to the incentive to take up work; consider and comment on the effectiveness of the current arrangements in terms of assisting people to return to or remain in work; review the current delivery arrangements in relation to policy on these benefits; review the availability and clarity of information to customers; and identify possible criteria and approaches to the award or retention of Secondary Benefits and other entitlements.

The study examined the role of Secondary Benefits by measuring the income replacement ratios for different categories of social welfare recipients when making the transition to full-time or part-time work or to participation on training schemes. The evidence on the manner in which retention of Secondary Benefits influences behaviour is patchy. Existing information in this area was supplemented through surveys which established recipients current awareness of the Secondary Benefits availability and the importance which they attach to them.

Conclusions of the Study

The study established that in 1997, total expenditure on Secondary Benefits was almost £470 million. This represents a 89 per cent increase on 1990 expenditure figures. The rate of growth in expenditure on Secondary Benefits exceeded that of total social welfare expenditure, which grew by 61 per cent over the same period.

Rent and Mortgage Supplements have been the main source of the increase in Secondary Benefits expenditure.

According to the results of the survey undertaken, Buller Vouchers and the Christmas Bonus are the Secondary Benefits most widely held by unemployed persons, with over 90 per cent of recipients of Unemployment Assistance benefiting. This reflects the fact that these benefits are made available to UA recipients generally and are paid and distributed with the basic
social welfare payment. The next most prevalent benefit is the Medical Card, which is held by 75.6 per cent of recipients. Only 15.5 per cent of recipients had Rent or Mortgage Supplements.

For persons in receipt of the Rent Supplement the value of Secondary Benefits can be worth over 50 per cent of the basic social welfare payment. The next most important Secondary Benefits is the Medical Card. All the other Secondary Benefits are relatively unimportant in monetary terms compared to the Rent Supplement and the Medical Card.

When recipients of Unemployment Assistance were asked to value their Secondary Benefits they generally put plausible values on them. There does not appear to be a strong tendency on the part of UA recipients to put a value on the Medical Card grossly in excess of the expenditure savings which it affords them.

For recipients of Unemployment Assistance, high prospective earned income levels are required to create an incentive to work for most family types, although single persons are less affected.

For those in receipt of it, the Rent Supplement has a major impact on the monetary incentives to take up full time work. The reason for this difference is the complete withdrawal of the Rent Supplement when a person takes up full-time employment (work in excess of 30 hours).

Because the Revenue Job Assist scheme, which was introduced in April 1998, provides for retention of secondary benefits, the scheme has the potential to substantially improve the incentive to work for those on Rent Supplement, for example. It should be noted, however, that the scheme relates to full-time employees and does not benefit those taking up either part-time work or self-employment.

Even after the introduction of the 1997 Budgetary changes, certain groups, particularly families, still face high replacement rates arising from the structure of the income tax system.

Recipients can retain their social welfare payment in part or in full when taking up part-time work. They also retain entitlement to the National and Smokeless Fuel Allowances, the Christmas Bonus, and Butter Vouchers. Other secondary benefits such as Rent Supplement may be retained, subject to income levels. Because of these factors, and the recent easing in the means tests as they affect both part-time workers and lone parents, the disincentive to take up part-time jobs is generally considerably less than for full-time jobs. However, the Rent Supplement continues to present problems. This arises from the £1 for £1 withdrawal of the Supplement as earnings increase.

There is evidently confusion among both the public and administrators as to whether a person entering part-time work may retain the Medical Card. Retention may often be based on the income guidelines set out for the card.

The Back to Work Allowance scheme allows the long-term unemployed to take up work at the going wage and retain part of their original social welfare payment. This scheme is generally a well structured programme and solves many of the poverty traps experienced by persons going into open employment, especially for those earning low incomes.

With the exception of the Medical Card, the retention of Secondary Benefits is subject to the restriction that gross income must be less than £250 per week, where gross income includes wages, the Back to Work Allowance and any FIS payment that is received. The inclusion of these latter components mean that the £250 limit is reached at very low gross earned income
levels, and, consequently, Secondary Benefits are lost. This is especially the case for families.

Under the Community Employment Scheme, participants are paid a set weekly wage which is generally greater than the social welfare payment they formerly received. In addition, they can retain their Secondary Benefits provided their total income is less than £250 per week. It should be noted that this income cap those not apply to the Medical Card.

The £250 cap placed on the Rent Supplement has an adverse impact on families with children. For example, a family with 2 child dependants, if they are paying rent or a mortgage at the maximum permitted levels, would be almost £10 worse-off from participating on CE while a family with four child dependants in the same position would be £11 worse off.

There is a lack of awareness among recipients of the Medical Card in terms of their entitlement to retain it. This unawareness extends both to those who have and have not a retention entitlement. There was a similar lack of awareness as to entitlement to retain Rent and Mortgage Supplements on taking up part-time employment.

The survey indicated that less than two percent of those receiving job offers specifically highlighted loss of Secondary Benefits as a factor in refusing to take up employment. However, 35 per cent identified factors relating to monetary incentives. Of the latter, the reason most often cited was that of low wages offered. It is possible, therefore, that loss of Secondary Benefits was a factor in determining the reservation wage of respondents and indirectly contributed to the decision not to take up the job offer. The median wage offered was £140 per week. The median reservation wage was £208 per week, or just under 50 per cent above what was offered.

Priorities for Reform

With the introduction of the Job Assist scheme, retention of secondary benefits is available to the long term unemployed on taking up full-time employment. While this scheme addresses the problem in relation to secondary benefit retention, disincentives to work at low incomes still apply, because of the operation of the tax system. This suggests that the Back to Work Allowance will be the preferred route for unemployed persons returning to low paid work and that ensuring availability of places on this scheme should continue to be a policy priority. While the Job Assist Programme excludes transitions to self-employment, it is felt that this issue would be better addressed through increased emphasis on the Back to Work Allowance rather than extension of the programme to cater for this group.

The priorities with regard to part-time work are firstly to ensure that policy in relation retention of the Medical Card is fully put into practice and secondly to address the disincentive arising from the reduction in the Rent Supplement. The latter could be addressed either by reform of the Rent Supplement scheme itself or by the introduction of a special scheme for those taking up part-time employment.

The priority in relation to employment schemes is to address the problems arising from the £250 gross income ceiling and the Rent Supplement cap.

There is no consistency across local authorities as to the inclusion of Family Income Supplement (FIS) in the income assessment for local authority rents. It is recommended that the local authorities be advised of this problem, and urged to exclude FIS from their income assessment.
Under current legislative provisions, FÁS trainees are not strictly entitled to the SWA Rent Supplement payment. In practice, Health Boards use their discretion to allow for continued payment of the Supplement in many cases, but there are inconsistencies in treatment of this issue across the Health Boards. As the intention would appear to be that trainees should retain the Supplement, this should be addressed through appropriate changes in the legislation, explanatory memoranda and through enhanced publicity regarding retention of the Supplement while on FÁS training courses.

In some cases also, it would appear that participants on training courses find their Rent Supplements and other benefits reduced because meal, travel and other allowances are regarded as means. As the latter items merely compensate for the costs of participation, steps should be taken to ensure that a uniform approach is applied to exclude these items from means assessment.

There is concern that the application of income limits and caps on entitlements restrict the availability of Secondary Benefits for certain participants of employment programmes. Retention of Secondary Benefits should be based on earned income and not on gross income.

As the reasonable rent for families can be in excess of £400 per month, the cap of £250 placed on the Rent Supplement can create a monetary disincentive for persons with families to take up subsidised employment. To overcome this problem it is recommended that the rent cap be lifted and that the Rent Supplement be maintained at the level that existed prior to the persons participation on the programme.

There is clear evidence from both the survey conducted for this report and from the various meetings held with personnel in Government Departments and other relevant bodies that there is a significant information deficit with regard to Secondary Benefits retention.

To overcome this information deficit, it is suggested that a media campaign (through television, radio, posters, leaflets) should be developed to publicise entitlements to retain Secondary Benefits for transitions to open market employment and to employment programmes. Relevant personnel in the respective Departments and Health Boards should be reminded of current retention eligibility for the different Secondary Benefits, via reissue of circulars and information meetings, as appropriate.

Consideration should be given to setting up a Liaison Group to oversee policy and practice in relation to retention of Secondary Benefits. The role of the Liaison Group would be to ensure that there is co-ordination and consistency in any changes that an individual Department may introduce in terms of eligibility for persons making a specific transition from unemployment.
1. Background to the Report

1.1 Introduction

This report presents a review of the effects of Secondary Benefits on the incentive to take up work (including atypical work) and employment programmes. The following seven Secondary Benefits are discussed in this report:

- the Medical Card;
- Supplementary Welfare Rent and Mortgage Supplements;
- Local Authority Differential Rent Schemes;
- Back to School Clothing and Footwear allowance;
- Butter Vouchers;
- National and Smokeless Fuel Schemes; and
- the Christmas Bonus.

Initially, a benefit was regarded as a Secondary Benefit if entitlement was linked to a primary social welfare payment or employment status. Based on this criterion, the Medical Card and the differential rent scheme are not Secondary Benefits in the strict sense.

The issue of retention of Secondary Benefits is relevant to a number of labour market transitions. These are set out in Figure 1. The principal transitions of concern are those from unemployment to work and unemployment to employment or training programmes. That is, there is concern that the withdrawal or reduction in the value of Secondary Benefits creates a disincentive for the recipient to take up work, employment or training.

Administration of Secondary Benefits is the concern of three separate departments: the Department of Social, Community and Family Affairs, the Department of Health and Children; and the Department of Environment and Local Government. Policy on retention of Secondary Benefits has developed in a piecemeal manner, and anomalies in interpretation and operation have arisen.

The Partnership 2000 Programme identified unemployment as the single biggest contributor to social exclusion and made special mention of the need to improve the incentives to work. The Programme emphasised the role to be played by an integrated child income support system, reform of the Family Income Supplement scheme and developing a more incentive friendly Rent and Mortgage Supplement system.

Prior to considering the latter issue, the Department of Social, Community and Family Affairs (DSCF) commissioned this report and convened an interdepartmental steering group to oversee the study.

1.2 Terms of Reference

The terms of reference, which were drawn up by the DSCF in conjunction with this steering group, required the consultants to:

- Identify anomalies or inefficiencies (gaps, overlaps, inequities) - in the current arrangements for qualifying for retention of Secondary Benefits and similar entitlements;

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1 Hereinafter referred to as 'the Department'.
Figure 1.1 Transitions to Employment and Employment Schemes and Training

Unemployment/
Social Welfare Dependency

Subsidised
Employment/
Training

Open Market
Employment
Full-Time
or
Atypical
particularly in relation to the incentive to take up work (including atypical work) and training. In particular, the incentive structure was to be examined to ensure that it did not make training schemes or atypical work equally or more attractive than paid work in the market economy.

- **Assess the importance of Secondary Benefits** and other entitlements to the incentive to take up work, including the relative importance of the different benefits for different categories of claimant. Particular consideration was to be given to the **perceived value** and the **real value** of benefits.

- **Consider and comment on the effectiveness of the current arrangements** in terms of assisting people to return to or remain in work.

- **Review the current delivery arrangements** in relation to policy on these benefits (e.g., taking account of decisions, communication and consistent application of decisions across departments).

- **Review the availability and clarity of information** to customers.

- **Identify possible criteria and approaches to the award / retention of Secondary Benefits and other entitlements**, having regard both to the objective of improving incentives and to the fact that the various benefits have specific objectives that are not necessary employment related. In particular set out the advantages and problems of each approach, including costs, and make recommendations, where possible, on the best approach to be followed in the future.

1.3 Methodology

This section outlines briefly the methodology used in the study to address the terms of reference

**Stage 1: Study Inception**

At the outset of the study, discussions were held with Departmental personnel to gain a common understanding of the major issues which need to be addressed, and the desired outputs from the study.

**Stage 2: Review of Policy in Relation to Secondary Benefits**

An initial review of the Secondary Benefits schemes was then undertaken, focusing on the objectives set for them and their recent development. As part of this review, data on the take-up of Secondary Benefits was assembled, and the major gaps in provision identified.

Training and employment programmes were enumerated and the manner in which Secondary Benefits are made available to participants were identified. This stage was based on a round of discussions with personnel from the relevant departments.

**Stage 3: Review of Delivery Mechanisms**

In tandem with Stage 2, delivery mechanisms were assessed and operational anomalies and inconsistencies identified.
Stage 4: Effectiveness of Secondary Benefits: Literature Review

A brief review of the available literature was undertaken to synopsise the evidence on the effectiveness of Secondary Benefits in creating and maintaining the incentive to work.

Stage 5: Effectiveness of Secondary Benefits: Client Profiles

The value of retention of Secondary Benefits varies by type of recipient. This stage in the study identified a set of typical recipients and the value of Secondary Benefits to these typical groups. This involved measuring the income replacement ratios for these groups and the different monetary impacts of making the unemployment to work/training transitions identified in Figure 1. In this manner, the contribution of Secondary Benefits to income replacement ratios and their contribution to overall participation costs was assessed.

Through these analyses, the importance of Secondary Benefits was assessed both on an individual basis and in combination with one another. The way in which the importance of Secondary Benefits changes by household composition, labour market participation (e.g. full or part-time) and employment or training scheme was identified. Client profiles established at this stage served as a basis for the evaluation of the impact of possible extensions to Secondary Benefits retention.

Stage 6: Effectiveness of Secondary Benefits: Surveys of Recipients and Participants

The evidence on the manner in which retention of Secondary Benefits influences behaviour is patchy. Existing information in this area was supplemented through surveys which established recipients current awareness of the Secondary Benefits availability and the importance which they attach to them.

Stage 7: Analysis of Issues

The information gathered in Stages 1 to 6 was used to analyse the major issues relating to Secondary Benefits as identified in Section 3 above. A number of broad options for the development of Secondary Benefits were identified and assessed.

1.4 Structure of the Report

Section 2 of the report presents an overview of each of the Secondary Benefits, with which the study is concerned. This includes the purposes of each of the benefits and the qualifying conditions that apply. The section concludes with an assessment of the scale of expenditure on the various Secondary Benefits.

Section 3 details existing arrangements for retention of Secondary Benefits.

Section 4 reviews the policy measures that have been taken to permit retention, when unemployed people make the transition to work/training. It also appraises the administration of the various Secondary Benefits.

Section 5 examines the monetary incentive to work via the calculation of replacements ratios for different categories of social welfare recipient for the various transitions identified in figure 1.
Section 6 discusses the incidence of Secondary Benefits and recipients’ perceptions and valuations of them.

Based on the information presented in Sections 2 to 5, Section 7 sets out the conclusions of the study. Recommendations are made to improve the administration of Secondary Benefits and to ensure that they do not adversely affect a person's decision to take up work in the real labour market.
2. Overview of Secondary Benefits

2.1 Introduction

This section of the report sets out the objectives and eligibility conditions relating to each Secondary Benefit. Details on the number of recipients of these benefits and the total expenditure are also presented.

2.2 Medical Card

Everyone who is resident in Ireland has either Category One or Category Two eligibility for health services. This eligibility depends on personal income and is unrelated to PRSI contributions. Those who are classified as Category One are more generally referred to as Medical Card holders. Services to this group are managed by the General Services Medical (GMS) Board. Overall, there were 1,219,852 eligible people for Medical Cards in 1997.

Table 2.1 shows a breakdown of these persons by age. Category 2 eligibility are persons who are ordinarily resident in Ireland and do not qualify for the Medical Card.

Table 2.1 Number of Medical Card Holders - 1997

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 Years</td>
<td>86,336</td>
<td>7.1</td>
</tr>
<tr>
<td>5-15 Years</td>
<td>220,485</td>
<td>18.1</td>
</tr>
<tr>
<td>16-44 Years</td>
<td>387,418</td>
<td>31.8</td>
</tr>
<tr>
<td>45-64 Years</td>
<td>231,087</td>
<td>18.9</td>
</tr>
<tr>
<td>65 Years and Over</td>
<td>294,526</td>
<td>24.1</td>
</tr>
<tr>
<td>Total</td>
<td>1,219,552</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Under the 1970 Health Act, Medical Cards are issued to persons who are considered by the health boards to be unable to obtain general practitioner services and prescribed drugs for themselves and their dependants without undue hardship. Generally people will automatically qualify for the Medical Card if their income is within set income guidelines or are already in receipt of a maximum rate means tested social welfare payment. Table 2.2 sets out the income guidelines for 1997. It should be noted that these guidelines are not statutorily binding. Even if a person’s income exceeds these guidelines, that person may still receive a Medical Card if the Health Board considers that the person’s health needs and circumstances warrants access to the card.
Table 2.2 Medical Card Income Guidelines: 1997

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person Living alone (under 66)</td>
<td>88.00</td>
</tr>
<tr>
<td>Single person Living alone (66-79)</td>
<td>96.00</td>
</tr>
<tr>
<td>Single person Living alone (80 or over)</td>
<td>100.50</td>
</tr>
<tr>
<td>Single Person Living with Family (under 66)</td>
<td>78.00</td>
</tr>
<tr>
<td>Single Person Living with Family (66-79)</td>
<td>83.00</td>
</tr>
<tr>
<td>Single Person Living with Family (80 or over)</td>
<td>86.00</td>
</tr>
<tr>
<td>Married Couple (under 66)</td>
<td>127.50</td>
</tr>
<tr>
<td>Married Couple (66-79)</td>
<td>143.00</td>
</tr>
<tr>
<td>Married Couple (80 or over)</td>
<td>150.00</td>
</tr>
<tr>
<td>Allowance for each child under 16</td>
<td>15.50</td>
</tr>
<tr>
<td>Allowance for other dependants</td>
<td>17.00</td>
</tr>
<tr>
<td>Allowance for House expenses</td>
<td>15.50</td>
</tr>
<tr>
<td>Allowance for cost of Travelling to work</td>
<td>14.00</td>
</tr>
</tbody>
</table>

Source: Information on Our Health Services, Department of Health.

Generally the Medical Card covers the card holder, his/her spouse and any children under the age of 16. It also covers any persons over 16, such as students who are dependent on the Medical Card holder.

Services which are available to Medical Card holders include:

- general practitioner services;
- prescribed drugs and medicines;
- all in-patient public services in public wards (including consultant services);
- all out-patient public hospital services (including consultant services);
- dental, ophthalmic and aural services and appliances;
- a maternity and infant care service; and
- a maternity cash grant of £8 for each child born.

In addition to the services listed above the Medical Card is also used as a passport for other medical services. These include:

- the provision of glasses;

PRS payments are deducted from gross income when considering whether an applicant is within the Medical Card income guidelines. Income from the following sources is not considered in assessing an applicant’s income: Back to Work Allowance; Blind Welfare Allowance; Carer’s Allowance; Child Benefit; Department of Defence Service Pensions 1916-1921; Domiciliary Care Allowance; Family Income Supplement; Foster Care Allowance; Mobility Allowance; Supplementary Allowance; and Weekly Payments under the Community Employment Programme.
• home help and support;
• medical equipment/appliances (e.g. wheelchairs, commodes etc.);
• public health nursing in the home; and,
• other services, this includes a drug addiction counsellor, child services, social worker etc.

The Medical Card is also used as a passport to entitlement to certain non-health benefits:

• **School transport**: in the case of post primary pupils who live more than three miles from the nearest suitable school, school transport charges are waived when the pupil’s parents hold a Medical Card; and

• **Exemption from PRSI**: Medical Card holders do not have to pay the employment and training levies.

In addition to the above, the Card is generally used as a low income indicator for qualification for a number of schemes.

### 2.3 Housing Costs

At present there are various direct and indirect subsidies that people can avail of towards their housing costs. The two that are of concern for this study are:

• **Supplementary Welfare Allowance Rent and Mortgage Supplements** which are provided through the social welfare system; and,

• **Local Authority Differential Rent Scheme**, which is administered through the local authorities.

#### 2.3.1 Supplementary Welfare Allowance Rent and Mortgage Supplements

The purpose of the Supplementary Welfare Scheme (SWA) is to provide a statutory basic weekly income to people who have little or no income. In addition to receiving a basic SWA allowance or some other Social Welfare or health board payment, a person may receive a supplement towards a specific weekly expense (e.g. rent/mortgage interest, special heating needs, dietary or other expenses). These supplements are administered under the SWA scheme by the eight health boards. The two supplements of concern here are the Mortgage and Rent Supplements.

Providing the person is not employed for over 30 hours per week, in full time education or engaged in an industrial dispute, they may be entitled to a Rent or Mortgage Supplement if...
they are unable through their own means to provide accommodation for themselves and their dependants.

A person seeking a Rent Supplement must pay the first £6.00 plus the difference between the household income and the appropriate rate of income for that household at the SWA rate. These supplements are subject to reasonable rents which are set by the individual health boards. Table 2.3 shows the levels of rent that are regarded as reasonable by the individual health boards.

Two examples of how the Rent Supplement is calculated are set out in box 2.1.

Box 2.1 Calculating the Rent Supplement

1) Single person who is long-term unemployed with a rent of £35 per week

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) UA payment</td>
<td>£67.50</td>
</tr>
<tr>
<td>ii) Rent Payable</td>
<td>£35</td>
</tr>
<tr>
<td>iii) SWA rate of single person</td>
<td>£65.40</td>
</tr>
<tr>
<td>iv) Less first £6.00</td>
<td>£6.00</td>
</tr>
<tr>
<td>v) After rent income</td>
<td>£59.40</td>
</tr>
<tr>
<td>vi) Personal contribution towards rent (i-iv)</td>
<td>£8.10</td>
</tr>
<tr>
<td>vii) Rent Supplement (ii-vi)</td>
<td>£26.90</td>
</tr>
</tbody>
</table>

2) Married Couple with two child dependants and weekly rent of £90

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) UA payment</td>
<td>£133.90</td>
</tr>
<tr>
<td>ii) Rent Payable</td>
<td>£90.00</td>
</tr>
<tr>
<td>iii) SWA rate Married Couple with two Child Dependants</td>
<td>£131.80</td>
</tr>
<tr>
<td>iv) Less first £6.00</td>
<td>£6.00</td>
</tr>
<tr>
<td>v) After rent income</td>
<td>£125.80</td>
</tr>
<tr>
<td>vi) Personal contribution towards rent (i-iv)</td>
<td>£8.10</td>
</tr>
<tr>
<td>vii) Rent Supplement (ii-vi)</td>
<td>£81.90</td>
</tr>
</tbody>
</table>

The mortgage interest supplement is calculated in a similar manner but is paid in respect to the interest portion of the mortgage. The amounts regarded as reasonable for mortgage interest payments are the same as for rent payments. In addition to the normal eligibility criteria for the receipt of a Rent Supplement payment, the recipient must have been in a position to repay the loan when the mortgage was first taken out.

2.3.2 Local Authority Differential Rent Schemes

Currently there are over 98,000 rented local authority dwellings in Ireland. The majority of tenants in these local authority houses pay rent under the differential rents system. This is a system which relates rent to the tenant’s income. Up to 1986, the scheme was operated on a uniform basis nationally. However, the power to set rents has now been devolved to local authorities. In setting rents, the local authorities follow four broad principles which have
been laid down by the Department of Environment and Local Government. These are as follows:

- the rent payable must be related to income and a smaller proportion of income should be required from low income households;
- an allowance should be made for dependent children;
- a contribution towards rent should be required from subsidiary earners in the household; and
- provision should be made for lower rents in situations where the normal rent would give rise to hardship.

In the calculation of rents, local authorities are also required to take local factors (e.g. maintenance costs etc.) and changes in income levels into account.

Local authorities are subject to these central guidelines, and rents are largely based on some proportion of assessable income which exceeds a given allowance. However, within these broad guidelines, there is scope for individual local authorities to apply different rents to similar households. This is illustrated by two examples in box 2.2:

Box 2.2 Calculating the Rent Payable

1) Married Couple with two Child Dependents: Dublin Corporation

| Net Weekly Income | £150 |
| Principal earners weekly Allowance | £50 |
| Assessable Income | £100 |
| Rent @ 15% of assessable income | £15 |
| Less 50p for each child dependant | £1 |
| Weekly Rent Payable | £14 |

2) Married Couple with two Child Dependents: Wicklow Urban District Council

| Net Weekly Income | £150 |
| Principal earners weekly Allowance | £9 |
| Allowance for child dependants | £14 |
| Assessable Income | £125 |
| Rent at 1/6th of assessable income | £21 |
| Weekly Rent Payable | £21 |

<table>
<thead>
<tr>
<th></th>
<th>EHB</th>
<th>MHB</th>
<th>MWHB</th>
<th>NEHB</th>
<th>NWHB</th>
<th>SEHB</th>
<th>SHB</th>
<th>WHB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Persons</td>
<td>40 p.w</td>
<td>35 p.w</td>
<td>40 p.w</td>
<td>40 p.w</td>
<td>40 p.w</td>
<td>40 p.w</td>
<td>40 p.w</td>
<td>60 p.w</td>
</tr>
<tr>
<td>Couples with No dependents</td>
<td>70 p.w</td>
<td>50 p.w</td>
<td>65 p.w</td>
<td>60 p.w</td>
<td>55 p.w</td>
<td>60 p.w</td>
<td>60 p.w</td>
<td>60 p.w</td>
</tr>
<tr>
<td>Couples &amp; lone parents with 1 child</td>
<td>80 p.w</td>
<td>60 p.w</td>
<td>70 p.w</td>
<td>60 p.w</td>
<td>55 p.w</td>
<td>70 p.w</td>
<td>70 p.w</td>
<td>90 p.w</td>
</tr>
<tr>
<td>Couples &amp; lone parents with 2 or more children</td>
<td>450 p.m</td>
<td>65 p.w</td>
<td>90 p.w</td>
<td>75 p.w</td>
<td>100 p.w</td>
<td>90 p.w</td>
<td>90 p.w</td>
<td>130 p.w</td>
</tr>
<tr>
<td>Single persons and couples in shared accommodation</td>
<td>35 p.w</td>
<td>single: 35 p.w</td>
<td>40 p.w</td>
<td>35 p.w</td>
<td>55 p.w</td>
<td>30 p.w</td>
<td>30 p.w</td>
<td>See note 2</td>
</tr>
<tr>
<td>Couples: 50 p.w</td>
<td>450 p.m</td>
<td>60 p.w</td>
<td>50 p.w</td>
<td>40 p.w</td>
<td>75 p.w</td>
<td>45 p.w</td>
<td>45 p.w</td>
<td>See note 2</td>
</tr>
</tbody>
</table>

**Note 1:** Plus £5 per child over 3 in number.

**Note 2:**
- **Single persons sharing**
  - Self-Contained one-bed flat: 35 p.w
  - Self-Contained two-bed flat: 60 p.w
  - Three-bed semi: 115 p.w
  - Four-bed semi: 130 p.w

**Source:** Department of Social, Community and Family Affairs
2.4 Back to School Clothing and Footwear Allowance

The Back to School Clothing and Footwear Allowance was introduced in 1990. Its objective is to help towards the cost of purchase of uniforms and footwear for children at the start of the school year. The Allowance operates within the scope of the SWA scheme and is therefore administered through the eight regional health boards. The scheme operates from the beginning of June to the end of September. Qualification for the Allowance is dependent on the following conditions:

- the Allowance should only be paid in respect of children between the ages of 2 and 22 on the 1st October of the year in question and for whom a child dependant allowance is payable;

- the applicant must be in receipt of a qualifying payment (see Appendix A2); or must be participating in an approved employment scheme (e.g. Back to Work, Community Employment etc.), a recognised training course (e.g. Vocational Training Opportunities Scheme, Third Level Allowance Scheme etc.) or on a non-craft full-time FAS training course; and,

- the assessable income for the household must be within certain limits, see table 2.4.

Table 2.4 sets out the income limits and the payments for the year 1997/98. For couples with children, the income limit increases in increments of £15.20 and for lone parents it is £17.00. The rates of payment per child are now by reference to age. However, prior to 1996 the rates of payment were based on primary or secondary school attendance.

Table 2.4 Back to School Clothing and Footwear Allowance

<table>
<thead>
<tr>
<th>Income Limits</th>
<th>Couple</th>
<th>Lone Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Child</td>
<td>£149.20</td>
<td>£ 93.10</td>
</tr>
<tr>
<td>2 Children</td>
<td>£164.40</td>
<td>£110.10</td>
</tr>
<tr>
<td>3 Children</td>
<td>£179.60</td>
<td>£127.10</td>
</tr>
<tr>
<td>4 Children</td>
<td>£194.80</td>
<td>£144.10</td>
</tr>
<tr>
<td>Each Additional Child</td>
<td>£ 15.20</td>
<td>£ 17.00</td>
</tr>
</tbody>
</table>

**Rate of Payments**

- Each Child aged 2-11: £43.00
- Each Child Aged 12-22: £58.00

Source: Back to School Clothing and Footwear Allowance information leaflet, SW75, May 1997.

2.5 Butter Vouchers

The Butter Voucher scheme is governed by an EU regulation which permits the payment of aid for the purchase of butter at reduced prices by persons receiving social assistance. In Ireland, the scheme is operated jointly by the Department of Agriculture and Food, Department of Social Community and Family Affairs and the Department of Health and Children. The latter two Departments (depending on the class of claimant) issue the vouchers to the eligible recipients and the Department of Agriculture and Food make payments to creameries in respect of vouchers encashed.

Recipients of long term social assistance payments are entitled to one voucher, and one additional voucher is given for each dependant (per month). Each voucher can be used...
towards the cost of one pound of butter or towards the cost of one pound of spreadable butter which has a minimum butterfat content of 80%.

The value of a single voucher has varied over time. For example, at the end of 1987 it was worth 67 pence, while at the start of 1997 it had a value of 48 pence.

Table 2.5 shows the breakdown of recipients receiving butter vouchers. In January 1997 there were over 527,000 claimants for Butter vouchers and including dependants this resulted in almost 900,000 vouchers being issued in that month. Over 40 percent of the vouchers issued went to those receiving unemployment assistance payments, with retired and elderly people being the next largest category (22%). The approximate cost of these issued butter vouchers for the month of January 1997 was £431,628.

<table>
<thead>
<tr>
<th>Type of Claimant</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Payments</td>
<td>41.90</td>
</tr>
<tr>
<td>Widows, Widowers and one Parent Families</td>
<td>13.46</td>
</tr>
<tr>
<td>Child related Payments</td>
<td>0.04</td>
</tr>
<tr>
<td>Illness, Disability and Caring</td>
<td>8.70</td>
</tr>
<tr>
<td>Payments for retired or Elderly people</td>
<td>21.95</td>
</tr>
<tr>
<td>Training and employment Schemes*</td>
<td>10.03</td>
</tr>
<tr>
<td>SWA</td>
<td>3.91</td>
</tr>
<tr>
<td><strong>Total Number of Claimants</strong></td>
<td>527,160</td>
</tr>
</tbody>
</table>

*Included in this category are people on BTW, CE and VEC.

Source: Department of Social, Community and Family Affairs.

2.6 National and Smokeless Fuel Schemes

The National Fuel Scheme (NFS), as currently operated, was introduced in 1988. Prior to that date, assistance towards fuel costs was provided through two schemes.

- an Urban Scheme which had been operated by local authorities in seventeen cities and towns since 1942, to ensure a supply of turf to urban dwellers during the fuel scarcity occasioned by the war. The scheme provided assistance by means of a voucher which could be used to purchase various types of fuel. Entitlement was confined to non-contributory old age pensioners, recipients of the non-contributory widows’ pension and unemployment assistance recipients with dependants; and

- a National Scheme aimed at recipients of long-term social welfare and Health Board payments and administered through the Department and the Health Boards. This scheme operated throughout the country and provided assistance to those not covered by the Urban Scheme, provided they met certain eligibility conditions, similar to those which currently apply to the NFS.

\[^6\] In some cases, grocers are allowing these vouchers to be used against the expenditure on other grocery items. Indeed the survey conducted for this report verifies this with 16 per cent stating that they sometimes use the vouchers to purchase other goods while a further 7 per cent stated they always use them to purchase goods other than butter.

The assistance provided under the two schemes was the same - £5 per week for 30 weeks. There was concern over the running of these two schemes in that in the case of the Urban scheme, entitlement was dictated by the nature of the social welfare payment and residential location of the applicant. This was in contrast to the National Scheme, where need was the principal criterion. As a result of this concern, in 1988 the Government introduced a single unified scheme, known as the National Fuel Scheme. Entitlement was extended to include 30,000 Long Term Unemployment Assistance recipients, and this extension was financed by reducing the duration of payment to 26 weeks (mid-October to mid-April). The payment has remained at £5 and is integrated into the weekly payment. There is only one Fuel Allowance payable to any one household.

A person qualifies for a Fuel Allowance under the NFS if:

- they are dependent on a long-term social welfare, health board or similar payment;
- they live alone or only with
  - a dependent spouse/partner or child(ren);
  - a person who would qualify for the allowance in their own right;
  - a person providing full-time care and attention if the applicant is an invalid or semi-invalid; or
  - a person receiving short-term unemployment assistance.
- they and other members of the household are unable to provide for their housing needs.

In addition to this allowance, there is the Smokeless Fuel Scheme which provides assistance towards the additional domestic heating costs arising from the ban introduced on the use of bituminous coal in built up areas (this applies to the greater Dublin area and Cork). Eligible applicants receive a weekly payment of £3 for the duration of the NFS scheme. A person will receive a Smokeless Fuel Allowance if they satisfy the following conditions:

- they are in receipt of a Fuel Allowance under the NFS; or
- in receipt of one of the following payments:
  - Disability Benefit;
  - Unemployment Benefit or Unemployment Assistance for at least 3 months;
  - Family Income Supplement (FIS); and
- they must satisfy the living alone conditions as set out in the NFS.

### 2.7 Christmas Bonus

The special Christmas Bonus payment was first introduced in 1980 as a double payment (i.e. 100% bonus) for recipients of social welfare pensions and allowances. In 1985, the long-term unemployed were included for the first time. As a result of the additional cost, the Bonus was decreased to 75 percent of the normal weekly payment. This proportion has been varied over the years. For example in 1986 it was only 65 per cent, and it was subsequently increased to its current rate of 70 per cent. In addition, a minimum payment of £20 was introduced in 1994 and it has been extended to those participating on the various employment schemes.

Table 2.6 shows the breakdown of the type of recipients receiving the Christmas Bonus in December 1997. In relation to the unemployed only long term UA recipients are eligible. Overall it was estimated that there were 712,000 persons who received the Christmas Bonus at an estimated cost of £40 million. The largest category are those receiving old age payments, 36 per cent.
Table 2.6 Breakdown of Christmas Bonus Recipients: December 1997 (Estimated)

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment Payments</td>
<td>127,800</td>
<td>17.95</td>
</tr>
<tr>
<td>Widows, Widowers and one Parent Families*</td>
<td>192,000</td>
<td>26.97</td>
</tr>
<tr>
<td>Illness, Disability and Caring</td>
<td>109,800</td>
<td>15.42</td>
</tr>
<tr>
<td>Payments for retired or Elderly people</td>
<td>254,400</td>
<td>35.73</td>
</tr>
<tr>
<td>Training and employment Schemes</td>
<td>28,000</td>
<td>3.93</td>
</tr>
<tr>
<td>Total</td>
<td>712,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Orphans Contributory (non-contributory) pensions are include in this category.
Source: Department of Social, Community and Family Affairs

2.8 Expenditure on Secondary Benefits

In 1997, total expenditure on Secondary Benefits was over £471 million, which represents growth of almost ninety per cent from the 1990 expenditure figures. This compares to a growth rate of almost 61 per cent for total social welfare spending. Overall, expenditure on Secondary Benefits is equivalent to over 10 per cent of total social welfare expenditure which is over one percentage points higher than the 1990 figure. It should be noted that these expenditure figures for Secondary Benefits represents the total spend on these benefits and does not relate solely to unemployed persons or those who have retained some element of Secondary Benefits while working or training.

Table 2.7 Expenditure on Secondary Benefits: 1990-97

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1997</th>
<th>Growth 1990-97</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>%</td>
<td>£m</td>
</tr>
<tr>
<td>Medical Card</td>
<td>168.0</td>
<td>67.3</td>
<td>283.4</td>
</tr>
<tr>
<td>SWA - Rent Supplement</td>
<td>8.6</td>
<td>3.5</td>
<td>75.3</td>
</tr>
<tr>
<td>- Mortgage Supplement</td>
<td>3.6</td>
<td>1.4</td>
<td>10.1</td>
</tr>
<tr>
<td>National and Smokeless Fuels</td>
<td>29.1</td>
<td>11.7</td>
<td>45.0</td>
</tr>
<tr>
<td>Back to School Clothing and Footwear</td>
<td>5.5</td>
<td>2.2</td>
<td>11.9</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>25.6</td>
<td>10.3</td>
<td>40.0</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>9.2</td>
<td>3.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Total Expenditure on Secondary Benefits</td>
<td>249.6</td>
<td>100.0</td>
<td>471.2</td>
</tr>
</tbody>
</table>

Total Welfare Expenditure6

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Total Welfare Expenditure</td>
<td>8.9%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

*There was a sharp reduction in the expenditure on butter vouchers between 1996 and 1997 due to the fact that the benefits of the scheme were effectively halved in 1997.

Note: These expenditure figures exclude the implicit value of the Local Differential Rent.
Source: Statistical Information on Social Welfare Services and estimates for the Department of Social, Community and Family Affairs.

The main source of the increase in Secondary Benefits expenditure is the SWA supplements and especially the Rent Supplement which grew by 775 percent over the eight year period from £8.6 to £75.3 million. Other areas of significant increase have been the Medical Card (69%), Mortgage Supplement (180%), and the Back to School Clothing and Footwear Allowance (116%).

6 The figure for total social welfare expenditure does not include the expenditure on two of the Secondary Benefits these are, the Medical Card and the butter vouchers.
Table 2.8 Administration of Secondary Benefits

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Administering Bodies</th>
<th>Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>Department of Health and Children / Health Boards</td>
<td>Income/need</td>
</tr>
<tr>
<td>SWA Rent/Mortgage Supplements</td>
<td>Area Health Boards Department of Social, Community and Family Affairs</td>
<td>Employment Status</td>
</tr>
<tr>
<td>Differential Rent Scheme</td>
<td>Local Authorities / Department of Environment and Local Government</td>
<td>Income</td>
</tr>
<tr>
<td>Back to School and Footwear Allowance</td>
<td>Area Health Boards Department of Social Community and Family Affairs</td>
<td>Family Status/ SW Payment Type / Income</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>Department of Agriculture and Food/Department of Social, Community and Family Affairs</td>
<td>SW Payment type</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>Department of Social, Community and Family Affairs</td>
<td>SW Payment type</td>
</tr>
<tr>
<td>National and Smokeless Fuel Schemes</td>
<td>Department of Social Community and Family Affairs</td>
<td>SW Payment type</td>
</tr>
</tbody>
</table>

2.9 Overview

An overview of the eligibility conditions and the administrative arrangements pertaining to Secondary Benefits is given in Table 2.8. It is clear that Secondary Benefits are not homogeneous in terms of their eligibility criteria. Secondary Benefits differ as between those for which eligibility is firmly linked to entitlement to a basic social welfare payment (such as the Christmas Bonus and Butter Vouchers) and those where income or need is the basic criterion. However, this does not mean that the latter benefits are of necessity more likely to be retained while working. For example, income limits may be set so low as to negate this possibility. The next section explores these issues in more detail.

It is also apparent that administration of these benefits is the responsibility of a number of departments. This makes the system of Secondary Benefits difficult for the client to understand and more complex to administer. We will return to this issue later in this report.
3. Existing Arrangements for Retention of Secondary Benefits

3.1 Introduction

Until a few years ago, there was no explicit policy for the retention of Secondary Benefits for people who made the transition from unemployment to work. However, in practice, Secondary Benefits were and are retained in certain circumstances.

Where entitlement to benefit is based on income or need, recipients have the possibility of retaining benefits on taking up work, provided their incomes are low. The Medical Card, and Rent and Mortgage Supplements are examples of benefits to which this applies.

Where benefits are linked to basic social welfare payments, a person taking up part-time work is able to hold onto some or all of their Secondary Benefits, provided they retain an entitlement to at least part of their social welfare payment.

Special provision also exists for persons on the Family Income Supplement (FIS) scheme as follows:

- a family in receipt of FIS is entitled to the Smokeless Fuel payment;
- a family retains the Back to School Clothing and Footwear allowance provided they are in receipt of FIS, and are within the income guidelines for the latter scheme.

Persons on the differential rent scheme retain local authority tenancy when making the transition from the unemployment to work. However, the benefit—the subsidised rent—may be reduced, on making the transition, if income increases. In addition, because there is a maximum rent, the rent payable will be generally less than the true economic rent. That is, there may be a reduction in the indirect benefit enjoyed by those supported under the scheme rather than total loss of the benefit.

In all of the above cases, retention of the Secondary Benefits was based on the eligibility criteria for each of the benefits and therefore retention was not guaranteed for anyone making the transition to work. That is, there was no formal policy that guaranteed retention irrespective of economic circumstances, for persons entering employment.

However, in recent years there has been an increasing recognition of the disincentive effects that the loss of Secondary Benefits may cause. This has led to the development of policy which explicitly allows for the retention of Secondary Benefits for persons who would otherwise not have been eligible to retain the benefits in their own right. Initially, this retention was concentrated on persons entering subsidised employment programmes. These included the Back to Work (BTW), Community Employment (CE), Jobstart, Workplace and Job Initiative programmes (a brief description of each of these schemes is given in Appendix A3). In the case of the Medical Card, this retention has been extended to those entering open employment.

The rest of this section outlines the current structure of eligibility for retention of the various Secondary Benefits for individuals making the following transitions:

- Unemployment to full-time Employment;
• Unemployment to Part-Time Employment;
• Unemployment to Subsidised Employment; and
• Unemployment to Training/Education Schemes.

3.2 Retention of Secondary Benefits and the Transition to Full-Time Work

Since the 1996 Budget, all persons who have been unemployed for more than one year are entitled to keep the Medical Card for a further three years when they take up paid insurable employment. This provision does not apply to lone parents.

With a few exceptions, none of the other Secondary Benefits can be retained as of right when making the transition to full-time work. The following outlines the circumstances for each of the Secondary Benefits:

• National Fuel Allowance will be lost as the person is not in receipt of one of the qualifying payments (see section 2.6); however, the Smokeless Fuel Allowance will be retained if the person is in receipt of a FIS payment;

• Back to School Clothing and Footwear Allowance will be retained only if the person is in receipt of FIS and is within the income guidelines (see section 2.4);

• SWA Rent and Mortgage supplements cannot be retained by persons in full-time employment (i.e. greater than 30 hours per week);

• Christmas Bonus and Butter Vouchers will be lost as the person is no longer in receipt of a qualifying social welfare payment; and

• While the person will still be eligible for the local authority differential rent scheme, the implicit subsidy will be reduced (i.e. the rent payable will increase) if their income increases above the level they received while unemployed.

Table 3.1 Retention of Secondary Benefits while in Full-Time Employment

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>Yes, providing unemployed for over 1 year.</td>
</tr>
<tr>
<td>National Fuel Allowance</td>
<td>No</td>
</tr>
<tr>
<td>Smokeless Fuel Allowance</td>
<td>No, except for recipients of FIS.</td>
</tr>
<tr>
<td>Back to School Clothing and Footwear Allowance</td>
<td>No, except for those in receipt of FIS and within certain income guidelines</td>
</tr>
<tr>
<td>SWA Rent/Mortgage Supplement</td>
<td>No</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>No</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>No</td>
</tr>
<tr>
<td>Local Authority Differential Scheme</td>
<td>Yes, but rent payable will probably increase.</td>
</tr>
</tbody>
</table>

Thus, automatic entitlement to retain Secondary Benefits on taking up full-time work applies to the Medical Card and the Differential Rent only.

---

9 The Job Assist scheme which was introduced when this report was at an advanced stage of completion provides for the retention of secondary benefits for persons taking up full-time employment in specified circumstances.
3.3 Retention of Secondary Benefits and the Transition to Part-Time Work

A person may maintain a full or part UA payment while working part-time or casually. Up to 1996, persons who were unemployed for at least 3 days in any period of 6 consecutive days, qualified for UA for the days on which they were unemployed. Payment was not made for the days on which they worked. This system for part-time work and UA payments has been simplified via a new means assessment. Under current arrangements, if a person is unemployed for at least three days in a week, he or she is entitled to UA for the full week less a percentage of their earnings.

Where a person has child dependant(s), 60 per cent of the average net weekly earnings are assessed as means. The UA payment for that week is then reduced by the amount of the calculated weekly means, see Box 3.1.

For a person with no qualified child dependant(s), a disregard of £10 per day worked is deducted from the average net weekly earnings and sixty per cent of the remaining earnings are assessed as means. The means, thus calculated, are then subtracted from the full UA rate to determine entitlement. See Box 3.1.

<table>
<thead>
<tr>
<th>Box 3.1 Calculating Reduced UA Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example 1: A person with an adult dependant and 2 child dependant(s).</strong></td>
</tr>
<tr>
<td>Average net weekly earnings</td>
</tr>
<tr>
<td>Means - 60% of £60.00:</td>
</tr>
<tr>
<td>Full UA payment</td>
</tr>
<tr>
<td>Less means:</td>
</tr>
<tr>
<td>Reduced Weekly UA Payment</td>
</tr>
</tbody>
</table>

| **Example 2: A person with no qualified child dependant(s).** |
| Works three days a week |
| Average net earnings | £90.00 |
| Less disregard: | £30.00 |
| £60.00 |
| Means - 60% of £60.00: | £36.00 |
| Full UA payment | £67.50 |
| Less Means | £36.00 |
| Reduced Weekly UA Payment | £31.50 |

In the case of the one parent family payment, a lone parent can earn up to £115.38 per week (i.e. £6,000 per annum) without their social welfare payment being affected. Fifty per cent of income in excess of the £115.38 is then regarded as means for the purpose of calculating the reduced one parent family payment.

Because recipients of Unemployment Assistance or lone parents who take up part-time work may still be in receipt of a long term assistance payment (whether this be in full or part), they are eligible to retain some or part of their Secondary Benefits as follows:
• retention of the Medical Card for three years when a person enters insurable employment; where part-time workers have incomes above the threshold for insurability, they should benefit from this provision;

• provided the claimant is in receipt of their means tested payment (UA or One-Parent Family Payment), whether this be full/part payment, he or she is entitled to receive the National Fuel allowance, the Smokeless Fuel Allowance, Butter Vouchers and the Christmas Bonus;

• retention of the Back to School Clothing and Footwear allowance, depending on whether or not the recipient’s total income is within the income guidelines and is in receipt of a child dependant allowance on a health board or social welfare payment;

• part-time workers entitled to retain a SWA Rent or Mortgage Supplement; however there is £1 for £1 withdrawal for income in excess of the payment under SWA; and

• recipients continue to benefit from the local authority differential rent scheme; but the rent will increase in relation to the increase in total income the person is receiving while in part-time work.

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>Yes, if within income guidelines.</td>
</tr>
<tr>
<td>National Fuel Allowance</td>
<td>Yes, provided in receipt of social welfare payment</td>
</tr>
<tr>
<td>Smokeless Fuel Allowance</td>
<td>Yes, provided in receipt of social welfare payment</td>
</tr>
<tr>
<td>Back to School Clothing and Footwear Allowance</td>
<td>Yes, if within income guidelines and is in receipt of a child dependant allowance on a health board or social welfare payment.</td>
</tr>
<tr>
<td>SWA Rent/Mortgage Supplement</td>
<td>Yes, but £1 for £1 withdrawal</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>Yes, provided in receipt of social welfare payment</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>Yes, provided in receipt of social welfare payment</td>
</tr>
<tr>
<td>Local Authority Differential Scheme</td>
<td>Yes, but rent payable will probably increase.</td>
</tr>
</tbody>
</table>

There is thus some scope for retention of Secondary Benefits on taking up part-time work. However, with the exception of the Medical Card and the differential rent scheme, recipients will not retain benefits if their incomes rise to the extent that they lose entitlement to the basic social welfare payment or they exceed the income guidelines laid down. That is, there is no automatic entitlement to retain benefits on taking up part-time work.

3.4 Retention of Secondary Benefits and the Transition to Subsidised Employment

Table 3.3 summarises the eligibility conditions for these programmes and the conditions under which Secondary Benefits may be retained. (see Appendix A3 for a brief description of each of these programmes). With the exception of the Job Initiative Programme, persons are entitled to keep their Secondary Benefits when they participate in full-time or part-time employment programmes. The situation thus compares favourably with that for transitions to open market employment.

However, there are some conditions for retention in relation to BTW, Community Employment and Jobstart. These are as follows:
### Table 3.3: Retention of Secondary Benefits while in Subsidised Employment

<table>
<thead>
<tr>
<th>Eligibility Condition:</th>
<th>BTW Allowance</th>
<th>Community Employment</th>
<th>Job Start</th>
<th>Work Place</th>
<th>Job Initiative</th>
<th>Revenue Job Assist</th>
</tr>
</thead>
<tbody>
<tr>
<td>- UA/UB</td>
<td>At least 23 and UA/UB&gt;1yr</td>
<td>At least 21 and UA/UB&gt;1yr</td>
<td>At least 35 and on LR&gt;3 years</td>
<td>On LR &gt; 3 years</td>
<td>On LR &gt; 6 months</td>
<td>At least 35 and LR &gt; 5 years</td>
</tr>
<tr>
<td>- OPFP</td>
<td>At least 23 and UA/UB&gt;1yr</td>
<td>At least 21 and &gt;1yr on OPFA</td>
<td>At least 35 and in receipt of OPFA for &gt;3 years</td>
<td>OPFA &gt; 3 years</td>
<td>OPFA &gt; 6 months</td>
<td>At least 35 and LR &gt; 5 years</td>
</tr>
<tr>
<td>- Travellers</td>
<td>At least 21 and &gt;1yr on OPFA</td>
<td>Any period on LR or OPFA for &gt;1 year</td>
<td>Any age and on LR or OPFA for &gt;3 years</td>
<td>Yes</td>
<td>Yes</td>
<td>No special Exemptions</td>
</tr>
<tr>
<td>- Disabled</td>
<td>At least 21 and &gt;1yr on OPFA</td>
<td>NRB referrals over 35</td>
<td>NRB referrals</td>
<td>NRB registered</td>
<td>NRB referrals</td>
<td>No special Exemptions</td>
</tr>
</tbody>
</table>

**Duration of Scheme**: 1 year, Up to 3 years, 1 year, 3 years, 1 year, 5 weeks, Up to 3 years, Up to 3 years

**Retention of Secondary Benefits**: Yes, Yes, Yes, Yes, Yes, Yes, Yes, Yes

- **Medical Card**: Yes
- **Rent/Mortgage Supplement**: Yes
- **Other Secondary Benefits**: Yes
- **Local Differential Rents**: Yes

- **CDA retention for 13 weeks**: No
- **Entitlement to FIS**: Yes, subject to usual limits

*Those on the Self-Employment strand of the BTW are not entitled to FIS.*
• persons are allowed to retain their Secondary Benefits, at the level prior to participation on the programme, provided their gross household weekly does not exceed £250. The retention of the Medical Card is not subject to this income limit;

• in addition to the above income limit, the Rent or Mortgage Supplement is capped at £250 per month; and

• in the case of the local differential rent scheme the rent payable will remain at the level prior to participation if gross income is below £250 otherwise the increased income will be accounted for in the calculation of the rent. It should be noted that in relation to Jobstart no instruction has issued from the Department of Environment and Local Government in respect to the treatment of differential rents.

In relation to the Area Allowance employment programme Secondary Benefits are retained at levels that prevailed before the person participated on the programme.

3.5 Retention of Secondary Benefits and the Transition Training/Education Schemes

The main education options that an unemployed person can access are as follows:

• Vocational Training Opportunities Scheme;
• Second Level Certification Courses;
• Third Level Allowance;
• Part-Time Education.

All of these education opportunities are aimed at those over the age of 21 who have either been registered as unemployed for at least 6 months or getting one parent family payment for 6 months or more. In all cases, payment is at the same rate as the underlying unemployment / one-parent family payment and Secondary Benefits are retained.

Training courses available for the unemployed are run mainly by FÁS. There is a range of courses offered (over 150) aimed at people who wish to acquire new skills or up-date old skills. Participants get a training allowance that is at least as great as their main social welfare payment, and if they are in receipt of a dependant allowance in their social welfare payment, FÁS will pay a weekly £10 training bonus. In addition, participants on training courses can receive the following: money towards accommodation costs if they are living away from home while on the course; a travel allowance if the training centre is three or more miles from where they live; and a lunch allowance of £3.00 a week.

Retention of Secondary Benefits while on FÁS courses is subject to the respective means tests for the benefits and therefore retention is not guaranteed. While the legislation and guidelines governing the Supplementary Welfare Allowance make no provision for FÁS trainees to receive the rent supplement, in practice FÁS trainees generally receive the rent supplement on the same basis as a part-time worker; that is, it is means tested and there may be a £1 for £1 withdrawal of the supplement. In some cases, the extra allowances given to participants (e.g. food, travel etc.) are regraded as assessable income and Secondary Benefits may be lost.

Given that Butter Vouchers and the Christmas Bonus are directly linked to the social welfare payment, these are usually lost.
3.6 Overview

With the exception of the Medical Card and the differential rent, the opportunities for retaining Secondary Benefits on taking up full-time employment are limited. The case for a more general policy of benefit retention needs to be examined.

While there appears to be greater scope for retaining Secondary Benefits on taking up part-time work, the application of means tests and income limits reduces the opportunities for recipients to avail of these provisions.

Participants in employment programmes generally retain their Secondary Benefits. However, the application of income limits and caps on entitlements restrict their availability for certain participants.

Secondary Benefit retention is not a problem with regard to access to educational opportunities. In contrast, persons taking up training opportunities may have their Secondary Benefit entitlements reduced if travel allowances and other expense allowances are regarded as means.

The next Section assesses these and other anomalies in greater detail and evaluates their impact in practice.
4. Gaps and Anomalies in Current Arrangements

4.1 Introduction

As has been indicated in the last section, over the last few years the potential impact of Secondary Benefits on the incentives to take up work has been increasingly recognised by policy makers. As a result, the extent to which Secondary Benefits can be retained has increased.

However, it is apparent that a uniform policy is not applied across the range of benefits. That is, there are gaps in provision which may need to be filled. In addition, anomalies have arisen both in terms of the provisions for retention and the applications of those provisions in practice.

This section examines these gaps and anomalies. Firstly, some general problems are considered. Subsequently, problems arising with regard to individual Secondary Benefits are treated.

4.2 General Issues

4.2.1 Scope for Retaining Secondary Benefits

Section 3 established that with the exception of the Medical Card, Secondary Benefits are not automatically available to those taking up work, whether full or part-time. The issue therefore arises as to whether the policy which currently applies to the Medical Card should be extended to some or all of the remaining benefits. The need to adopt such a policy depends crucially on whether current arrangements are giving rise to disincentives to work. In sections 5 and 6 of this report, we evaluate this issue using data collected from surveys and other sources. Further consideration of this issue is therefore postponed to Section 7. It should be noted that local authority tenancy is not affected by employment status but rather the extent of the rent subsidy received may be reduced if income increases while in employment.

4.2.2 Equity Issues

The entitlement to retain the Medical Card for three years on taking up full-time employment is a radical departure in policy. This is partly because it applies only to those who are making the transition from unemployment to work and for a limited period only. That is, persons in low paid work generally do not benefit from this provision.10 This gives rise to a situation whereby a low paid worker who has never been unemployed may not have access to the Card, while another worker in exactly the same circumstances has the Card, by virtue of the fact that he has recently made the transition to work. The inequity of this situation has been remarked upon. In addition, this policy may also be regarded as radical in that it represents the use of the Medical Card as an instrument of labour market rather than health care policy and thus dilutes the principal of equity which is underlying health policy. A similar problem exists with regard to participants in employment programmes, who are often working with persons in open market employment.

10 However, if their income is very low, they may have the Medical Card by virtue of falling below the income limits set.
These problems inevitably arise when only those making labour market transitions benefit from retention. They could be largely overcome by making Secondary Benefits available to all low paid workers. In practice, such an approach would give rise to considerable problems. As will be demonstrated in Section 5, disincentives to work may exist even for those who have the capacity to earn relatively high incomes. This suggests that the income threshold for Secondary Benefits entitlement would have to be set at a relatively high level. This would then have considerable cost implications.

The current approach is therefore the most viable one. However, equity considerations do have relevance to the way in which retention policies are implemented. They suggest, for example that:

- entitlement to retain benefits should be for a finite period only, and no longer than is required to ensure that disincentives are overcome; and

- caps on the level of Secondary Benefits are appropriate to ensure that those entering employment on very high incomes do not benefit.

However, in implementing the second criterion, it should be borne in mind that these caps should be set at levels to ensure that the positive impact of Secondary Benefits retention in reducing disincentives is maintained.

4.3 Medical Card

4.3.1 Lone Parents

Those in receipt of the One Parent Family Payment are not entitled to retain the Medical Card for a further three years on taking up insurable work. This provision would appear to be out of step with the thrust of policy in relation to lone parents, which has focused recently on ensuring that this group has a monetary incentive to take up work. The means test which applies to the One-Parent Family Payment has recently been relaxed with this in mind. In Section 5 of this report, we assess whether lone parents continue to face disincentives after these changes. Further discussion of this issue is therefore postponed until the results of Section 5 have been discussed.

4.3.2 Part-Time Workers

There are apparent inconsistencies in the treatment of those who take up part-time work while retaining a partial long-term assistance payment. Under current provisions, such persons should automatically benefit from retention of the Medical Card, provided they are in insurable employment (i.e. earning more than £30 per week). However, there is anecdotal evidence to suggest that in many cases part-time workers are not benefiting from this arrangement. Rather their eligibility for the Medical Card is being assessed on the basis of the general Medical Card income guidelines. In such circumstances, they can potentially lose the card on taking up part-time work, although the impact may be mitigated by the fact that entitlement to the Medical Card is usually reviewed on at most an annual basis.

4.3.3 Interpretation of Retention Periods

The extension of entitlement to the Card to those in employment has apparently caused confusion about duration of that entitlement. While the length of retention is clear for those
making the immediate transition to full-time work, the same does not hold for those taking up employment after a period in subsidised employment. There is evidence of inconsistencies in the application of this provision across the health boards. The three year period is sometimes regarded as commencing on the programme or alternatively when the participant enters the open labour market after completion of the programme.

A plausible interpretation of the retention criteria for persons participating on employment programmes is that the start of the three year retention period depends on whether the person would, in any event, have been entitled to the Medical Card under the general eligibility conditions. For example, if a person on the BTW scheme has a gross income level which is below the Medical Card income guidelines, he or she is entitled to the Medical Card as of right. This person should therefore be able to retain the Medical Card for a further three years after they have completed the BTW and taken up full-time work. On the other hand, if the person is not within the Medical Card income guidelines while on the BTW, then the period on the programme is part of the three year retention period.

This problem is unlikely to arise much in practice. Given the scale of gross income that can be earned while on the BTW Scheme, it is unlikely that the person will be within the medical income guidelines, and will not therefore be in a position to retain the card for a further three years on moving into employment after completion of the programme.

However, the situation for a person completing the Community Employment programme and then moving into open employment is different, as the rates of pay under the programme are potentially much lower than on the BTW. That is, such a person will probably retain the Medical Card in his own right under Community Employment and therefore the three year period would start after the completion of the programme. However, anecdotal evidence suggests that persons completing CE and moving into employment are generally not being permitted to retain the Card.

4.3.4 Qualified Adults

A person on UA retains their qualified adult allowance payment (QAA) in full, provided that the latter’s earnings do not exceed £60 per week. If the person’s spouse/partner earns income of between £60 and £90 gross per week they will receive the (QAA) at a reduced rate. For income levels in excess of £90 the QAA will not be retained. As eligibility for the Medical Card is based on household income, these earnings are assessed for Medical Card eligibility purposes. This creates a disincentive for adult dependants to take up work.

4.4 SWÁ Rent and Mortgage Supplements

4.4.1 The Rent and Mortgage Supplements and Full and Part-Time Working

The manner in which the Rent Supplement is calculated is set out in box 4.1. This shows that the Rent Supplement while not on a par with the basic social welfare, is a very significant element in the recipient’s total income.

Because a person can not be in receipt of the supplement if they are in full-time work, Rent and Mortgage Supplements have a large impact on the monetary incentive to work. This is very significant in the case of families as the reasonable rent can be as high as £450 per month, which corresponds to a supplement of approximately £95 per week.
The Rent Supplement also causes problems for those taking up part time work. This arises because the supplement is reduced by £1 for every £1 earned above the full social welfare rate. The following example illustrates this problem.

**Example:** Married Couple with two child dependants in receipt of LTVA of £133.90 per week and in receipt of a Rent Supplement of £80 per week. If the head of this family is offered three days work for £80, the new rate of unemployment assistance will be £85.90 (i.e. £139.90 minus 60% of £80). Therefore the total household income will be £165.90, however, the Rent Supplement will be reduced by £32 to £48 (i.e. £165.90-133.90), leaving the household no better off from taking up this part time work.

This example clearly shows that although the UA means test provides a monetary incentive to take up part-time employment, that incentive is offset by the reduction in Rent Supplement. The manner in which the Rent Supplement is applied is a significant disincentive to part-time working.

Box 4.1 Calculating the Rent Supplement

| 1) Single person who is long-term unemployed with a rent of £35 |
|---|---|
| i) UA payment | £67.50 |
| ii) Rent Payable | £35 |
| iii) SWA rate of single person | £65.40 |
| iv) Less first £6.00 | £6.00 |
| v) After rent income | £59.40 |
| vi) Personal contribution towards rent (i-iv) | £8.10 |
| vii) Rent Supplement (ii-vi) | £26.90 |

| 2) Married Couple with two child dependants and weekly rent of £90 |
|---|---|
| i) UA payment | £133.90 |
| ii) Rent Payable | £90.00 |
| iii) SWA rate of single person | £131.80 |
| iv) Less first £6.00 | £6.00 |
| v) After rent income | £125.80 |
| vi) Personal contribution towards rent (i-iv) | £8.10 |
| vii) Rent Supplement (ii-vi) | £81.90 |

4.4.2 The Rent/Mortgage Supplements and Training Allowances

A further difficulty arises in the treatment of those in receipt of FAS training allowances. Under current legislative provisions, FAS trainees are not strictly entitled to the SWA Rent Supplement payment. This has lead to inconsistencies in treatment across the health boards. In some cases, training participants lose their Rent Supplement altogether. Others have a £1 for £1 reduction in the supplement, if their training allowance exceeds their underlying unemployment / one-parent family payment. This is a particular problem in relation to lone
parents who retain their one parent family payment: their Rent Supplement is then reduced by the amount they receive in training allowances.

In general terms, the size of Rent or Mortgage Supplement and the manner in which they are withdrawn when a person takes up employment (training) creates monetary disincentives.

### 4.5 Local Differential Rent Scheme

Section 2.3 outlined the principles that local authorities must follow in setting rents for local authority residents. These were the following: rent payable should be related to income; allowances should be made for child dependants; contributions to the rent should be made by subsidiary earners in the household; and consideration should be given to cases where the normal rent would lead to undue hardship. Despite these guidelines the methodologies used by the local authorities differ in two respects, these are:

- the forms of income which are regarded as assessable for rent purposes. In particular, there is no consistency across local authorities as to the inclusion of Family Income Supplement (FIS) in the income assessment. This has a significant impact on the families in this sector who are on low incomes and in receipt of FIS; and

- the manner in which the rent is calculated from assessable income after allowances. There are two broad systems used in practice:
  
  **Rent-fraction method**, this is where the fraction of income paid in rent increases according to higher income bands. Since these increases in the fractions paid are not marginal but apply to all income, it can lead to incidences where the increase in rent is larger than the increase in income.

  **Proportional Approach**, the rent paid is based on some constant proportion of the person's income. The main difference of this method from the rent-fraction approach is that there are no income bands which avoids any large increases in rent.

In addition to the above there is slight variation in the approaches to dealing with child dependants. There are two methods used:

- additional allowances are given for each child and are deducted from the householder's assessable income before the rent is calculated; and

- after calculating the rent based on the basic allowance, a nominal reduction (i.e. 50p is the usual amount) for each child dependant is applied.

Figure 4.1 and table 4.1 looks at a sample of rent schemes among six county council areas and highlight the above differences among these schemes. Figure 4.1 shows how the rent payable varies across different levels of net income for a married couple with two child dependants (this assumes that the family is not in receipt of FIS).

The Department of Environment and Local Government has indicated that local characteristics (e.g. maintenance and management of houses etc.) should be among the factors taken into consideration when setting rents. As a result variations in rent payable would be expected given the different local characteristics of the respective areas (e.g. rents in Dublin may be expected to be higher than the rest of the country). However, rents charged
## Table 4.1 A Sample of Differential Rent Schemes

<table>
<thead>
<tr>
<th>Area</th>
<th>FIS Assesses as Income</th>
<th>Minimum Rent</th>
<th>Weekly Max Income*</th>
<th>Max Calculation</th>
<th>Allowance for Dependents</th>
</tr>
</thead>
</table>
| Dun Laoghaire Rathdown      | No                     | 1 Bedroom Hse: \(£6.50\)  
                             |             | \(£7.50\)       | 5.25% of all in cost of dwelling | Proportional: 10%  
                             |                         | All others | £69     | Bedsit: £58.00  
                             |                         |           |         | 1 Bedroom: £56.00  
                             |                         |           |         | 2 Bedroom: £65.00  
                             |                         |           |         | 3 Bedroom: £70.00  
                             |                         |           |         | + 3 Bedroom: £80.00  
                             |                         | Not Applicable |         | Calculated rent is reduced by 10p per child per week |
| Dublin Corporation          | Yes                    | None         | Not Applicable     |              | Proportional: 15%  
                             |                         |           |         | Bedsit: £53.00  
                             |                         |           |         | 1 Bedroom: £61.00  
                             |                         |           |         | 2 Bedroom: £70.00  
                             |                         |           |         | 3 Bedroom: £76.00  
                             |                         |           |         | + 3 Bedroom: £88.00  
                             |                         |           |         | Calculated rent is reduced by 50p per child per week |
| Wicklow Urban District      | No                     | 1 Bedroom Hse: \(£8.50\)  
                             |             | £95             | 5.25% of original all in cost updated to current process | Fraction  
                             |                         | 2 Bedroom Hse: £9.25  
                             |             |           |             | Allowance set against income before rent calculated. £7 for each of the first 3 children and £10 for each subsequent child |
| Wicklow Urban District      | No                     | 3 Bedroom Hse: \(£10.50\)  
                             |             |           |             |             |             |             |
| Waterford County Council    | Yes                    | Living alone on Social Welfare: £4.50  
                             |             | £95             | 5.25% of original all in cost updated to current process | Proportional: 20%  
                             |                         | Demountable: £4.50  
                             |             |           |             | Calculated rent is reduced by 50p per child per week |
| Youghal Urban District Council | No                              | Yes | 1 Bedroom: £8.00  
                             |             | £90             |              | Fraction  
                             |                         | 2 Bedroom: £6.50  
                             |             |           |              | Allowance set against income before rent calculated £10 per each child |
| Tullamore County Council    | Yes                    | 4+ Bedroom: £10.00  
                             |             | £79             | 5.25% of original all in cost updated to present date | Fraction  
                             |                         | 3 Bedroom: £7.50  
                             |             |           |              | Calculated rent is reduced by 50p per child per week |
|                             |                         | 2 Bedroom: £6.00  
                             |             |           |              |             |             |             |
|                             |                         | O.P.D.s: £4.00  
                             |             |           |              |             |             |             |
|                             |                         | Prefabs: £3.00  
                             |             |           |              |             |             |             |
|                             |                         | Demountables |           |              |             |             |             |

*The maximum income indicates the income level up to which the minimum rent applies. This represents the situation of a married couple with 2 children living in a 2 bedroom house.*
Figure 4.1  Differential Rent Schemes in Six Different Local Authority Areas

Source: These rents were calculated from Information handouts on Rent Schemes operating by the various Local Authorities.
do not appear to reflect this. For example, rents in the Dublin region tend to be lower than those in local authorities with larger rural populations.

One feature highlighted in figure 4.1 is that some rents increase at a steady rate as income rises, while others do not. This results from use of the fractional approach by some local authorities (e.g. Wicklow Urban District, Youghal Urban district and Tullamore County Council), while others use a proportional approach (e.g. Dun Laoghaire Rathdown, Dublin Corporation and Waterford County Council). The fractional system has the potential to cause poverty traps, and many local authorities have been encouraged by the Department of Environment and Local Government to move away from this system in favour of the proportional method. However, there remain a number of local authorities which continue to use the fractional system.

Figure 4.2 looks at changes in rent payable for changes in net income over a range of income levels. For example, point (A) in figure 4.2 shows that when net income increases from £168 per week to £179 per week, an increase of £11, it will lead to an increase in rent of £8 for the Tullamore rental scheme but only £2 under the Dublin Corporation rental scheme.

The problem with the rent fraction method is apparent. The peaks in the lower graphs in figure 4.2 show potential areas of poverty traps and these are more prevalent in the fractional system. The Tullamore differential rent scheme highlights this potential problem where at one point (around a net income level of £180) the increase in rent almost exceeds the increase in net income. In contrast, the Dublin Corporation scheme uses the proportional system which provides for a more gradual increase in rent payable as net income rises (the exception to this is at the income level where the minimum rent becomes non applicable). As a result the proportional approach avoids the creation of poverty traps.

**Figure 4.2 The Existence of Poverty Traps in Differential Rent Schemes**

One other difference of note in figure 4.1 and table 4.1 is the extent and range of incomes over which the minimum rent is payable (i.e. the range of incomes over which the graph remains flat). These differ across the local authorities. For example, the minimum rent is high in Wicklow Urban district (£9.25) but it is applicable over a wider range of incomes (up
to £110). In contrast, in Tullamore Urban district, the minimum rent is low at £5.00 but is only applicable for incomes up to £79. In addition, table 4.1 shows that the minimum rent payable in some areas is not dependent on the size of the dwelling. For example, in Youghal the minimum rent is £8 for all categories of dwelling, while in Tullamore there are five different levels of minimum rent which vary according to size of dwelling.

It was noted above that there is some inconsistency in the treatment of FIS. Of the six rent schemes examined, three - Dublin Corporation, Waterford and Tullamore - include FIS as assessable income. Figure 4.3 illustrates the impact on rent payable for a family in receipt of FIS. It demonstrates that rent is substantially increased over the income ranges within which a FIS payment may be received.

Figure 4.3 The Impact of FIS on Differential Rents

Source: Goodbody Economic Consultants

Overall, local differential rents can adversely impact on the incentive to work especially in situations where rent-fractions are used.

4.6 Christmas Bonus and Back to School Clothing and Footwear Allowance

Although the Back to School Clothing and Footwear allowance is a once-off payment, it is payable at the time of the year when expenditure needs of families are high. The allowance could therefore play a part in a person's decision to take up work. This might occur especially if the job offer comes during the period between July to September or if recipients put a value on this benefit in excess of its pure monetary value. The latter issue is further explored in Section 6.

A similar situation arises with the Christmas Bonus. This arises from the fact that although it is a small payment in terms of total annual payments received, it is a large payment during a period when family expenditure is high.
4.7 Retention of Secondary Benefits on Employment Programmes

4.7.1 Introduction

As indicated in Section 3.3, persons making the transition to subsidised employment (i.e. BTW, CE, Jobstart etc.) are able to retain their Secondary Benefits subject to an income ceiling, and a maximum payable Rent Supplement (or cap). However, there are some difficulties associated with the £250 income criteria for retention and the £250 cap. These are highlighted in the following paragraphs.

4.7.2 Income Limit for Retention

The weekly £250 income limit criterion is based on total gross income. That is, it includes earned income from employment or self employment, FIS, and the BTW allowance and CE payments where applicable. It is also independent of family size. The inclusion of income from all sources has the implication that the £250 limit is reached at very low earned income levels, especially for families. This is especially true for those on the first year 75 per cent BTW allowance rate.

For example, a person with an adult dependant and two child dependants gets a BTW allowance of just over £100 per week. In this situation, if earnings exceed £150 per week, Secondary Benefits are not retained. It should be noted that if the participant is in receipt of FIS, Secondary Benefits would be withdrawn at lower earned income levels.

The review of the BTW scheme shows that the average gross weekly earnings for participating males could be as high as £140 per week and £90 per week for females.\(^\text{11}\) Given that these are averages, a substantial proportion of male participants could exceed the £250 threshold for the retention of the Secondary Benefits. It was announced in the 1998 Budget that FIS is to be calculated on net earnings. This will have the impact of increasing the likelihood that the £250 gross limit will be exceeded at relatively low earned income levels.

The income limit has the potential to cause particular difficulties for the self-employed participants of the BTW, as income is irregular and may exceed £250 in one week but not the next. Alternatively, if income exceeds £250 per week in the first year and Secondary Benefits are not awarded, they may not have access to them in the second year, even though their income may be then less than £250 per week. The potential for this problem to arise is reflected in the fact that 33 percent of self-employed participants indicated that their earnings are irregular in nature.

Given the structure of BTW payments a similar situation could arise in the employee participants. In the first year, a BTW participant receives a 75 per cent payment and is more likely to exceed the £250 and lose their Secondary Benefits. However, in the second year there is a reduction in the BTW payment to 50 percent and the participant may then have gross income of less than £250.

4.7.3 Rent Supplement Cap

As the reasonable rent for families can be in excess of £400 per month, the cap of £250 placed on the Rent Supplement can create a monetary disincentive for persons with families.

\[^{11}\text{The review of the BTW found the average wage earned by males was £133.07 and the respective figure for females was £85.88. This based on information collected in 1995. “Developing Active Welfare Policy: An Evaluation of the Back to Work Allowance Scheme” (1997), WRC Social and Economic Consultants, commissioned by the Department of Social, Community and Family Affairs.} \]
to take up subsidised employment. A particular problem with both the income limits and rents caps is that they are independent of family circumstances. Because participants with families have larger housing requirements and pay higher rents, the cap is more likely to apply to them. This causes a significant disincentive for families to go into Community Employment (see Section 5) as many would not have significant earnings outside the scheme.

4.7.4 Transitions from Community Employment

Community Employment workers are now insured for Class A benefits. As a result, those who complete the programme and do not obtain work may qualify for Unemployment Benefit. As many Secondary Benefits (e.g. Fuel Allowance, Christmas Bonus and Butter Vouchers) are linked to long-term payments, former participants who claim UB do not have an entitlement to these benefits. The overall impact of this is to provide a disincentive to participating on the programme in the first place.

There is the potential for a significant number of participants to be affected in this way. The 1996 FAS Follow-up survey of former CE participants revealed that 26 per cent were unemployed.

4.8 Overview

The following issues have emerged from this review of gaps and anomalies in the approach to Secondary Benefits retention:

• there is concern as to whether the policy which currently applies to the Medical Card should be extended to some or all of the remaining benefits;

• those in receipt of the one parent family payment are not entitled to retain the Medical Card for a further three years on taking up insurable work. This provision would appear to be out of step with the thrust of policy in relation to lone parents;

• with regard to Medical Card retention, there are apparent inconsistencies in the treatment of those who take up part-time work while retaining a partial long-term assistance payment; anecdotal evidence suggests that some Community Welfare Officers are generally unaware of the provisions regarding retention of the Card.

• the extension of the Medical Card to those in employment has apparently caused confusion about duration of entitlement; while the length of retention is clear for those making the immediate transition to full-time work, the same does not hold for those taking up employment after a period in subsidised employment;

• the earnings of qualified adults are assessed for Medical Card eligibility purposes. This creates a monetary disincentive for spouses or partners of unemployment payment claimants to take up work;

• local differential rents can adversely impact on the incentive to work where rent-fractions are used, and where the minimum rent only applies over a small income range;

• some local authorities include income from FIS when assessing entitlement to the differential rent, and this means that the benefits of taking up FIS are partially offset by the increased rent payable.
5. Secondary Benefits and the Monetary Return from Work and Participation in Employment Programmes

5.1 Introduction

Significant changes have taken place over the last few years in the retention of Secondary Benefits for persons making the transition from unemployment to work or subsidised employment. This Section examines the role of Secondary Benefits in determining the monetary incentives to take up work. Section 4 identified some of the gaps and anomalies that have arisen in this provision. This section also measures the extent to which these gaps and anomalies give rise to monetary disincentives to take up work.

The next section outlines the methodology used to measure these monetary disincentives. Subsequent sections use this methodology to measure the monetary disincentives for a person making the following transitions:

- Unemployment to Full-Time Work;
- Unemployment to Part-Time Work;
- Unemployment to the Back to Work Allowance Scheme; and
- Unemployment to Community Employment.

5.2 Methodology

The main method used in the literature to assess the monetary incentives for persons moving from unemployment to work is to compare their income when they are unemployed with their prospective income at work. There are two approaches to measuring the difference between these two incomes. These are:

- **Replacement Ratio (RR):** this is the ratio of income received when unemployed to income when in work, where a value of less than one indicates an incentive to work.

\[
RR = \frac{\text{Income While Unemployed}}{\text{Income While At Work}}
\]

- **Net Gain from Work (NGW):** this is the absolute gain for an unemployed person taking up work, that is, it expresses the income change as a difference rather than a ratio.

\[
\text{NGW} = \text{(Income While at Work) less (Income While Unemployed)}
\]

In both cases, income while unemployed is calculated as the underlying social welfare payment plus the value of Secondary Benefits; income at work is net wages plus the value of any Secondary Benefits that are retained.

Appendix A4 outlines in more detail the individual components of these two measures. These two measures are calculated for different family types. The hypothetical examples used are as follows: single person; married couple; married couples with two and four children;
lone parents with one, two and four children. All calculations are based on 1997 tax and
social welfare rates, except where otherwise stated. A set of spreadsheet based models was
developed to illustrate the incentives facing the different family types with different social
welfare entitlements and at a range of prospective income levels. Only summary results are
presented in this report.

It is worth noting that there are limitations on the extent to which these measures can fully
depict the real monetary incentives to work. This is because the values assigned to Secondary
Benefits are based on nominal values and not on recipients' perceptions of these values. The
Medical Card is a particular example, and the difficulties associated with valuing the Medical
Card are discussed below.

5.2.1 Valuation of the Medical Card

There are special difficulties associated with assessing the impact of the Medical Card on the
incentive to work. These arise from two features that are particular to the Medical Card:

• the Medical Card does not involve any direct payment to the holder; and,

• it is only of benefit to the holder when there is a need (or potential) need to acquire
medical services.

The latter feature means that the value placed on the Medical Card may depend on the risk of
illness among the card holder and his dependants. There is a widely held view that people
place a contingent value on the Card much in excess of the value imputed from estimates of
average expenditure per cardholder. That is, the Medical Card is a form of insurance.

The average cost of the Card per eligible person in 1996 was £207. This figure is the total
expenditure on the GMS divided by the total number of eligible persons.

Some of the benefits of holding the Medical Card are excluded from the costing of the GMS
due a lack of accurate information. These include: the value of the exemption from statutory
charge for inpatient services; value of dental, ophthalmic and aural services and appliances;
maternity cash grant etc. It should be noted, however, that these would be relatively small in
comparison to the value of the main services provided under the GMS. Furthermore, the
value placed on the Medical Card did not consider the passport value of the Card (e.g.
waiving schools transport charges etc.).

On the other hand this average cost figure may over state the cost of providing a card to a
person considering making the transition to work (e.g. people under the age of 65). This is
because the average cost figure includes services provided to the elderly and persons on
Disability Benefit, Invalidity Pension etc., all of which are regarded as high user/high cost
categories of the GMS. Taking these factors into consideration the Working Group report on
the Integration of Tax and Social Welfare estimate that the cost of the Medical Card in terms
of work incentives is approximately £100 per person per annum.

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12 Based on the annual statistics of the General Medical Services Board
13 Services provided under the GMS includes GP and the cost of prescriptions.
It should be noted that where a person loses the Medical Card (i.e. becomes a category 2 person), it does not result in the complete withdrawal of medical services, as there are other community drug schemes in operation. It is difficult to incorporate all these factors into the calculation of Replacement Ratios and the Net Gain from Work measures. For the purposes of the calculations in this chapter the value of the Medical Card was based on two visits to the GP per year at £15 per trip and 2 prescriptions at £20 each. This method of calculating the value of the Medical Card was used by the INOU in their recent publication 'Welfare to Work'. Based on this methodology the weekly monetary value of the Medical Card per person was estimated to be £1.35, equivalent to an annual figure of £70.

Assigning values to the other Secondary Benefits does not pose as many difficulties and the values given to these other benefits are discussed in detail in Appendix A4.

5.2.2 Calculation of the Replacement Ratio

Box 5.1 shows a worked example of the replacement ratio calculation for a married couple with two child dependants where an unemployed person makes the transition to the BTW employment programme and has earnings of £7,000 per annum. In addition it is assumed the family resides in local authority housing. See Appendix A4 for a more detailed explanation of the individual components of the calculation.

5.3 Importance of Secondary Benefits

Table 5.1 shows the relative importance of each of the Secondary Benefits in monetary terms. Local Differential Rents are not included, as they do not constitute payments but rather subsidised rents. The Table illustrates the importance of the Rent Supplement. For persons in receipt of the Rent Supplement the value of Secondary Benefits can be worth over 50 per cent of the basic social welfare payment.

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This is particularly important for people who rely heavily on the card and have large medical expenses on a regular basis. Such schemes include the following:

- **Long Term Illness Scheme**: Persons suffering from a primary illness and who are not already in receipt of a Medical Card may obtain without charge, irrespective of income, the drugs and medicines for the treatment of that condition.

- **Drug Refund Scheme**: Persons whose expenditure on prescribed drugs and medicines in a specified three month period exceeds £90 are eligible to claim for a refund of their expenditure in excess of this amount. This also includes expenditure on dependents; and

- **Drug Cost Subsidisation Scheme**: This was introduced in 1990 for the benefit of persons who do not have a Medical Card or on the Long term illness scheme and are certified as having a regular on-going requirement for prescribed medicines costing in excess of £32 per month. The difference between this scheme and the Drug Refund Scheme is that the former doesn’t cover dependents.

These schemes would be of particular relevance to families with dependents who regularly need medication. If the person or their dependents are eligible to any of these schemes the impact of withdrawing the Medical Card on the monetary incentive to take-up work will not be as great.

Box 5.1 The Replacement Ratio Calculation for a Married Couple with Two Child Dependents

<table>
<thead>
<tr>
<th>Income While Unemployed</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Social Welfare Payment</td>
<td>6,963</td>
</tr>
<tr>
<td>Child Benefit</td>
<td>720</td>
</tr>
<tr>
<td><strong>Secondary Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>Medical Card</td>
<td>279</td>
</tr>
<tr>
<td>National and Smokeless Fuel Allowances</td>
<td>208</td>
</tr>
<tr>
<td>Back to School Clothing and Footwear Allowances</td>
<td>101</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>23</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total Secondary Benefits</strong></td>
<td>705</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>8,388</td>
</tr>
<tr>
<td><strong>Less Other Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Differential Rent</td>
<td>603</td>
</tr>
<tr>
<td>Job Search Costs</td>
<td>115</td>
</tr>
<tr>
<td><strong>Total Income While Unemployed</strong></td>
<td>7,670</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income While at Work</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income from Work</td>
<td>7,000</td>
</tr>
<tr>
<td>Less Taxes</td>
<td>128</td>
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<tr>
<td><strong>Net Income from Work</strong></td>
<td>6,872</td>
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<td><strong>Other Income</strong></td>
<td></td>
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<td>BTWA</td>
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</tr>
<tr>
<td>Child Benefit</td>
<td>720</td>
</tr>
<tr>
<td><strong>Secondary Benefits</strong></td>
<td></td>
</tr>
<tr>
<td>Medical Card</td>
<td>279</td>
</tr>
<tr>
<td>National and Smokeless Fuel Allowances</td>
<td>208</td>
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<tr>
<td>Back to School Clothing and Footwear Allowances</td>
<td>101</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>23</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total Secondary Benefits</strong></td>
<td>705</td>
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<tr>
<td><strong>Total Income</strong></td>
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<tr>
<td><strong>Less Other Expenses</strong></td>
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<tr>
<td>Differential Rent</td>
<td>603</td>
</tr>
<tr>
<td>Job Search Costs</td>
<td>577</td>
</tr>
<tr>
<td><strong>Total Income while at work</strong></td>
<td>12,339</td>
</tr>
</tbody>
</table>

Net gain From Work (Per Annum) | £4,669 |
Replacement Ratio | 62.2% |
### Table 5.1  The Importance of Secondary Benefits

<table>
<thead>
<tr>
<th>Breakdown of Secondary Benefits (%)</th>
<th>S</th>
<th>S+SWA</th>
<th>S+LA</th>
<th>M+SWA</th>
<th>M+LA</th>
<th>M+2+SWA</th>
<th>M+2+LA</th>
<th>M+4+SWA</th>
<th>M+4+LA</th>
<th>LP+1+SWA</th>
<th>LP+1+LA</th>
<th>LP+2+SWA</th>
<th>LP+2+LA</th>
<th>LP+3+SWA</th>
<th>LP+3+LA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
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<td>National fuel Scheme</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
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<td>Smokeless Fuels</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
<tr>
<td>Back to School Clothing and Footwear Allowance</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
<tr>
<td>Supplementary rent/mortgage</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>3.50</td>
<td>56.68</td>
<td>9.42</td>
<td>48.60</td>
<td>7.77</td>
<td>64.56</td>
<td>10.12</td>
<td>57.17</td>
<td>11.70</td>
<td>5.85</td>
<td>58.94</td>
<td>10.69</td>
<td>82.24</td>
<td>11.86</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
The next most important Secondary Benefit is the Medical Card. All the other Secondary Benefits are relatively unimportant in monetary terms compared to the Rent Supplement and the Medical Card. It should be noted that these other benefits are not all year round payments (with the exception of the Butter Vouchers) so they can be significant payments in monetary terms when they are received. For example, the Christmas bonus is worth 70 per cent of the underlying weekly social welfare payment but on an annualised basis it is not worth much relative to the Medical Card and Rent Supplement.

5.4 Unemployment to Full-Time Work

Table 5.2 show the RR and NGW for persons who are in receipt of a long-term social welfare payment (UA or one-parent family payment) and seeking to enter open market employment. For illustration purposes, it is assumed that the recipient’s prospective income is half the average industrial wage (i.e. £142.50 per week).

Figure 5.1 extends this analysis by showing how the NGW changes with different levels of weekly earnings. The vertical axis shows the net gain per week or the extent to which the person is better off working. The horizontal axis shows a range of possible weekly earnings.

With respect to a married couple with two children and in receipt of Rent Supplement, the second part of Figure 5.1 shows that there is a net gain from working only if gross earnings exceed £269 per week i.e. at the point where the graph crosses the break-even line.

The main findings of figure 5.1 and Table 5.2 are as follows.

**Unemployment Assistance Recipients**

High prospective earned income levels are required to create an incentive to work for most family types, although this does not apply to single persons. For example, to be £40 per week better off, a married couple with 2 child dependants in local authority housing would require gross income levels of over £250 per week (this compares to an average industrial wage of approximately £285 per week).

The Rent Supplement has a major impact on the monetary incentives to take up work. For example, at half the industrial wage, the NGW for a single person living at home (i.e. in receipt of no housing support) is over £32 per week. This compares to just £2 for a single person who was previously in receipt of the supplement. The reason for this difference is the complete withdrawal of the Rent Supplement when a person takes up full-time employment (work in excess of 30 hours).

The local authority differential rent scheme has a less adverse impact on the incentives to take up work than the Rent Supplement. For example, a married couple who are in receipt of the Rent Supplement would be financially worse off by the amount £33.79 per week if they took up work. This compares to a person being better off by £6.41 (an absolute difference of over £40 per week), if they reside in local authority housing.

The adverse impact of the Rent Supplement increases significantly with family size. This demonstrates the benefit of the tapering method used by differential rents, compared to the

---

17 In the tables a single person is denoted as ‘S’ and a married person as ‘M’. A married person with two children and in receipt of the Rent Supplement is denoted as M+2+Rent Sup and so on.
complete withdrawal method under the Rent Supplement system. Such a tapering method reduces the monetary disincentives to take up work.

Table 5.2 shows the magnitude of RR/NGW for persons retaining and not retaining the Medical Card on the transition to work. Given the small actual value placed on the Medical Card the impact of its retention on the monetary benefit of taking up work is shown to be minimal in Table 5.2. As a result it would appear not to have a major impact on the incentives to take up work. This is shown in Table 5.2 where monetary incentives to take-up work are only marginally improved by the retention of the card. For example, the NGW for a married couple is £6.41 with retention and £3.73 without retention of the Medical Card. However, this ignores the fact that people may place a high contingent value on the card due to the fact that even though it may not be used much, it acts as an insurance against future illnesses, especially if they have child dependants. That is, there is a comfort element, as well as a monetary element, in having the card.

Even at high gross income levels the extent to which a person is financially better off in taking up work is minimal. If a recipient were to place a high option value on the Medical Card or has a high perceived value of the other Secondary Benefits then some of these monetary benefits may not be observed by the recipient.

Table 5.2 Replacement Ratios For Person Seeking Full-Time Employment

<table>
<thead>
<tr>
<th>Unemployed:</th>
<th>With Retention of Medical Card</th>
<th>Without Retention of Medical Card</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RR (%)</td>
<td>NGW (£)</td>
</tr>
<tr>
<td>S</td>
<td>63.87</td>
<td>38.26</td>
</tr>
<tr>
<td>S+Rent Sup.</td>
<td>96.42</td>
<td>2.36</td>
</tr>
<tr>
<td>S+LA Rent</td>
<td>70.68</td>
<td>27.06</td>
</tr>
<tr>
<td>M+Rent Sup</td>
<td>147.10</td>
<td>-33.79</td>
</tr>
<tr>
<td>M+LA Rent</td>
<td>94.25</td>
<td>6.41</td>
</tr>
<tr>
<td>M+2+Rent Sup</td>
<td>254.75</td>
<td>-91.71</td>
</tr>
<tr>
<td>M+2+LA Rent</td>
<td>114.35</td>
<td>-18.51</td>
</tr>
<tr>
<td>Lone Parents with one Child:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living at Home</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With Rent Sup.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With LA Rent</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Goodbody Economic Consultants
Figure 5.1  Monetary Benefit of Moving from Unemployment to Full-Time Employment (£)

Single Person

Married Couple plus 2 Child Dependents
Lone Parents

The recent changes in the means test, means that lone parents who live at home now have a strong incentive to work. A lone parent with one child in this situation would be £93 per week better off working at half the average industrial earnings. However, where the lone parent is in rent supplemented accommodation, the NGW reduces to just over £13 per week. This is a very small incentive and would disappear altogether, if a lone parent in this situation were to put a high value on the Medical Card. A lone parent in local authority housing has an incentive of approximately £37 per week, which may not be sufficient in practice to encourage job seeking.

Impact of FIS

Table 5.3 shows the impact of FIS on the NGW. Although FIS improves the incentives to take up work it still can not compensate for the loss of the Rent Supplement. A family with 2 child dependants in receipt of the Rent Supplement will still be worse off by the amount £32.56 per week (compares to £91.71 when not getting a FIS payment) if they took up work. This compares to a family in local authority housing being better-off by £32.24 per week. Again, this demonstrates the advantages of the tapering system used in calculating differential rents.
Table 5.3 The Impact of FIS on the Incentives to take up Open Employment

<table>
<thead>
<tr>
<th></th>
<th>1/2 Average Industrial Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With Retention of Medical Card</td>
</tr>
<tr>
<td></td>
<td>RR (%)</td>
</tr>
<tr>
<td>M+2+Rent Sup+FIS</td>
<td>127.50</td>
</tr>
<tr>
<td>M+2+LA Rent+FIS</td>
<td>82.06</td>
</tr>
</tbody>
</table>

Source: Goodbody Economic Consultants

5.4.1 The Impact of the Budget on the Transition to Work

This section looks at the extent to which the 1997 Budget will change the incentives for the unemployed to take up work. The main changes in the Budget may be categorised as follows:

- **General tax changes**: Reductions of 2 per cent in the standard and high tax rates to 24 and 46 per cent respectively; increase in the personal allowance of £250 (this increase also applies to one parent families) for a single person and £500 for a married couple; the standard income band is to be widened by £100 for a single person and £200 for a married couple; with regard to PRSI, the allowance is to increase to £100 per week for full rate contributors and the ceiling is to increase by £1,000 to £24,200;

- **Social Welfare Payments**: The personal rates of Unemployment Assistance and One Parent Family payments to be increased by £3. In relation to the former the Qualified Adult Allowance rate is to increase by £1.20;

- Under the Revenue Job Assist scheme from April 1998, long term unemployed persons and lone parents can avail of a special tax allowance and retention of secondary benefits on taking up a full time qualifying job. The special tax allowances are set out in Table 5.3 below. These allowances are reduced over a three year period. Qualifying persons can also retain the Medical card for 3 years from the date they return to work and retain other Secondary Benefits for 3 years provided gross household weekly income is less than £250. The scheme does not apply to those becoming self-employed.

Table 5.4 Special Tax Allowances for the Long-Term Unemployed

<table>
<thead>
<tr>
<th>Year</th>
<th>Extra Personal Tax Allowance</th>
<th>Child Tax Allowance for each Qualifying Child</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>£3,000</td>
<td>£1,000</td>
</tr>
<tr>
<td>Year 2</td>
<td>£2,000</td>
<td>£666</td>
</tr>
<tr>
<td>Year 3</td>
<td>£1,000</td>
<td>£334</td>
</tr>
</tbody>
</table>

Table 5.5 shows the first year impact of these changes for an unemployed person making the transition to open employment and receiving half the average industrial wage. Because of the fact that low income families are generally taxed on the marginal relief system, the impact of the Budgetary changes in tax allowances has relatively little impact on the incentive to work for those taking up low paid jobs. As a result, persons (and particularly single people) entering employment at relatively high wage levels stand to benefit most.

Because the Revenue Job Assist scheme provides for retention of secondary benefits, the scheme has the potential to substantially improve the incentive to work for those on Rent Supplement, for example.

It should be noted, however, that the scheme relates to full-time employees and does not benefit those taking up either part-time work or self-employment. If unemployed persons and
lone parents fully perceive the benefits of the scheme when assessing employment opportunities, then it will contribute significantly to reducing the incentives to taking up full-time paid employment arising from loss of Secondary Benefits. However, even after the introduction of the Budgetary change, certain groups, particularly families, still face high replacement rates arising from the structure of the income tax system.

Table 5.5 The Impact of the Unemployment Allowance in the First Year

<table>
<thead>
<tr>
<th></th>
<th>RR (%) -1997</th>
<th>RR (%) -1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>64</td>
<td>58</td>
</tr>
<tr>
<td>S+ Rent Sup</td>
<td>96</td>
<td>55</td>
</tr>
<tr>
<td>S+LA Rent</td>
<td>71</td>
<td>56</td>
</tr>
<tr>
<td>M+ Rent Sup</td>
<td>147</td>
<td>90</td>
</tr>
<tr>
<td>M+LA Rent</td>
<td>94</td>
<td>90</td>
</tr>
<tr>
<td>M+2+ Rent sup</td>
<td>255</td>
<td>123</td>
</tr>
<tr>
<td>M+2+LA Rent</td>
<td>114</td>
<td>110</td>
</tr>
<tr>
<td>M+4+ Rent Sup</td>
<td>251</td>
<td>137</td>
</tr>
<tr>
<td>M+4+LA Rent</td>
<td>129</td>
<td>122</td>
</tr>
</tbody>
</table>

5.5 Unemployment to Part-Time Work

A recipient of Long-Term Unemployment Assistance can retain a full or part payment while working part-time or casually. Lone parents can retain their one-parent family payment in full if their income is below £115.38 per week. As recipients who are working part-time are still in receipt of a means tested payment, they are still entitled to the following four Secondary Benefits: National Fuel Allowance; Smokeless Fuel Allowance; Christmas Bonus; and Butter Vouchers. The retention of the remaining Secondary Benefits is subject to the benefits' respective income guidelines.

Figure 5.2 shows the monetary incentive to work for a single person and a lone parent with one child dependant. Figures for other family types are shown in Appendix A5.

Although part-time workers may receive a SWA Rent Supplement, Figure 5.2 clearly highlights the disincentive impacts of this Secondary Benefit when a recipient takes up part-time work. This arises from the £1 for £1 withdrawal of the Supplement when a person is in part-time work. In effect, the basic social welfare system provides an incentive to take up part-time work by the manner in which the reduced UA payment is calculated (that is, for every £1 a person earns their social welfare payment is reduced by approximately £0.60). However, this is offset by the way in which the Rent Supplement is withdrawn. As a result, UA recipients may be worse off in part-time work, while for a lone parent it greatly reduces the monetary benefit of taking-up work.

The benefits of a more gradual withdrawal of the payment is seen in Figure 5.2 by the way in which the LA differential rent scheme does not give rise to similar poverty traps. For example, a single person on Rent Supplement would have to be earning in excess of £50 per week to be financially better-off in part-time employment, while a person in local authority housing is nearly always better off.

It may also be noted that the difference in the graphs for a single person living at home and a single person living in local authority housing is minimal. This further highlights the benefit of the differential rent scheme over Rent Supplement in terms of how the rules of the respective schemes impact on the incentive to work.
The Rent Supplement has a similar impact on all other family compositions, see Appendix A5.

There is evidently confusion among both the public and administrators as to whether a person entering part-time work may retain the Medical Card. Retention may often be based on the income guidelines set out for the card (see Table 2.2). For a single person and married couples, this is likely to result in loss of the card, if they earn in excess of £85 per week.

**Figure 5.2 Monetary Benefit of Moving from Unemployment to Part-Time Employment (£)**

Source: Goodbody Economic Consultants

For those groups (i.e. married couples with child dependants) for whom the Medical Card is especially valuable, retention of the Card (based on income guidelines) is likely to be maintained up to reasonably high income levels. However, because lone parents are able to retain the full one parent family payment for earnings up to £115.38 per week, the situation is very different. As a result, they exceed the Medical Card income guidelines when part-time income exceeds £50 per week.
A similar situation arises with the *Back to School Clothing and Footwear Allowance* which is based strictly on income guidelines and whether the claimant is in receipt of a dependant child allowance on a Health Board or social welfare payment. Those on a reduced UA payment will continue to qualify for this Secondary Benefit even where part-time earnings are significant. However, lone parents will lose it almost immediately on taking-up part-time work.

### 5.6 Unemployment to Back to Work Allowance Scheme

The Back to Work Allowance scheme allows the long-term unemployed to take up work at the going wage and retain part of their original social welfare payment. They can retain their Secondary Benefits, providing gross income (wages plus BTW allowance plus FIS) is less than £250 per week. In addition the Rent Supplement it is capped at £250 per month (these entitlements were discussed in more detail in Chapter 3).

Table 5.6 shows the household composition of persons on the Back to Work Scheme. The majority (68%) of the entrants to the BTW are either married or living with a partner and there is a significant minority (23%) that are single with no dependants.

| Household Situation of Employees and self-employed Entrants to the BTW Scheme |
|-------------------|-----------|-----------|
| Employees | Self-Employed | Total |
| % | % | % |
| Single, No Children | 37.0 | 16.2 | 22.6 |
| Single, 1 Or more Dependent Children | 16.8 | 5.2 | 8.7 |
| Dependent Partner, No Dependent Children | 4.2 | 1.8 | 2.6 |
| Dependent Partner, 1 or more Dep. Children | 31.1 | 59.7 | 50.3 |
| Working Partner, No Dependent Children | 0.8 | 2.6 | 2.1 |
| Working Partner, 1 or more Dep. Children | 8.4 | 11.8 | 10.8 |
| Other | 1.7 | 3.7 | 3.1 |
| Total | 100.0 | 100.0 | 100.0 |


Figure 5.3 and Table 5.7 show the monetary benefit for specific groups of people making this transition from unemployment to the BTW scheme. The diagrams clearly show that the BTW scheme is generally a well structured programme and solves many of the poverty traps experienced by persons going into open employment, especially for those earning low incomes.

In order to gauge the impact of retention of secondary benefits, Table 5.7 sets out the RRs that would obtain if the retention of Secondary Benefits was not a feature of the scheme. That is, if retention of Secondary Benefits were subject to the usual criteria and therefore retention was not guaranteed. The replacement rates for this hypothetical case are shown in the last two columns of the table while the second and third columns show actual rates that prevail for persons going onto the BTW. Table 5.7 therefore shows the impact of being able to retain Secondary Benefits at levels prior to participation on the BTW.

Overall, the retention of Secondary Benefits has a large role to play in improving the incentives for participating in the scheme. This is especially true, if the participant is in private rented accommodation and in receipt of the Rent Supplement. For example, the NGW from participating on the BTW for a married couple in receipt of the Rent Supplement...
is almost £100, when there is full retention of all Secondary Benefits. However, this is reduced to £44 per week when there is no retention of any Secondary Benefits (note these figures assume the person is getting the 75 per cent BTW allowance).

Table 5.7 The First Year Impact of the Retention of Secondary Benefits on the BTW Scheme

<table>
<thead>
<tr>
<th>With Retention</th>
<th>Without Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>RR (%)</td>
<td>NGW (£)</td>
</tr>
<tr>
<td>S</td>
<td>42.93</td>
</tr>
<tr>
<td>S+Rent Sup.</td>
<td>41.41</td>
</tr>
<tr>
<td>S+LA</td>
<td>42.05</td>
</tr>
<tr>
<td>M+Rent Sup.</td>
<td>52.26</td>
</tr>
<tr>
<td>M+LA</td>
<td>52.14</td>
</tr>
<tr>
<td>M+2+Rent Sup.</td>
<td>66.93</td>
</tr>
<tr>
<td>M+2+LA</td>
<td>62.15</td>
</tr>
<tr>
<td>LP+1</td>
<td>47.83</td>
</tr>
<tr>
<td>LP+1+Rent Sup.</td>
<td>58.70</td>
</tr>
<tr>
<td>LP+1+LA Rent</td>
<td>59.23</td>
</tr>
<tr>
<td>LP+2+Rent</td>
<td>80.99</td>
</tr>
<tr>
<td>LP+2+LA Rent</td>
<td>75.14</td>
</tr>
</tbody>
</table>

Source: Goodbody Economic Consultants

The impact is less for persons in local authority housing as even if they can not maintain rent payable at levels prior to being on the BTW, they still benefit from the differential rent scheme. However, the indirect benefit will not be to the same degree as the rent payable will increase with income. This demonstrates the importance of retaining the Rent Supplement, when participating on the BTW.

Figure 5.3 highlights some problems with the eligibility conditions for retaining Secondary Benefits for persons on the BTW. These are further explained below.

**Income limit for Retention**

The retention of Secondary Benefits is subject to the restriction that gross income must be less than £250 per week, where gross income includes wages, the Back to Work Allowance and any FIS payment that is received. The inclusion of these latter components mean that the £250 limit is reached at very low gross earned income levels, and, consequently, Secondary Benefits are lost.

The withdrawal of Secondary Benefits when gross incomes exceed £250 is indicated by the dip in the respective graphs. Given the typical wages that BTW employees earn (£140 for males and £90 for females, see Section 3), the £250 limit may be affecting many participants. Larger families are especially vulnerable because of their higher BTW entitlements and their higher rent costs. For example, figure 5.3 shows that a single person may retain their Secondary Benefits up to earned income levels of £200 per week, while the equivalent figure could be as low as £130 for a married couple with two child dependants. A further feature of the graphs is that when gross income exceeds £250 and Secondary Benefits are lost, the impact is greater for those in receipt of the Rent Supplement.
Figure 5.3 Monetary Benefit of Moving from Unemployment to the Back to Work Scheme (£)

Source: Goodbody Economic Consultants
Figure 5.3 shows that earned income would have to be at high levels, if BTW participants are to be compensated for the loss of Secondary Benefits. This is especially the case for those in receipt of a Rent Supplement. That is, the gross income range over which the NGW is low is substantial. For example, for a married couple on Rent Supplement the NGW is lower in the gross income range of £140 to £230 (i.e. the income range over which the dip occurs) That is, an increase of nearly £100 is required to leave them as well off as they were when they had the Secondary Benefits.

This dip starts at lower wage levels for larger families and the extent of the dip increases with family size. The latter problem arises from the fact that the income threshold is not related to family size and includes FIS payments. Similar problems arise in the case of lone parents with 2 child dependants or more.

The extent and location of the dip has implications for participants who seek wage increases while on the programme. For example, if a person is already close to the £250 gross income limit they would have to seek large increases in wages to ensure that they do not become financially worse-off as a result of the loss of Secondary Benefits. As a result, participants may not seek wage increases while on the BTW, and this may leave them on relatively low wages on completing the programme. This could have implications for the monetary incentives for continuing on in open market employment on leaving the BTW Scheme.

Rent Supplement Cap

Table 5.7 highlights the adverse impact that the £250 Rent Supplement cap places on large families, especially when compared to those on local authority differential rent schemes. For example, a married couple with 2 child dependants and in receipt of the Rent Supplement would have a NGW of almost £75 per week while a similar family in local authority housing would be £90 better-off. The difference between these two reflect the cap of the £250 on Rent Supplement, if there was no cap there would have been no difference in the NGW. This difference increases with family size as their Rent Supplement can be up to £400 per month.

5.7 Unemployment to Community Employment

Under the Community Employment Scheme, participants are paid a set weekly wage which is generally greater than the social welfare payment they formerly received. In addition, they can retain their Secondary Benefits provided their gross household income is less than £250 per week. It should be noted that this income cap those not apply to the Medical Card. The maximum Rent Supplement is restricted to £250 per month (these entitlements were discussed in more detail in chapter 3). Figure 5.4 and Table 5.8 show the extent to which certain groups of individuals will be financially better off in taking-up Community Employment. As was the case with table 5.7, the last two columns of table 5.8 shows the hypothetical case that would obtain if retention of Secondary Benefits were not a feature of the Community Employment programme.

The main findings of the figure 5.4 and Table 5.8 are as follows.

The retention of Secondary Benefits has a major role to play in making the CE programme financially beneficial to participants, especially for those in rented accommodation and in receipt of the SWA Rent Supplement. For example, a married couple is just over £6.45 better off when all Secondary Benefits are retained. However, if they were to receive just the
CE rate of payment, they would be £45.80 worse off if they had a Rent Supplement, or £4.20 worse off if they were residing in local authority housing.

Figure 5.4  The Monetary Benefit of Moving from Unemployment to the Community Employment Scheme (£)

Table 5.8  Impact of Retention of Secondary Benefits on Participation in Community Employment

<table>
<thead>
<tr>
<th>Type of Participant</th>
<th>With Secondary Benefits Retention</th>
<th>Without Secondary Benefits Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RR (%)</td>
<td>NGW</td>
</tr>
<tr>
<td>S</td>
<td>91.68</td>
<td>6.14</td>
</tr>
<tr>
<td>S+Rent Sup.</td>
<td>91.19</td>
<td>6.14</td>
</tr>
<tr>
<td>S+LA Rent</td>
<td>91.40</td>
<td>6.14</td>
</tr>
<tr>
<td>M+Rent Sup.</td>
<td>94.24</td>
<td>6.45</td>
</tr>
<tr>
<td>M+LA Rent</td>
<td>94.21</td>
<td>6.45</td>
</tr>
<tr>
<td>M+2+Rent Sup.</td>
<td>107.05</td>
<td>-9.94</td>
</tr>
<tr>
<td>M+2+LA Rent</td>
<td>96.55</td>
<td>5.26</td>
</tr>
<tr>
<td>M+4+Rent Sup.</td>
<td>105.88</td>
<td>-11.13</td>
</tr>
<tr>
<td>M+4+LA Rent</td>
<td>97.94</td>
<td>4.08</td>
</tr>
</tbody>
</table>

Source: Goodbody Economic Consultants

The £250 cap placed on the Rent Supplement has an adverse impact on families with children. For example, a family with 2 child dependants, if they are paying rent or a mortgage at the maximum permitted levels, would be almost £10 worse-off from participating on CE while a family with four child dependants in the same position would be £11 worse off.

Since gross income is unlikely to exceed £250 per week, participants in local authority housing can maintain their rent payment at the level that existed prior to their participation on the programme. This means that families in local authority housing will generally be better-
off from participating on CE. This is in contrast to those in receipt of the Rent Supplement, where the payment is capped at £250 per month.

Table 5.9 shows the monetary benefits for those in receipt of a one parent family payment who go on to Community Employment.

Table 5.9  Impact of Retention of Secondary Benefits on Participation in Community Employment: Lone Parents

<table>
<thead>
<tr>
<th>Type of Participant</th>
<th>With Secondary Benefits Retention</th>
<th>Without Secondary Benefits Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RR (%)</td>
<td>NGW</td>
</tr>
<tr>
<td>LP+1</td>
<td>55.18</td>
<td>74.94</td>
</tr>
<tr>
<td>LP+1+Rent Sup.</td>
<td>79.86</td>
<td>21.73</td>
</tr>
<tr>
<td>LP+1+LA Rent</td>
<td>71.59</td>
<td>34.94</td>
</tr>
<tr>
<td>LP+2+Rent Sup</td>
<td>78.06</td>
<td>30.65</td>
</tr>
<tr>
<td>LP+2+LA Rent</td>
<td>72.66</td>
<td>41.86</td>
</tr>
<tr>
<td>LP+4+Rent Sup.</td>
<td>173.36</td>
<td>-67.00</td>
</tr>
<tr>
<td>LP+4+LA Rent</td>
<td>111.50</td>
<td>-16.00</td>
</tr>
</tbody>
</table>

Source: Goodbody Economic Consultants

As lone parents can retain their one-parent family payment when on CE, the monetary benefits of participating on CE are much greater than those for married couples with child dependants. These significant incentives are reflected in the increasing trend for lone parents with child dependants to participate on the programme, see Table 5.10. However, lone parents with four child dependants do not have incentives to participate on the CE programme, this is due to the complete loss of Secondary Benefits as the retention of the one-parent family payment along with CE payment means that gross income exceeds £250 per week. It should be noted that the number of one parent families in this category is very small. For example in 1996 only 6 per cent of those in receipt of the one-parent family allowance had four or more children. In contrast there was 63 per cent with only one child.

Table 5.10 Dependency Status of Participants on Community Employment

<table>
<thead>
<tr>
<th>Dependency Status</th>
<th>Participants (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without Dependants</td>
<td>49</td>
</tr>
<tr>
<td>Adult Dependant Only</td>
<td>6</td>
</tr>
<tr>
<td>Child Dependant Only</td>
<td>20</td>
</tr>
<tr>
<td>Adult and Child Dependants</td>
<td>25</td>
</tr>
</tbody>
</table>

5.8 Conclusions

5.8.1 Importance of Secondary Benefits

For persons in receipt of the Rent Supplement the value of Secondary Benefits can be worth over 50 per cent of the basic social welfare payment. The next most important Secondary Benefit is the Medical Card. All the other Secondary Benefits are relatively unimportant in monetary terms compared to the Rent Supplement and the Medical Card.
5.8.2 Transitions to Full-Time Work

For recipients of Unemployment Assistance, high prospective earned income levels are required to create an incentive to work for most family types, although this does not apply to single persons.

The Rent Supplement has a major impact on the monetary incentives to take up full time work. The reason for this is the complete withdrawal of the Rent Supplement when a person takes up full-time employment (work in excess of 30 hours). Although FIS improves the incentives to take up work it does not compensate for the loss of the Rent Supplement.

The local authority differential rent scheme has a less adverse impact on the incentives for unemployed persons to take up work than the Rent Supplement, as access to subsidised rents is not withdrawn on taking up work.

The recent changes in the means test, means that lone parents who live at home now have a strong incentive to work. For those in private rented accommodation, however, withdrawal of the Rent Supplement remains a problem.

Because the Revenue Job Assist scheme, which was introduced in April 1998, provides for retention of secondary benefits, the scheme has the potential to substantially improve the incentive to work for those on Rent Supplement, for example. If unemployed persons and lone parents fully perceive the benefits of the scheme when assessing employment opportunities, then it will contribute significantly to reducing the disincentives to taking up full-time paid employment arising from loss of Secondary Benefits. It should be noted, however, that the scheme relates to full-time employees and does not benefit those taking up either part-time work or self-employment.

Even after the introduction of the Budgetary changes, certain groups, particularly families, still face high replacement rates arising from the structure of the income tax system.

5.8.3 Transitions to Part-Time Work

Recipients can retain their social welfare payment in part or in full when taking up part-time work. They also retain entitlement to the National and Smokeless Fuel Allowances, the Christmas Bonus, and Butter Vouchers. Other secondary benefits such as Rent Supplement may be retained, subject to income levels. Because of these factors, and the recent easing in the means tests as they affect both part-time workers and lone parents, the disincentive to take up part-time jobs is considerably less than for full-time jobs.

The Rent Supplement continues to present problems. This arises from the £1 for £1 withdrawal of the Supplement as earnings increase. There is evidently confusion among both the public and administrators as to whether a person entering part-time work may retain the Medical Card. Retention may often be based on the income guidelines set out for the card.

5.8.4 Transitions to Employment Schemes

The Back to Work Allowance scheme allows the long-term unemployed to take up work at the going wage and retain part of their original social welfare payment. They can retain their Secondary Benefits, providing gross income (wages plus BTW allowance plus FIS) is less than £250 per week. The BTW scheme is generally a well structured programme and solves many of the poverty traps experienced by persons going into open employment, especially for those earning low incomes.
The retention of Secondary Benefits is subject to the restriction that gross income must be less than £250 per week, where gross income includes wages, the Back to Work Allowance and any FIS payment that is received. The inclusion of these latter components mean that the £250 limit is reached at very low gross earned income levels, and, consequently, Secondary Benefits are lost.

Under the Community Employment Scheme, participants are paid a set weekly wage which is generally greater than the social welfare payment they formerly received. In addition, they can retain their Secondary Benefits provided their total income is less than £250 per week. It should be noted that this income cap those not apply to the Medical Card.

The £250 cap placed on the Rent Supplement has an adverse impact on families with children. For example, a family with 2 child dependants would be almost £10 worse-off from participating on CE while a family of four child dependants would be £11 worse off.
6. Secondary Benefits - Incidence, Perceptions, Valuations and Behavioural Impacts

6.1 Introduction

The impact of Secondary Benefits on the incentive to take up work or employment schemes depends on a number of factors. The first of these is the incidence of Secondary Benefits among the population of unemployed people. The qualifying conditions for some Secondary Benefits are such that virtually all unemployed persons are entitled to them. The Christmas Bonus is a case in point. Others, by their nature, are directed at particular groups e.g. the Back to School Clothing and Footwear Allowance, which is of course available only to those with dependent children. The greater the incidence of Secondary Benefits among the unemployed, the greater is the potential impact on incentives. Also, for individuals in receipt of several Secondary Benefits, disincentive effects are likely to be greater.

Secondly, Secondary Benefits will have a greater impact if recipients place a high value on them. An important point to consider in this regard is whether recipients place a value on benefits which is in excess of the nominal cash value of the benefit to them. The Medical Card is often cited as a benefit, on which recipients put a value much in excess of the costs that the card allays.

Thirdly, the impact which Secondary Benefits have on incentives depends on the recipient’s perception of their entitlement to Secondary Benefits. One the one hand, recipients may falsely believe that they can retain benefits on taking up work or participating in an employment schemes. If this is the case, even Secondary Benefits which are highly valued will not impact on incentives. In contrast, some Secondary Benefits, such as the Medical Card are available to certain recipients on taking up work. If recipients are not aware of their entitlement to retain benefits, then Secondary Benefits may impact significantly on incentives. This section explores these issues.

6.2 Survey of Recipients of Unemployment Assistance

The information presented in this section is largely based on a survey of recipients of unemployment assistance. This survey consisted of interviews with 260 recipients of Unemployment Assistance carried out at five local offices of the Department of Social, Community and Family Affairs. The interviews were based on a structured questionnaire which profiled the recipients and obtained information on their entitlement to and perception of Secondary Benefits. Details of the survey methodology are presented in Appendix A.8 and the questionnaire used is in Appendix A.9

Although the surveys were conducted at offices in Dublin and Louth, the survey results were weighted to reflect the distribution of claimants nationally by dependency status (i.e. single with no dependants, with adult dependant only, and so on). It should also be noted that given the relatively small size of the sample, particularly for subgroups, results should be taken as indicative only.

6.3 Profile of Unemployment Assistance Recipients

Some 28 per cent of the respondents were on Short Term Unemployment Assistance, with 72 per cent being long term claimants. Only 9 per cent were in receipt of part time unemployment assistance payment. Almost 52 per cent of respondents had been unemployed
for more than three years. Just over 7 per cent had working spouses, of whom the majority (61 per cent) were working part-time.

Seventy per cent of respondents were male. Almost 77 per cent were between the ages of 21 and 50 years. Educational achievement of the respondents was relatively poor, with just under 11 per cent having experience of third level education, while 66 per cent did not reach Leaving Certificate or equivalent standard.

32 per cent of respondents had dependent children, with 29 per cent of these having 4 or more children.

The living arrangements of Unemployment Assistance recipients has a significant impact on their entitlement to Secondary Benefits and particularly housing benefits. Table 6.1 sets out the results in this regard. While it is clear that a majority of recipients are in living arrangements that might qualify for housing support subject to the various eligibility criteria, a sizeable minority (36 per cent) would not. The proportion of recipients living with their parents (almost 30 per cent) is noteworthy.

Table 6.1 Living Arrangements of Unemployment Assistance Recipients

<table>
<thead>
<tr>
<th>Living Arrangement</th>
<th>Proportion of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living with Parents</td>
<td>29.5</td>
</tr>
<tr>
<td>Private Rented</td>
<td>23.8</td>
</tr>
<tr>
<td>Local Authority Rented</td>
<td>21.9</td>
</tr>
<tr>
<td>Own House</td>
<td>16.8</td>
</tr>
<tr>
<td>Temporary (Caravan etc.)</td>
<td>4.0</td>
</tr>
<tr>
<td>Living with Friends or Relatives</td>
<td>1.8</td>
</tr>
<tr>
<td>Hostel</td>
<td>1.1</td>
</tr>
<tr>
<td>Other*</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*This refers to cases where living arrangements were not specified.

6.4 Incidence of Secondary Benefits

Table 6.2 sets out the proportion of respondents in receipt of each Secondary Benefit. In each case, the figures are based on recipients' perception of whether they are in receipt or not, so that it is possible for incorrect responses to occur. However, it is comforting to note that very few respondents professed to not knowing whether they were in receipt or not.
Butter Vouchers and the Christmas Bonus are the Secondary Benefits most widely held, with over 90 per cent of respondents benefiting. This is because they are available to virtually all social welfare recipients. The next most prevalent benefit is the Medical Card, which is held by 75.6 per cent of recipients. Only 15.5 per cent of respondents had Rent or Mortgage Supplements. Fairly similar proportions of single people and people with dependants were availing of these supplements. In contrast, whereas 20.9 per cent of all respondents were paying a local authority Differential Rent, almost half of respondents with dependants were in this category. This is consistent with the fact that local authority housing is rarely made available to single people without dependants. Some 45 per cent of respondents were in receipt of the Fuel Allowance. This reflects that fact that a significant proportion of the sample were either not head of households, were on short term payments, or failed the living alone condition.

The Back to School Clothing and Footwear Allowance is received by 20.7 per cent of respondents. This seems low by comparison with the 32 per cent of respondents who had children.

Where UA recipients hold more than one Secondary Benefit, there is greater potential impact on incentives. The proportion of respondents who have both the Medical Card and a Rent and Mortgage Supplement is of especial interest, as these are the major Secondary Benefits in monetary terms. In fact 11.1 per cent of respondents were in receipt of both the Card and Rent Supplement and the equivalent for Mortgage supplements was 2.8 per cent. Thus, a total of 13.9 percent had both benefits. Where a person has a Rent or Mortgage supplement he or she is invariably also in receipt of a Medical Card.

### 6.5 Value Placed on Secondary Benefits

#### 6.5.1 The Medical Card

The returns of the General Medical Scheme show that the average monthly expenditure on GPs and prescriptions per eligible person was just £18 in 1996.

The survey elicited details of the number of times in the last month the respondent or their family visited their General Practitioner and also on the number of occasions on which prescription drugs were obtained within the month. If a GP visit costs £15 and the average cost of a prescription is £20, then actual imputed monthly expenditure is estimated to be £31.50 per respondent. As there were just over two eligible persons per respondent, this indicates that the average monthly expenditure was approximately £15.50. Thus, the average monthly expenditure estimate for unemployed persons is only slightly below that for all eligible persons.

Respondents were asked to assess the monthly compensation which they would require to make up for the loss of the Medical Card. Table 6.3 sets out the value ranges that respondents were given and the proportion of respondents falling into each range. Almost half (47.6 per cent) of all respondents put a value of less than £20 per month on the Card. Given that there

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18 As 28 per cent of survey respondents were short term UA claimants who would not be entitled to the Christmas Bonus, the fact that 90 per cent of respondents indicated receipt of the benefit is surprising. One explanation could be that short term claimants had been previously in receipt of long term UA in a previous period of unemployment and were recalling this experience. Alternatively, it may reflect a general lack of awareness of precise entitlements.

19 According to GMS returns, the average cost per prescription form was £18 in 1996.
are two eligible persons per respondent, the Table does not support the view that respondent perceived valuations are in excess of their imputed expenditure levels.

Table 6.2 Proportion of Unemployment Assistance Recipients in Receipt of Secondary Benefits

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Proportion of All Single Respondents in Receipt of the Benefit (%)</th>
<th>Proportion of All Other Respondents in Receipt of the Benefit (%)</th>
<th>Proportion of All Respondents in Receipt of the Benefit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>67.9</td>
<td>84.7</td>
<td>75.6</td>
</tr>
<tr>
<td>SW Rent Supplement</td>
<td>12.4</td>
<td>11.9</td>
<td>12.7</td>
</tr>
<tr>
<td>SW Mortgage Supplement</td>
<td>3.8</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Local Authority Housing</td>
<td>2.5</td>
<td>53.4</td>
<td>20.9</td>
</tr>
<tr>
<td>Fuel Allowance</td>
<td>28.8</td>
<td>72.9</td>
<td>45.3</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>94.9</td>
<td>96.4</td>
<td>95.6</td>
</tr>
<tr>
<td>Back to School Clothing / Footwear</td>
<td>0.6</td>
<td>55.8</td>
<td>20.7</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>83.6</td>
<td>90.7</td>
<td>90.4</td>
</tr>
</tbody>
</table>

Table 6.3 Respondents' Reported Valuation of the Medical Card

<table>
<thead>
<tr>
<th>Value per Month</th>
<th>Proportion of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to £5</td>
<td>17.3</td>
</tr>
<tr>
<td>£6 - £10</td>
<td>7.8</td>
</tr>
<tr>
<td>£11 - £20</td>
<td>22.5</td>
</tr>
<tr>
<td>£21 - £50</td>
<td>30.9</td>
</tr>
<tr>
<td>Over £50</td>
<td>21.4</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
</tr>
</tbody>
</table>

6.5.2 Rent and Mortgage Supplements

Claimants in receipt of Rent and Mortgage Supplements were asked to report on the value of the allowances. The average weekly value of the Rent Supplement was £38.95, while that of the Mortgage Supplement was £62.63. The average weekly rent paid was £51.03.

The data on Rent Supplements may be checked against other sources. In 1994, the average weekly value of the Rent Supplement was estimated at £37.7 for the Dublin Health Board.
area. Fahey and Watson, in a survey of applicants for local authority housing who are currently in private rented accommodation estimated the average weekly Rent Supplement at £32 for recipients in all large urban areas for the same year.

6.5.3 Local Authority Rents

Only 5.4 per cent could not provide an estimate of their local authority rent payable. The average amount paid was £17.95 per week. It should be noted that this is an estimate of the rent paid and not the true benefit arising from the differential rent scheme.

6.5.4 Fuel Allowances

Respondents were asked how much they received in the form of Fuel Allowances each week. Only 3.2 per cent said that they did not know the value of the Fuel Allowances. The average reported value of the Fuel Allowance was £7.23 per week. The actual value of Fuel Allowances is either £5 or £8 depending on whether the recipient is entitled to the Smokeless Fuel Allowance as well as the National Fuel Allowance. Some 84 per cent gave a figure of £5 or £8. Only 3.8 per cent of respondents gave a value in excess of £8, while 6.2 per cent gave a value less than £5.

6.5.5 Butter Vouchers

When asked, 42.4 per cent of respondents could not put a value on Butter Vouchers. For those that could, the average value given to each butter voucher was £0.54, which is somewhat above its current value of £0.48.

6.5.6 Back to School Clothing and Footwear Allowance

Some 28 per cent of recipients could not provide an estimate of the value of this benefit to them. For those that could, the average reported value was £97.10 per month. The current rate of payment is £43 for a child aged 2 to 11 years, and £58 for older children.

Respondent households had 2.7 children on average. Where all the children were below 11 years of age, the entitlement of the average household would be £116.

6.5.7 Christmas Bonus

Respondents were asked to value this benefit in either absolute cash terms or as a percentage of their basic payment. Only 20 per cent opted for the latter approach. The proportionate values which this group expressed were translated into cash values by first estimating their basic payment and then multiplying by the proportionate estimate.

The estimated cash value of the Bonus to respondents was then put at £59.50.

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22 This figure would have to be compared to the economic rent to give an indication of the degree which people benefit from being on the scheme. Even then it would not embrace the wider benefits of tenancy for life, maintenance of accommodation, right to purchase etc... In addition the perceived primary benefit of the differential scheme is likely to be the granting of the local authority house and the associated entitlements rather than the subsidisation of rent.
6.5.8 Summary of Reported Values

Table 6.4 summarises the average value for each Secondary Benefit. In the case of local authority rents, the value is the average rent paid.

**Table 6.4 Average Reported Value of Each Benefit**

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Average Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card (monthly)</td>
<td>32.30</td>
</tr>
<tr>
<td>SW Rent Supplement (weekly)</td>
<td>38.95</td>
</tr>
<tr>
<td>Mortgage Supplement (monthly)</td>
<td>62.63</td>
</tr>
<tr>
<td>LA Rent Scheme (weekly)</td>
<td>17.95*</td>
</tr>
<tr>
<td>Fuel Allowances (weekly)</td>
<td>7.23</td>
</tr>
<tr>
<td>Butter Vouchers (per voucher)</td>
<td>0.54</td>
</tr>
<tr>
<td>Back to School Clothing &amp; Footwear All. (per year)</td>
<td>97.10</td>
</tr>
<tr>
<td>Christmas Bonus (per year)</td>
<td>59.50</td>
</tr>
</tbody>
</table>

*This figure is an estimate of the average rent paid for local authority housing and not the average benefit arising from being on the deferential rent scheme.

6.5.8 Ranking of Benefits

The above analysis indicates that, with some exceptions, most recipients can put a value on their Secondary Benefits, and that the value put is a plausible one. However, there is a possibility that there may be non-monetary aspects of some benefits, which may cause recipients to behave as if the value were greater.

In order to assess whether recipients may be putting a value on some benefits in excess of their monetary value, respondents were asked to rank, in order of importance, the benefits they currently receive.

It would be expected that ranking of benefits would be influenced by the annual value of the benefit to the recipient. The Christmas Bonus and the Back to School Clothing and Footwear Allowance are once-off payments of moderate value. Similarly, Butter vouchers, while paid monthly are relatively low in value. It would be expected that these would not rank highly. Fuel Allowances are paid weekly for 26 weeks and are worth more on an annual basis than any of the above payments to the average recipient. The annual value of the Medical Card is greater again while housing support has the greatest annual monetary value of all.

Table 6.5 presents the results. In each case, the figures refer to the proportion of recipients of the benefit who rank that benefit highly. For example, the table shows that 83.3 per cent of Medical Card recipients give it a ranking of one; 94.6 per cent rank it either first or second.

Broadly speaking, the rankings are as anticipated. The Medical Card and housing benefits score highly, with over 80 per cent of recipients ranking them first or second. Local authority rents are something of an exception however, with only 23.3 per cent of recipients ranking it first or second. The remaining benefits have a lower ranking, and this is particularly true of Butter Vouchers, for which only 12.2 per cent give it a first or second ranking.

To some extent, the ranking of a benefit is determined by the number of other benefits which the recipient has. Thus, the fact that the Medical Card has the highest ranking may simply reflect the fact that many recipients do not have housing support, and that therefore the Medical Card is being ranked against the minor Secondary Benefits.
To explore this issue more fully, the 15.5 percent of clients in receipt of both the Medical Card and the Rent or Mortgage Supplement were analysed.

Table 6.5   Ranking of Benefits

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Rank of 1 (%)</th>
<th>Rank of 1 or 2 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>83.3</td>
<td>94.6</td>
</tr>
<tr>
<td>SWA Rent Supplement</td>
<td>65.6</td>
<td>93.7</td>
</tr>
<tr>
<td>SWA Mortgage Supplement</td>
<td>42.8</td>
<td>85.6</td>
</tr>
<tr>
<td>Local Authority Rent Scheme*</td>
<td>8.9</td>
<td>23.2</td>
</tr>
<tr>
<td>Fuel Allowance</td>
<td>7.2</td>
<td>38.7</td>
</tr>
<tr>
<td>Butter Vouchers</td>
<td>2.5</td>
<td>12.2</td>
</tr>
<tr>
<td>Back to School and Footwear Allowance</td>
<td>6.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>5.7</td>
<td>38.6</td>
</tr>
</tbody>
</table>

*Given that the benefits of the scheme are not directly observable these figures need to be treated with caution. As a result it may be the granting of the local authority house and the associated entitlements which may be perceived as the primary benefit rather than the subsidisation of rent.*

Over sixty-two percent, (62.5%) gave the housing benefit a ranking of one while under forty seven percent (46.8%) gave the Medical Card a ranking of one.

These results support the view that respondents’ ranking of benefits generally follows the monetary values attached to them. There is, for example, no clear tendency to rank the Medical Card ahead of housing supports, where both are received.

6.6   Respondents’ Knowledge of Retention Entitlements

Existing provisions allow recipients to retain certain benefits on taking up full or part-time employment. In particular,

- persons who have been unemployed for more than one year may retain the Medical Card for three years on taking up insurable employment;

- persons in receipt of rent or mortgage supplement may retain these on taking up part-time employment, subject to a means test.

- persons in local authority housing and taking up either full or part-time employment retain their tenancy and the various accompanying entitlements, including subsidised rent, but the level of rent may increase depending on the level of income and the terms of the particular differential rents scheme.
6.6.1 Medical Card and Full-Time Employment

Some 75 percent of those surveyed received the Medical Card. For those over 1 year unemployed and entitled to retain the Medical Card, only 25% believed they would retain the Card on taking up full-time work, a further 21.5% believed retention would depend on earnings, while 39.6% incorrectly believed the would lose the Card. Over thirteen percent (13.9%) of respondents did not know their entitlement.

Of those unemployed for less than one year, 18.5 per cent incorrectly believed they would retain the Card.

Thus, there is a high level of unawareness among recipients of the Medical Card in terms of their entitlement to retain it. This unawareness extends both to those who have and those who do not have a retention entitlement.

6.6.2 Rent and Mortgage Allowances and Part-Time Employment

Persons taking up part-time work stand to have their Rent or Mortgage Supplements reduced, depending on their means. Respondents were asked whether they believed that in such circumstances their Rent Supplement would be retained in full, reduced or lost in entirety. Of those respondents with Rent Supplements, some 15 per cent of respondents did not know their entitlements while a further 23.3% believed incorrectly that they would lose their rent supplement entirely. Some 10.9% believed incorrectly that they would retain their full rent supplement. Taken together, this means that almost 50% of recipients were not aware of their true entitlement, while only 50 per cent correctly identified the fact that they would obtain a reduced rent supplement.

Recipients of Mortgage Supplement gave broadly similar responses, although the sample size for this group is very small.

6.6.3 Local Authority Housing and Full or Part-Time Employment

Persons benefiting from local authority rents have them increased, if their earnings rise on taking up work. Eighty-five percent of recipients stated that their rent would be affected if they took up work. Only a small proportion did not know their entitlement (5.7%) while 9.3 per cent falsely believed that their rent payment would be unaffected.

Thus, there would appear to be a relatively high level of knowledge of their entitlements, among local authority tenants.

6.6.4 Fuel Allowances, Butter Vouchers, Back to School Clothing and Footwear Allowances and Employment

Recipients of these allowances lose the allowance on taking up full-time work but retain it for part-time working, provided they continue to be entitled to a minimum UA payment. It is difficult to assess respondents' beliefs about retention via a questionnaire of limited length, as different work situations give rise to different entitlements. Respondents were asked whether they would still be entitled to this benefit on taking up work, and were given four reply options.

The results are set out in Table 6.6
Strictly speaking, the correct response to the question is that retention is possible but depends on earnings. Only a minority of respondents gave this response. However, it is possible that respondents had full-time employment in mind when answering the question. In which case, a negative response would be accurate. In any event, the responses suggest that recipients may not be aware of the possibilities of retention associated with part-time working.

Table 6.6 Perceived Entitlement to Retention

<table>
<thead>
<tr>
<th>Response</th>
<th>Fuel Allowances (%)</th>
<th>Back to School (%)</th>
<th>Butter Vouchers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>49.2</td>
<td>51.3</td>
<td>62.5</td>
</tr>
<tr>
<td>Yes</td>
<td>22.6</td>
<td>22.1</td>
<td>16.2</td>
</tr>
<tr>
<td>Yes, but depends on earnings</td>
<td>13.3</td>
<td>14.2</td>
<td>4.4</td>
</tr>
<tr>
<td>Don't Know</td>
<td>15.0</td>
<td>12.4</td>
<td>16.9</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

6.7 Job Search and Secondary Benefits

Respondents were asked to provide details of the number of jobs they had applied for in the previous six month period. Over seventy two percent had applied for at least one job during this period. Over a third had applied for more than five jobs. Table 6.7 sets out the distribution of respondents by number of jobs applied for.

Table 6.7 Job Search Activities

<table>
<thead>
<tr>
<th>Number of Jobs Applied for in last Six months</th>
<th>Proportion of Respondents %</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>27.2</td>
</tr>
<tr>
<td>Just One</td>
<td>6.3</td>
</tr>
<tr>
<td>Two</td>
<td>12.2</td>
</tr>
<tr>
<td>Three to Five</td>
<td>19.0</td>
</tr>
<tr>
<td>More than Five</td>
<td>35.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 6.8 sets out the reasons respondents gave for not applying for jobs. In interpreting the figure of 20.2 per cent in employment or training, it should be borne in mind that the survey included short term unemployed persons who could have been in employment within the last six months and part-time employees who have an entitlement to UA. It is not, therefore, indicative of the level of working and signing among UA recipients.

Of those who applied for jobs in the last six months, only 21.4 per cent of respondents received job offers: 14.2 per cent received one job offer and just over 7 per cent at least 2 job offers. Over three quarters (78.2%) of respondents did not receive any job offers.

Those who received job offers were asked why they did not take up the offer. Care must be taken in interpreting the results as the sample size is small (38 persons).
Less than two percent (1.5%) specifically highlighted loss of Secondary Benefits as a factor in refusing to take up employment. However, 35.1 per cent identified factors relating to monetary incentives. Of the latter, the reason most often cited was that of low wages offered. It is possible, therefore, that loss of Secondary Benefits was a factor in determining the

Table 6.8 Reasons for not Seeking Work

<table>
<thead>
<tr>
<th>Reason</th>
<th>Proportion of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In employment or training</td>
<td>20.2</td>
</tr>
<tr>
<td>None or poorly paid jobs</td>
<td>16.1</td>
</tr>
<tr>
<td>available</td>
<td></td>
</tr>
<tr>
<td>Too old/sick/pregnant</td>
<td>24.5</td>
</tr>
<tr>
<td>On caring duties</td>
<td>13.8</td>
</tr>
<tr>
<td>Inadequate education or</td>
<td>6.8</td>
</tr>
<tr>
<td>experience</td>
<td></td>
</tr>
<tr>
<td>Disaffected</td>
<td>10.8</td>
</tr>
<tr>
<td>Other</td>
<td>7.8</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 6.9 Reasons for not Taking Up a Job Offer

<table>
<thead>
<tr>
<th>Reason</th>
<th>Proportion of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job insufficiently attractive</td>
<td></td>
</tr>
<tr>
<td>(temporary, no career prospects etc.)</td>
<td>25.2</td>
</tr>
<tr>
<td>Inadequate monetary incentive</td>
<td>35.1</td>
</tr>
<tr>
<td>Job was gone or subsequently lost</td>
<td>16.5</td>
</tr>
<tr>
<td>Illness or old age</td>
<td>8.0</td>
</tr>
<tr>
<td>Too far from home</td>
<td>5.0</td>
</tr>
<tr>
<td>Other</td>
<td>10.2</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
</tr>
</tbody>
</table>
reservation wage of respondents and indirectly contributed to the decision not to take up the job offer. The median wage offered was £140 per week. Respondents were asked what wage they would have required to take up the job offer. The median reservation wage thus calculated was £208 per week, or just under 50 per cent above what was offered.

6.8 Secondary Benefits and Participation in Employment Programmes

6.8.1 Participation in Employment Programmes

Some 70 percent of respondents had not participated on any employment programme before. Community Employment was the scheme in which the largest proportion of respondents (5.9%) had participated. Table 6.10 shows the proportion of respondents participating in programmes. Over eighteen percent (18.1%) had participated in schemes related to skills improvement rather than employment programmes per se. For example, 12 percent of respondents had taken part in a FAS training course, 1 percent had completed CERT catering courses and a further 1 percent had completed driving improvement courses.

Table 6.10 Participation in Employment Programmes

<table>
<thead>
<tr>
<th>Employment Programme</th>
<th>Proportion of Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>70.1</td>
</tr>
<tr>
<td>Back to Work Allowance</td>
<td>2.2</td>
</tr>
<tr>
<td>Community Employment</td>
<td>5.9</td>
</tr>
<tr>
<td>Jobstart</td>
<td>2.3</td>
</tr>
<tr>
<td>Job Initiative</td>
<td>0.5</td>
</tr>
<tr>
<td>Part-Time Job Incentive Scheme</td>
<td>0.5</td>
</tr>
<tr>
<td>Other</td>
<td>18.5</td>
</tr>
<tr>
<td>All</td>
<td>100.0</td>
</tr>
</tbody>
</table>

6.8.2 Awareness of and Impact of Secondary Benefit Retention Possibilities

Participants on employment programmes can now retain their Secondary Benefits, but previously did not. Little research has been carried out on the importance of Secondary Benefits retention in taking up these schemes.

Duggan and Cosgrove (1994) in a sample survey of participants of employment programmes found that although almost half were aware that they may lose their Secondary Benefits but participated on the labour market programmes anyway. Furthermore, among those who had been previously unaware of such losses, the vast majority indicated that their participation would not have been deterred by prior knowledge of these.

The review of the BTW scheme found that over a third of respondents would have definitely participated if they could not have retained their Secondary Benefits and a further 22 per cent said they would probably have participated. Thirteen per cent said they would probably not have participated and 30 per cent said definitely not. In relation to the latter, 49 per cent stated the loss of income as a main reason and 43 per cent cited specifically the Medical Card.
In the survey conducted for this study, only 34 percent were aware, before starting on employment programmes, that they could retain their Secondary Benefits. Of these, one half indicated that they were influenced to participate by the fact that they could retain Secondary Benefits.

Of those that had not participated on a programme before, over half had not even considered taking part in an employment programme.

Those who had considered participating on one of the following programmes, Back to Work Allowance, Community Employment, Jobstart Work-Place, Job Initiative, Part-Time Job Incentive Scheme and Part-Time Job Opportunities were asked how the retention of Secondary Benefits would influence their decision to participate. A third said their decision would be very influenced, 39 percent somewhat influenced and 26 percent indicated no influence.

In general terms, it would appear that retention of Secondary Benefits plays a positive role in influencing participation. However, a significant number of would-be applicants are not aware of their entitlements in this regard.

6.9 Information Seeking and Secondary Benefits

6.9.1 Knowledge of the Secondary Benefits Concept

The information literature made available by the Department of Social, Community and Family Affairs uses the term 'Secondary Benefits', when explaining a recipient's entitlement to these add-on benefits. It is important, therefore, that recipients understand what is meant by this term. In order to test this, all respondents were asked to identify the benefits which they considered to be included within this term.

Only 2.6 percent of claimants professed no knowledge of which benefits were included as Secondary Benefits.

Table 6.11 Benefits considered to be Secondary Benefits

<table>
<thead>
<tr>
<th>Secondary Benefits</th>
<th>Proportion of Recipients who consider benefit a Secondary Benefit (%)</th>
<th>Proportion of Non Recipients who consider benefit a Secondary Benefit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Card</td>
<td>92.9</td>
<td>65.9</td>
</tr>
<tr>
<td>Rent Supplement</td>
<td>90.2</td>
<td>49.4</td>
</tr>
<tr>
<td>Mortgage Supplement</td>
<td>73.1</td>
<td>37.2</td>
</tr>
<tr>
<td>Local Authority Housing</td>
<td>31.7</td>
<td>61.3</td>
</tr>
<tr>
<td>Fuel Allowance</td>
<td>88.1</td>
<td>39.8</td>
</tr>
<tr>
<td>Butte Vouchers</td>
<td>86.2</td>
<td>36.7</td>
</tr>
<tr>
<td>Back to School Cloth &amp; Ft.</td>
<td>87.6</td>
<td>22.9</td>
</tr>
<tr>
<td>Christmas Bonus</td>
<td>60.9</td>
<td>25.2</td>
</tr>
</tbody>
</table>

Table 6.11 shows the percentages of those who considered each benefit a Secondary Benefit differentiated by whether they were in receipt of that benefit or not. In general, a higher percentage of those in receipt of a Secondary Benefit, consider it a Secondary Benefit. For example 92.9 percent of Medical Card holders consider it a Secondary Benefit while only
65.9 percent not in receipt of it consider it as such. The exception is Local Authority Housing. Only 31.7 percent of those in receipt of the Local Authority Rental Scheme believe it is a Secondary Benefit. This may be because claimants pay a reduced rent rather than actually receiving a payment.

6.9.2 Information Seeking

Because Secondary Benefits can be retained while participating in employment programmes, respondents were asked whether they sought information on retention entitlements and from whom. This question was asked separately of:

- those that had participated in an employment programme; and

- those that had considered so doing.

Taken together, 23.7 per cent of these respondents had sought information. FAS was the agency to which enquiries was most often directed, followed by the Department of Social Community and Family Affairs.

6.10 Conclusions

Butter Vouchers and the Christmas Bonus are the Secondary Benefits most widely held, with over 90 per cent of respondents reporting that they benefit. The next most prevalent benefit is the Medical Card, which is held by 75.6 per cent of recipients. Only 15.5 per cent of respondents had Rent or Mortgage Supplements.

Only 11.1 per cent of respondents were in receipt of both the Medical Card and Rent Supplement and the equivalent for Mortgage supplements was 2.8 per cent. Thus, a total of 13.9 percent had both benefits. Where a person has a Rent or Mortgage supplement he or she is invariably also in receipt of a Medical Card.

When recipients were asked to value their Secondary Benefits they generally put plausible values on them. There does not appear to be a strong tendency on the part of UA recipients to put a value on the Medical Card grossly in excess of the expenditure savings which it affords them.

Respondents’ ranking of benefits generally follows the monetary values attached to them. There is, for example, no clear tendency to rank the Medical Card ahead of housing supports, where both are received.

There is a lack of awareness among recipients of the Medical Card in terms of their entitlement to retain it. This unawareness extends both to those who have and those who do not have a retention entitlement.

There was a similar lack of awareness as to entitlement to retain Rent and Mortgage Supplements on taking up part-time employment. On the other hand local authority tenants had a good understanding of how their differential rents would be affected by taking up employment.

Over seventy two per cent of UA recipients had applied for at least one job in the last six months. Over a third had applied for more than five jobs. Over one-quarter of recipients had not applied for a job during this period.
Of those who applied for jobs in the last six months, only 21 per cent of respondents received job offers: 14 per cent received one job offer and just over 7 per cent at least 2 job offers. Over three quarters of respondents did not receive any job offers.

Less than two percent of those receiving job offers specifically highlighted loss of Secondary Benefits as a factor in refusing to take up employment. However, 35 per cent identified factors relating to monetary incentives. Of the latter, the reason most often cited was that of low wages offered. It is possible, therefore, that loss of Secondary Benefits was a factor in determining the reservation wage of respondents and indirectly contributed to the decision not to take up the job offer. The median wage offered was £140 per week. The median reservation wage was £208 per week, or just under 50 per cent above what was offered.

In general terms, it would appear that retention of Secondary Benefits plays a positive role in influencing participation on employment programmes. However, a significant number of would-be applicants are not aware of their entitlements in this regard.

Those in receipt of Secondary Benefits generally recognised them as such, with the exception of local authority rent and to a lesser extent the Christmas Bonus. Just under one-quarter of UA recipients had sought information on their Secondary Benefit entitlements. Most enquiries were directed to FAS offices.
7. Conclusions and Recommendations

7.1 Expenditure on Secondary Benefits

In 1997, total expenditure on Secondary Benefits was almost £470 million. This represents an 89 per cent increase on 1990 expenditure figures. The rate of growth in expenditure on Secondary Benefits exceeded that of total social welfare expenditure, which grew by 61 per cent over the same period.

Rent and Mortgage Supplements have been the main source of the increase in Secondary Benefits expenditure. Expenditure on Rent Supplement increased almost ninefold over the period from £8.6 to £75.3 million. Other areas of significant increase were the Medical Card (69%), Mortgage Supplement (181%), and the Back to School Clothing and Footwear Allowance (116%).

The above figures relate to all secondary benefit expenditure and not just that arising from support to lone parents and the unemployed.

7.2 Incidence and Importance of Secondary Benefits

The findings of the report relating to the incidence and importance of Secondary Benefits were derived from a survey undertaken for the purposes of this review.

Butter Vouchers and the Christmas Bonus are the Secondary Benefits most widely held, with over 90 per cent of recipients of Unemployment Assistance benefiting. This reflects the fact that these benefits are made available to UA recipients generally and are paid and distributed with the basic social welfare payment. The next most prevalent benefit is the Medical Card, which is held by 75.6 per cent of recipients. Only 15.5 per cent of recipients had Rent or Mortgage Supplements.

Only 11.1 per cent of Unemployment Recipients were in receipt of both the Medical Card and Rent Supplement and the equivalent for Mortgage supplements was 2.8 per cent. Thus, a total of 13.9 percent had both benefits. Where a person has a Rent or Mortgage supplement he or she is invariably also in receipt of a Medical Card.

For persons in receipt of the Rent Supplement the value of Secondary Benefits can be worth over 50 per cent of the basic social welfare payment. The next most important Secondary Benefits is the Medical Card. All the other Secondary Benefits are relatively unimportant in monetary terms compared to the Rent Supplement and the Medical Card.

When recipients of Unemployment Assistance were asked to value their Secondary Benefits they generally put plausible values on them. There does not appear to be a strong tendency on the part of UA recipients to put a value on the Medical Card grossly in excess of the expenditure savings which it affords them.

UA recipients’ ranking of benefits generally follows the monetary values attached to them. There is, for example, no clear tendency to rank the Medical Card ahead of housing supports, where both are received.

Those in receipt of Secondary Benefits generally recognised them as such, with the exception of local authority rent and to a lesser extent the Christmas Bonus. With regard to the local authority rent, this may reflect the fact that recipients do not recognise that although they pay
7.3 Impact of Secondary Benefits on the Monetary Incentive to Take up Work or Employment Schemes

7.3.1 Transitions to Full-Time Work

For recipients of Unemployment Assistance, high prospective earned income levels are required to create an incentive to work for most family types, although single persons are less affected.

For those in private rented accommodation, the Rent Supplement has a major impact on the monetary incentives to take up full-time work. The reason for this difference is the complete withdrawal of the Rent Supplement when a person takes up full-time employment (work in excess of 30 hours). Although FIS improves the incentives to take up work, it does not compensate for the loss of the Rent Supplement.

The local authority differential rent scheme has a less adverse impact on the incentives for unemployed persons to take up work than the Rent Supplement, as access to subsidised rents is not withdrawn on taking up.

The recent changes in the means test mean that lone parents who live at home now have a strong incentive to work. However, for those in private rented accommodation, withdrawal of the Rent Supplement remains a problem.

Because the Revenue Job Assist scheme, which was introduced in April 1998, provides for retention of secondary benefits, the scheme has the potential to substantially improve the incentive to work for those on Rent Supplement, for example. If unemployed persons and lone parents fully perceive the benefits of the scheme when assessing employment opportunities, then it will contribute significantly to reducing the disincentive to taking up full-time paid employment arising from loss of Secondary Benefits. It should be noted, however, that the scheme relates to full-time employees and does not benefit those taking up either part-time work or self-employment.

Even after the introduction of the 1997 Budgetary changes, certain groups, particularly families, still face high replacement rates arising from the structure of the income tax system.

7.3.2 Transitions to Part-Time Work

Recipients can retain their social welfare payment in part or in full when taking up part-time work. They also retain entitlement to the National and Smokeless Fuel Allowances, the Christmas Bonus, and Butter Vouchers. Other secondary benefits such as Rent Supplement may be retained, subject to income levels. Because of these factors, and the recent easing in the means tests as they affect both part-time workers and lone parents, the disincentive to take up part-time jobs is generally considerably less than for full-time jobs.

The Rent Supplement continues to present problems. This arises from the £1 for £1 withdrawal of the Supplement as earnings increase. There is evidently confusion among both the public and administrators as to whether a person entering part-time work may retain the Medical Card. Retention may often be based on the income guidelines set out for the card.
7.3.3 Transitions to Employment Schemes

The Back to Work Allowance scheme allows the long-term unemployed to take up work at the going wage and retain part of their original social welfare payment. They can retain their Secondary Benefits, providing gross income (wages plus BTW allowance plus FIS) is less than £250 per week. The BTW scheme is generally a well structured programme and solves many of the poverty traps experienced by persons going into open employment, especially for those earning low incomes.

With the exception of the Medical Card, the retention of Secondary Benefits is subject to the restriction that gross income must be less than £250 per week, where gross income includes wages, the Back to Work Allowance and any FIS payment that is received. The inclusion of these latter components mean that the £250 limit is reached at very low gross earned income levels, and, consequently, Secondary Benefits are lost. This is especially the case for families.

Under the Community Employment Scheme, participants are paid a set weekly wage which is generally greater than the social welfare payment they formerly received. In addition, they can retain their Secondary Benefits provided their total income is less than £250 per week. It should be noted that this income cap those not apply to the Medical Card.

The £250 cap placed on the Rent Supplement has an adverse impact on families with children. For example, a family with 2 child dependants, if they are paying rent or a mortgage at the maximum permitted levels, would be almost £10 worse-off from participating on CE while a family of four child dependants would be £11 worse off.

7.4 Awareness of Secondary Benefit Retention Possibilities

There is a lack of awareness among recipients of the Medical Card in terms of their entitlement to retain it. This unawareness extends both to those who have and those who do not have a retention entitlement.

There was a similar lack of awareness as to entitlement to retain Rent and Mortgage Supplements on taking up part-time employment. On the other hand, local authority tenants had a good understanding of how their differential rents would be affected by taking up employment.

7.5 Secondary Benefits, Job Search and Employment Participation

The survey conducted as part of this study indicated that over 72 per cent of UA recipients had applied for at least one job in the last six months. Over a third had applied for more than five jobs. Over one-quarter of recipients had not applied for a job during this period.

Of those who applied for jobs in the last six months, only 21 per cent of respondents received job offers: 14 per cent received one job offer and just over 7 per cent at least 2 job offers. Over three quarters of respondents did not receive any job offers.

Less than two percent of those receiving job offers specifically highlighted loss of Secondary Benefits as a factor in refusing to take up employment. However, 35 per cent identified factors relating to monetary incentives. Of the latter, the reason most often cited was that of low wages offered. It is possible, therefore, that loss of Secondary Benefits was a factor in
determining the reservation wage of respondents and indirectly contributed to the decision not to take up the job offer. The median wage offered was £140 per week. The median reservation wage was £208 per week, or just under 50 per cent above what was offered.

In general terms, it would appear that retention of Secondary Benefits plays a positive role in influencing participation on employment programmes. However, a significant number of would-be applicants are not aware of their entitlements in this regard.

7.6 Priorities for Reform

7.6.1 Overview

Under the current arrangements, the potential for retention of secondary benefits for people making the transition to full time work is confined to those who are long-term unemployed (i.e. 12 months or more). This recognises that people who are short-term unemployed have a significantly better chance of securing employment in the open market and the need for additional incentives is not as great a problem for this group. For the long-term unemployed, the Back-to-Work Allowance Scheme and the recently introduced Revenue Job Assist programme provide vehicles for the retention of secondary benefits. The primary remaining difficulties arising relate to the imposition of a weekly gross income limit and the Rent & Mortgage Supplement cap of £250 and these limit the effectiveness of the two schemes, particularly for families with children.

For those making the transition to part-time employment, the incentives are strong - particularly since changes in the means tests governing entitlement to Unemployment Assistance and the One-Parent Family Payment were introduced in recent years - but the £1 for £1 withdrawal of the Rent and Mortgage supplement represents a serious barrier.

For those engaged in labour market programmes of a part-time nature, e.g. CE, the key problems again relate to the imposition of a weekly gross income limit and the Rent and Mortgage Supplement cap of £250.

For those engaged in training programmes, (e.g. FÁS training courses) the key issue relates to entitlement to retain the Rent and Mortgage Supplement and the manner in which training and other related allowances are treated in the means test for these purposes.

7.6.2 Transitions to Full-Time Employment

With the introduction of the Job Assist scheme, retention of secondary benefits is available to those taking up full-time employment. While this scheme addresses the problem in relation to secondary benefit retention, disincentives to work at low incomes still apply, because of the operation of the tax system. This suggests that the Back to Work Allowance will be the preferred route for unemployed persons returning to low paid work and that ensuring availability of places on this scheme should continue to be a policy priority. In general terms, schemes which permit retention of both the basic payment (in part) and secondary benefits are more effective in addressing disincentive problems than tax based approaches which increase allowances or reduce tax rates.

Despite its drawbacks, the Job Assist scheme does reduce the level of concern with regard to the disincentive effects of secondary benefits on those taking up paid full-time employment.
While it excludes transitions to self-employment, it is felt that this issue would be better addressed through increased emphasis on the Back to Work Allowance rather than extension of the Job Assist Programme to cater for this group. The introduction of new schemes which have broadly the same aim as existing schemes gives rise to concern, and there is need for greater co-ordination in this regard (see Section 7.11 below).

7.6.3 Transitions to Part-Time Work

The priorities with regard to part-time work are firstly to ensure that policy in relation retention of the Medical Card is fully put into practice and secondly to address the disincentive arising from the reduction in the Rent Supplement. The latter could be addressed either by reform of the Rent Supplement scheme itself or by the introduction of a special scheme for those taking up part-time employment (see Section 7.9 below).

7.6.4 Transitions to Employment Schemes

The priority in relation to employment schemes is to address the problems arising from the £250 gross income ceiling and the Rent Supplement cap.

7.7 Equity Considerations and Secondary Benefits Entitlement

The entitlement to retain secondary benefits has been granted only to those who are making the transition from unemployment to work and for a limited period only. That is, all persons in low paid work do not benefit from these provisions. This gives rise to a situation whereby a low paid worker who has never been unemployed may not have access to secondary benefits, while another worker in exactly the same situation does. A similar problem exists with regard to participants in employment programmes, who are often working side-by-side with persons in open market employment.

These problems inevitably arise when only those making labour market transitions benefit from retention. They could be largely overcome by making Secondary Benefits available to all low paid workers. Such an approach would have considerable cost implications, as persons who currently do not have an entitlement to a basic social welfare payment would benefit.

The current approach is to limit the extent of the problems by preventing those on high incomes from retaining Secondary Benefits, and by limiting the duration of entitlement. This approach should be maintained. However, the income eligibility limits should be set at levels which ensure that the positive impact of Secondary Benefits retention, particularly for families, is maintained.

7.8 Specific Reform Measures

7.8.1 Part-Time Workers and the Medical Card

There are apparent inconsistencies in the treatment of those who take up part-time work while retaining a partial long-term Unemployment Assistance payment. Under current provisions, such persons should automatically benefit from retention of the Medical Card, provided they are in insurable employment (i.e. earning more than £30 per week). However, there is anecdotal evidence to suggest that in many cases part-time workers are not benefiting from
this arrangement. This should be addressed through appropriate explanatory memoranda and through enhanced publicity regarding retention of the Card (see Section 7.10 below).

7.8.2 Duration of Entitlement to Medical Card Retention

The extension of the Card to those in employment has apparently caused confusion about duration of entitlement. While the length of retention is clear for those making the immediate transition to full-time work, the same does not hold for those taking up employment after a period in subsidised employment. There is evidence of inconsistencies in the application of this provision across the health boards. The three year period is regarded as commencing on the programme or alternatively when the participant enters the open labour market after completion of the programme.

It is recommended that those taking up open market employment after completing the Community Employment programme be granted a further three year retention period. This would make the retention criteria less ambiguous for CE participants, and allow them to retain the Medical Card while they are trying to establish themselves in the open labour market. At present, former CE workers are at a disadvantage in this regard compared to long term UA recipients generally. It is estimated that this would cost £1.6m in the first year.

7.8.3 The Local Authority Differential Rent

There is no consistency across local authorities as to the inclusion of Family Income Supplement (FIS) in the income assessment. This has a significant impact on the families in this sector who are on low incomes and in receipt of FIS. It is recommended that the local authorities be advised of this problem, and urged to exclude FIS from their income assessment. Given the relatively low take-up of FIS, the costs of implementing this change are unlikely to be significant for any one local authority, and could be offset by minor adjustments to the rent schemes.

There are two systems used to calculate differential rents. The fractional method of calculating rent gives rise to poverty traps, when a tenant moves into a higher income band which commands a higher fraction of income to be paid in rent. As a result, increases in income may be largely absorbed by the increase in rent payable. Again, the local authorities should be advised of this problem and encouraged to adopt the proportional method of calculating rents. This could be achieved without a loss in revenue.

7.8.4 Part-Time Workers and Rent and Mortgage Supplements

The Rent and Mortgage Supplements cause problems for those taking up part time work. This arises because the supplement is reduced by £1 for every £1 earned above the full social welfare rate.

Given the monetary size of the Rent and Mortgage Supplement, the retention of this Secondary Benefit is potentially the most important factor in the decision of recipients to take up work. This is confirmed by the survey results which show that persons with both the Supplement and the Medical Card rank the former as the more important to them.

Two approaches to solving this problem present themselves.
Option 1: Reduce the withdrawal rate of the Rent Supplement from 100 per cent to 60 per cent for those in part-time employment. This will bring the withdrawal rate in line with the method used to calculate reduced UA payments.

The survey conducted for this study indicated that there are negligible numbers of UA recipients in receipt of Rent Supplement and in part-time work. The dead-weight costs of this policy would therefore be negligible.

Option 2: Allow long-term UA recipients to retain the Rent Supplement for a three year period on taking up part-time work. This could be implemented by setting up a special scheme outside the SWA scheme itself. An enhanced Part-Time Job Incentive scheme could be an appropriate vehicle. Again, the dead-weight costs of this policy are likely to be negligible.

7.8.5 Training Schemes and Secondary Benefits

A further difficulty arises in the treatment of those in receipt of FAS training allowances. Under current legislative provisions, FAS trainees are not strictly entitled to the SWA Rent Supplement payment. This has lead to inconsistencies in treatment across the health boards. In some cases, training participants lose their Rent Supplement altogether. Others have a £1 for £1 reduction in the supplement, if their training allowance exceeds their underlying unemployment / one-parent family payment. This is a particular problem in relation to lone parents who retain their one parent family payment: their Rent Supplement is then reduced by the amount they receive in training allowances.

As the intention would appear to be that trainees should retain the Supplement, this should be addressed through appropriate changes in the legislation, explanatory memoranda and through enhanced publicity regarding retention of the Supplement while on FAS training courses.

In some cases also, it would appear that participants on training courses find their Rent Supplements and other benefits reduced because meal, travel and other allowances are regarded as means. As the latter items merely compensate for the costs of participation, steps should be taken to ensure that a uniform approach is applied to exclude these items from means assessment.

7.8.6 Employment Programmes and Secondary Benefits

The retention of Secondary Benefits has a large role to play in improving the incentives for participating in these schemes. Retention of the Rent and Mortgage Supplements is particularly valuable in this regard.

In general terms, it would appear that retention of Secondary Benefits plays a positive role in influencing participation on employment programmes. However, a significant number of would-be applicants are not aware of their entitlements in this regard.

There is concern that the application of income limits and caps on entitlements restrict the availability of Secondary Benefits for certain participants.
The Income Eligibility Limit

The weekly £250 income limit criterion is based on total gross income. That is, it includes earned income from employment/self employment, FIS, the BTW allowance and CE payments where applicable. It is also independent of family size. The inclusion of income from all sources results in the £250 limit being reached at very low earned income levels. This is especially true for those on the first year 75 per cent BTW allowance rate.

The principal objective of the various employment programmes is to integrate the long-term unemployed back into open employment. However, the current basis for retention of Secondary Benefits is potentially undermining this integration process for certain persons, especially families. To overcome these adverse affects, the following recommendations are made:

Retention of Secondary Benefits should be based on earned income and not on gross income. This will allow participants to bargain more effectively for higher wages without the fear of losing their Secondary Benefits. This may place participants in a better position (in terms of wages) to enter full open employment on completion of the programme.

An earned income limit of £250 is proposed. It is not possible to be precise as to the costs of this option, because the numbers on the scheme who are affected are not known. However, the evidence is that average gross income of scheme participants lies in the range of £117 to £140 per week. This suggests that a small minority of participants would have gross incomes inclusive of their BTW allowance that would exceed £250.

The Rent and Mortgage Supplement Cap

As the reasonable rent for families can be in excess of £400 per month, the cap of £250 placed on the Rent Supplement can create a monetary disincentive for persons with families to take up subsidised employment. A particular problem with both the income limits and rent cap is that they are independent of family circumstances.

To overcome this problem it is recommended that the rent cap be lifted and the Rent Supplement maintained at the level that existed prior to the person's participation on the programme. As before this retention is subject to the income limits. This recommendation will mainly affect participants with families who have larger accommodation needs.

7.8.7 Former Community Employment Participants

With the introduction of Class A insurance for Community Employment workers, those who finish the programme and have been unable to find other work may qualify for Unemployment Benefit. If they take up UB, they lose entitlement to the Secondary Benefits they received prior to and during the programme. We are reluctant to recommend that Secondary Benefits be granted in such circumstances, as it would run counter to the thrust of policy in this area.
7.9 Provision of Information

There is clear evidence from both the survey conducted for this report and from the various meetings held with personnel in Government Departments and other relevant bodies that there is a significant information deficit with regard to Secondary Benefits retention. It would appear that this is occurring at both the recipient level and at the departmental/administrative level. The latter is very significant given that the implementing bodies of the various Secondary Benefits are often the initial or only information source used by unemployed persons.

This is giving rise to inconsistencies in the implementation of the various retention criteria by personnel in the various Departments and administrative bodies. This was found to be particularly the case in relation to the retention of the Medical Card. It is understood that a joint Department of Health and Children/Health Board working group has been established to address anomalies and to make proposals in relation to improved information and training for relevant staff. The group’s recommendations are being submitted for agreement by the Health Board CEOs, who have statutory responsibility for the administration of the Medical Card scheme.

To overcome this information deficit, it is suggested that a media campaign (through television, radio, posters, leaflets) should be developed to publicise entitlements to retain Secondary Benefits for transitions to open market employment and to employment programmes. This should be repeated at appropriate intervals and especially during periods when eligibility conditions are changed. Such a campaign should not be just confined to leaflets and posters at employment centres/exchanges, but should include radio and television and thereby ensure maximum exposure.

Relevant personnel in the respective Departments should reminded of current retention eligibility for the different Secondary Benefits, via reissue of circulars and information meetings as appropriate.

It is important that proposed information campaign be ongoing, as the stock of persons in receipt of long-term assistance payments and personnel at Departments and the delivery agencies is subject to change.

7.10 Liaison Group for Secondary Benefits

Consideration should be given to setting up a Liaison Group to oversee policy and practice in relation to retention of Secondary Benefits. This would consist of representatives from each of the respective Departments. The role of the Liaison Group would be to ensure that there is co-ordination and consistency in any changes that an individual Department may introduce in terms of benefit eligibility for persons making a specific transition from unemployment.
Appendix A1

Persons Consulted for Secondary Benefits Study
<table>
<thead>
<tr>
<th>Name</th>
<th>Department/Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anne McManus</td>
<td>Dept. Social Community and Family Affairs</td>
</tr>
<tr>
<td>Eoin O Seaghdha</td>
<td>Dept. Social Community and Family Affairs</td>
</tr>
<tr>
<td>Cormac Carey</td>
<td>Department of Finance</td>
</tr>
<tr>
<td>Denis Conlon</td>
<td>Department of Environment and Local Government</td>
</tr>
<tr>
<td>Loretta Edwards</td>
<td>Department of Environment and Local Government</td>
</tr>
<tr>
<td>Frank Doheny</td>
<td>Department of Enterprise and Employment</td>
</tr>
<tr>
<td>Philip Kelly</td>
<td>Department of Taoiseach</td>
</tr>
<tr>
<td>Anna May Harkin</td>
<td>Department of Health and Children</td>
</tr>
<tr>
<td>Dr. Ambrose McLaughlin</td>
<td>North Eastern Health Board</td>
</tr>
<tr>
<td>Aebhric McGibney</td>
<td>IBEC</td>
</tr>
<tr>
<td>Ciara Murray</td>
<td>INOU</td>
</tr>
<tr>
<td>Patricia Curtin</td>
<td>FÁS</td>
</tr>
<tr>
<td>Gerry Walker</td>
<td>FÁS</td>
</tr>
<tr>
<td>Brian Tuite</td>
<td>FÁS</td>
</tr>
<tr>
<td>PAUL</td>
<td></td>
</tr>
<tr>
<td>Janet Ransen</td>
<td>National Network of Lone Parents</td>
</tr>
</tbody>
</table>
Appendix A2

Qualifying Payments for the Back to School Clothing and Footwear Scheme
Qualifying Payments for the Back to School Clothing and Footwear Scheme

Social Insurance Payments
- Old Age Contributory and Retirement Pensions;
- Widow’s/Widower’s Contributory pension;
- Deserted Wife’s benefit;
- Invalidity pension;
- Disability benefit;
- Unemployment benefit;
- Occupational Injuries Benefit;
- Disablement benefit;
- Unemployability Supplement;
- Health and Safety Benefit.

Social Assistance Payments
- Supplementary Welfare Allowance;
- Unemployment Assistance;
- Old Age Non-Contributory Pension;
- Blind Person’s pension;
- Widow’s Non-Contributory Pension;
- Deserted Wife’s Allowance;
- Lone Parents Allowance;
- One Parent Family payment;
- Carer’s Allowance;
- Pre Retirement Allowance;
- Disability Allowance (formerly DPMA);
- Disabled Person’s rehabilitative allowance;
- Infectious Diseases maintenance Allowance;
- Family Income Supplement.

Other Payments
- Pensions paid by the DSS;
- Participants on approved employment schemes. these are Back-to Work, Community employment and Area Allowance schemes;
- participants on recognised education and training course such as Vocational Training Opportunities Scheme (VTOS) or Third level Allowance (TLA) scheme; and
- Participants on non-craft, full-time, FAS training schemes.
Appendix A3

Employment Programmes
**Jobstart**

Jobstart is a subsidy to employers to take on long-term unemployed persons. Jobstart aims to make it attractive for an employer to employ a long term unemployed person. Employers will be paid a subsidy of £80 per week for 52 weeks in respect of each eligible person they employ. Employers who have a full-time vacancy that needs filling are eligible to participate. To be eligible as an employee, the person must be in receipt of an unemployment payment or an one Parent Family Payment for at least three years. Travellers and people referred by the National Rehabilitation Board will also be eligible. Periods spent on recognised vocational training or Community Employment can be combined to make up the qualifying period.

**Work-Place**

This is a work experience programme which came into operation in May 1996. It provides up to five weeks placement with employers in the private and public sector. The objective is to place unemployed persons with employers:

- who have identified a vacancy and are willing to offer it on a trial basis with no obligation about subsequent recruitment, or

- who, although not having an identified vacancy, can offer quality experience

The programme is available to unemployed persons or lone parents receiving an unemployment or a one parent family payment for six months, travellers and those registered with the NRB.

Participants retain their normal social welfare payment and secondary benefits. They are paid an allowance of £15 per week towards travel and meal expenses by their employer who will be reimbursed by FÁS.

**Job Initiative**

The Job Initiative is a FÁS programme which was introduced in July 1996 on a pilot basis. This programme provides full time work for 1,000 people for three years at the going rate of pay with local sponsors. People aged over 35 who are getting an unemployment payment or One Parent Family Payment for over 5 years are eligible for the programme. This pilot project is restricted to unemployed people living within Partnership Areas in Limerick City, Cork City, Dublin Inner City, Tallaght, Ballymun, Coolock/Darndale/Kilbarrack or Finglas/Cabra Areas. Adult dependants of unemployed people will be allowed swap their entitlements for participation on the Programme.
Back to Work Allowance

The Back to Work Allowance Scheme allows unemployed persons and lone parents to take up employment or self-employment and retain a percentage of their social welfare payment and their secondary benefits for up to three years. Under this scheme a person is paid 75% of their existing social welfare payment for the first year, 50% for the second year, and 25% for the third year, along with their earnings from the employment. In addition, the person is able to retain all the secondary benefits (i.e. Rent Supplement, Fuel Allowance, Christmas Bonus, Back to School Clothing and Footwear Allowance, etc.,) which they are currently receiving, provided that their total income is less than £250 per week. The maximum Rent Supplement that can be paid is restricted to £250.

Area Allowance

In Partnership Areas, unemployed people wishing to start a self-employment project may avail of the support of the Area Based Partnership Company. They may apply for 100% of their Social Welfare payment plus secondary benefits if their gross income is less than £250 per week, followed by the Back to Work Allowance for a further three years. This gives a four-year spread, with 100% in year one, reducing to 75%, 50% and 25% over the next three years. In addition many Partnerships also provide a range of enterprise, employment and training supports.

Community Employment

The Community Employment Programme which is operated by FÁS offers a number of options to unemployed persons, lone parents and those referred by the National Rehabilitation Board to take up part-time employment with a sponsor for one to three years without losing their secondary benefits. It aims to help long-term unemployed people to re-enter the active workforce by breaking their experience of unemployment through a return to work routine and to assist them to enhance/develop both technical and personal skills. Participants on the scheme are currently paid a set weekly wage which is greater than the social welfare payment they were getting before commencing on Community Employment.

There are two options under the Community Employment Programme. These are:

• The **Part-Time Integration Option** which is for long-term unemployed people aged under 35 years, with reasonable prospects of employment. The objective of this option is to help ensure that participants find a job or enter full time training/education after one year.

• The **Part-Time Job Option** which is targeted at long-term unemployed people with less prospects of employment. It is intended generally for those aged over 35 and can last for up to three years.
Appendix A4

Calculation of Replacement Ratios
Box 1 Calculation of Replacement Ratios

Income While Unemployed

Main Social Welfare Payment  UA or One Parent Family Payment
Other Income              Child Benefit
Secondary Benefits         Medical Card
                           SWA Rent and Mortgage Supplement
                           National and Smokeless Fuel Allowances
                           Back to School Clothing and Footwear Allowances
                           Butter Vouchers
                           Christmas Bonus
Other Expenses             Differential Rent
                           Housing costs (i.e. rent)
                           Job Search Costs

Total Income While Unemployed = (Main Social Welfare Payment) plus (Secondary Benefits) less (Other Expenses).

Income While at Work

Net Employment Wage       Gross Income less PRSI, levies and Income tax
Other Income              BTWA, Community Employment Rates, Reduced UA
                           and One Parent Family Payments, child benefit and Family
                           Income Supplement (FIS).
Retention of Secondary     Medical Card
                           Benefits
                           SWA Rent and Mortgage Supplement
                           National and Smokeless Fuel Allowances
                           Back to School Clothing and Footwear Allowances
                           Butter Vouchers
                           Christmas Bonus
Other Expenses             Differential Rent
                           Housing costs (i.e. rent)
                           Travel to work Costs
                           Child Care Costs

Total Income while at work = (Net Gross Wage) plus (Other Income) plus (Retention of Secondary Benefits) less (Other expenses).

Other Income

Child Benefit - This was based on the monthly rates of £30 for the 1st and 2nd child and £39 for the 3rd and subsequent children.
Introduction

Replacement ratios (along with average effective tax rates) are often used to measure the monetary incentives to take-up and stay in work. The measure is calculated as the ratio of income from work when unemployed to income when in work. Where a value of greater than one implies there is no incentive to take-up work. A similar measure is to look at the absolute gain for an unemployed person taking up a job, that is express the income change as a difference rather than a ratio. The replacement Ratio is therefore calculated as the following:

\[
RR = \frac{\text{Income While Unemployed}}{\text{Income While At Work}}
\]

and the net gain from work (NGW) is calculated as:

\[
\text{NGW} = (\text{Income While at Work}) \less (\text{Income While Unemployed})
\]

To evaluate the impact of monetary incentives in the decision to take up work replacement rates were calculated for a set of typical recipients. The creation of such hypothetical cases has often been criticised for not reflecting the true individual circumstances that may face a household unit. While this may be true when you are looking at the issue of incentives for the population as a whole it is not strictly the case when a particular sub-group is been examined, as is the case in this report.

Calculation of the Individual Components

In the case of the ratio the result is determined by what items are included in the denominator and numerator (note all calculations are carried out on a household basis). This is often ignored in the literature and means that replacement rates may not be comparable. The methodology used in this report is illustrated in box 1 and each component is examined in detail below. The rationale for including all these items was to exclude any component that is affected by the decision to take up work, that is exclude any non-discretionary items.

Net Wage

Net wage from employment is calculated as the gross wage minus PRSI contributions, Levies and Income Tax. In the case of the latter two methods were used to calculate the tax liability. The first used the standard personal allowances (dependent on whether single, married or lone parent) and the PAYE allowance and then applied the appropriate tax bands and tax rates (i.e. 26% or 48%) to the taxable income. The second method, the marginal relief system (aimed at helping families with low incomes) uses higher exemptions limits on which no tax is paid with the remainder been taxed at 40 per cent. The tax paid by the household is then the minimum of these two methods.

Main Social Welfare Payment

The long-term rates of unemployment assistance was used and are calculated according to the household composition. In the case of lone parents the One-Parent Family Payment was used plus the appropriate child dependent allowance.
Supplement. The inclusion of the Rent Supplement in the calculation of RRs requires actual rent paid to be also considered if it is to be consistent with the inclusion of the differential rent.

**Travel to work/Job Search Costs** - Weekly travel costs are estimated to be £11, that is £1.10 per trip. It was assumed that an unemployed person carries out job search once a week and incurs travel expenses of £2.20.

**Child Care Costs** - It was assumed that only lone parents incur child care cost while at work. These are estimated to be £40 per week for the first child and £20 for each subsequent child.

**Retention of Secondary benefits**

- Under certain circumstances an unemployed person can retain their secondary benefits at the level they were while not working when they take up employment. These conditions were summarised in Table 3.3 of chapter 3.
BTWA - The BTWA was calculated as 75% of the households social welfare payment prior to going onto the scheme.

FIS - The Family Income Supplement is a payment to workers with families. The payment was calculated as 60 per cent of the difference between earnings (net of PRSI and levies) and the income limit for the family size.

Community Employment Rates - Participants in the Community Employment Programme receive a payment which is dependent on family composition and is in lieu of their social welfare payment.

Reduced UA and One Parent Family Payments - In the case of UA recipients who are in part-time or casual work for up three days a week, they receive their full UA payment less a percentage of their earnings. For a person with dependents 60 per cent of their earnings was taken from the full UA payment while for a single person a £10 daily disregard is applied for each day worked and earnings in excess of this amount was assessed at 60 per cent. For lone parents they can earn up to £115.38 per week before their One-Parent Family payment is affected. The remaining income, up to £230.77, was assessed at the rate of 50p in the pound and then the new reduced One-Parent Family Payment is calculated.

Secondary Benefits

Medical Card - The value of the Medical Card was based on two visits to the GP per year at £15 per trip and 2 prescriptions at £20 a go (these values were used by the INOU in ‘Welfare to Work’). Therefore the weekly monetary value of the medical per person was estimated to be £1.35.

SWA Rent Supplement - The Rent Supplement paid to households in private rented accommodation in 1997 was based on the ratio of the reasonable rents in operation in the Eastern Health Board Area and the average Rent Supplement received, by client type, in 1995. These figures were got from the ‘Review group on the Role of Supplementary Welfare Allowance in Relation to Housing’. This ratio was then applied to the prevailing reasonable rents in the Eastern Health Board to get an estimates of the Rent Supplement paid in 1997.

National and Smokeless Fuel Schemes - The National fuel allowance is £5 per week for 26 weeks and the Smokeless fuel allowance is £3 for the same period.

Back to School Clothing and Footwear Allowances - The allowance is £43 for each child aged 2 to 11 and £58 for each child aged 12 to 22. The receipt of this allowance is subject to certain income guidelines. It was assumed that every second child was over the age of 11.

Butter Voucher - The value of the butter voucher was assumed to be 48p.

Christmas Bonus - The Christmas bonus was calculated as 70 per cent of their social welfare payment.

Other Expenses

Differential Rent - The Local Authority Rent scheme used in the calculations was that of Dublin Corporation (see the main text for an example of the calculation).

Housing Costs - For those in receipt of a Rent Supplement the actual rent paid is included in the calculations. The rent is equivalent to the disregard (generally £8.10) plus the Rent
Appendix A5

Monetary Benefit for Persons Moving from Unemployment to Open Full-Time Employment
Figure A5.1  Continued

Source: Goodbody Economic Consultants
Figure A5.1  Monetary Benefit of the Transition from Unemployment to Full-Time Work

Married Couple

Married Couple plus 4 Child Dependents

Legend:
- M-AWA Base Supplement
- M-AWA Differential Base
- M-AWA Base Supplement +$15
- M-AWA Differential Base +$15
Appendix A6

Monetary Benefit for Persons Moving from Unemployment to Open Part-Time Employment
Figure A6.1 Continued

Married Couple Plus 4 Child Dependents

Gross Weekly Wage (D)

Source: Goodbody Economic Consultants
Figure A6.1 Monetary Benefit of the Transition from Work to Part-Time Employment

- Married Couple
- Married Couple plus one Child Dependent

Graphs showing the monetary benefit of transitioning from work to part-time employment for different scenarios.
Appendix A7

Monetary Benefit for Persons Moving from Unemployment to the Back to Work Allowance Scheme
Figure A7.1 Continued

Source: Goodbody Economic Consultants
Figure A7.1  Monetary Benefit of the Transition from Work to the Back to Work Allowance Scheme

Married Couple

Married Couple plus 4 Dependents
Appendix A8

Methodology for Survey of the Long-Term Unemployed
A1.6 Survey Administration

The survey was administered by interviewers stationed at each of the Unemployment Exchanges. Each interviewer was fully briefed on Secondary Benefits and the various Employment Programmes available to the long-term unemployed. Each interviewer was briefed to stress the independence of the survey organisation and the confidentiality of individual responses.

Each questionnaire was numbered with a unique number identifying its location and date of interview.

A1.7 Response Rates

There were a total of 260 questionnaires returned from the 5 locations. Three of these were invalid leaving a valid number of 257 questionnaires. Although this was short of the target of 300 analysis revealed that the range of family type and claim was covered in the sample.

A1.8 Analysis Procedure

The analysis of the survey data was undertaken using the SPSS suite of statistical analysis programs.
A1.1 Introduction

This section of the report sets out the procedure which was adopted in undertaking the survey of secondary benefits for long-term unemployed people. The procedure includes the definition of the population from which the sample was drawn, sample selection procedure, questionnaire design, survey administration and sample analysis.

A1.2 Defining the Population to be Sampled

The purpose of the survey was twofold, a) to obtain information on long-term unemployed peoples' knowledge and understanding of secondary benefits and their entitlements and b) to examine how their entitlements affect long-term unemployed peoples' decision to enter employment or go on employment schemes. In this context, long-term unemployed people are defined as those in receipt of the Unemployment Assistance Payment.

A1.3 The Sampling Frame

The sampling frame for those in receipt of the Unemployment Assistance Payment was based on people attending five unemployment exchanges, in both urban and rural locations, specified by the Department of Social, Community and Family Affairs. The employment exchanges targeted were Ardee, Co. Louth; Drogheda, Co. Louth; DunLaoghaire, Co. Dublin; Tallaght, Co. Dublin; Gardiner St, Dublin 1. For convenience two signing days were specified, Tuesday 9th December and Tuesday 16th December. The final sampling frame was three hundred names.

A1.4 The Sampling Methodology

In addition to the three hundred names people who attended the Unemployment Centre on the days specified and who were willing to participate in the survey were included.

A1.5 Survey Design

The topics to be studied were identified from a series of discussions with the Department of Social, Community and Family Affairs in addition to previous work completed in this area by Goodbody Economic Consultants. A set of questions were developed to measure the different topics and these were incorporated into a structured questionnaire which would be administered by an interviewer. The questionnaire was piloted in Gardiner St. Unemployment Exchange on Tuesday 2nd December. Based on the results of the pilot the questionnaire was revised to ensure that the meaning and content of the questions were appropriate to those in receipt of the Unemployment Assistance Payment, and that the overall design and flow of the questionnaire was clear.

The main topics covered by the questionnaire were as follows:

- Personal Circumstances
- Knowledge of Entitlements to Secondary Benefits
- Importance of Secondary Benefits
- Job Search, Employment and Employment Programme Experience
- Participation on Employment Programmes
- Importance of Secondary Benefits

A copy of the questionnaire is attached at the end of this Appendix.
Appendix A9

Questionnaire on Secondary Benefits
Questionnaire on Secondary Benefits

Introduction to Questionnaire

Hi, My name is ........................................... I work for Goodbody Economic Consultants. We have been asked by the Department of Social, Community and Family Affairs to look at peoples' knowledge and understanding of some benefits they are entitled to. The purpose of the study is to see how your entitlements affect your decision to go into employment or go on employment schemes. The information you give me is completely confidential, your name will not be taken. We are only interested in information about your family circumstances. When I am finished I will take the completed questionnaires with me to our offices in Pembroke Rd., Dublin. Social Welfare staff will not see the questionnaires.

Section A Personal Details

Q1 Male 1
Female 2

Q2 At what stage did you finish your Education?

Before second level, primary only 1
Before sitting for IC/GC, some secondary 2
After sitting IC/GC 3
After sitting for the LC 4
Following some time in 3rd level College/University but without graduating 5
After completion of third level qualification 6
Other 7

Q3 What Age are you?
Age:______________

Q4 Which of the following best describes your situation? (show prompt card)

Single 1 Go to Q5
Separated/Divorced and living alone 2 Go to Q5
Widowed 3 Go to Q5
Married 4
Living with partner 5
Q4a  Is your spouse working?
No  2
Yes  1
If yes, is this work:
Full-Time  1
Part-Time  2

Q5  Do you have any dependent children living with you?
No  2 Go to Q6
Yes  1

Q5a  What ages are they?
0 to 2
2 to 11
12 to 16
17 to 18
18 to 22
Over 22

Q5b  How many of them are in full-time education (school/college)?

Q6  How long have you been unemployed?
Less than 1 year  1
Between 1 and 2 years  2
Between 2 and 3 years  3
Over 3 years  4

Q7  Are you receiving a full or part week Unemployment Assistance Payment?
Full week  1
Part week  2
Don’t Know  3

Section B  Knowledge of Entitlements to Secondary benefits

Q1  What benefits do you understand to be included as secondary benefits?? (Show prompt card)
Don’t Know  1
Medical Card
Rent Supplement: Supplementary Welfare Allowance  2
Mortgage Supplement: Supplementary Welfare Allowance  3
Local Authority Housing  4
Fuel Allowance  5
Butter Vouchers  6
Christmas Bonus  7
Back to School Clothing and Footwear Allowance  8
Other (please specify)  9
Section C Importance of Secondary Benefits

In addition to your Unemployment Assistance Payment people on Unemployment Assistance are entitled to a range of other benefits from the Department of Social, Community & Family Affairs, Health Boards and Local Authorities. The next Section will ask questions regarding your knowledge of and entitlement to these benefits.

Medical Card

Q1 Are you in receipt of a medical card?
- Don't Know 3 Go to Q2
- No 2 Go to Q2
- Yes 1

Q1a In the last month how many times did you or your dependents visit your G.P.?

_______ times per month.

Q1b In the last month how many times did you or your dependents obtain medicines on prescription?

_______ times per month.

Q1c If you had to do without your medical card how much per month would you need to make up for the loss of it? (Show prompt card)
- up to £5 1
- £6 - £10 2
- £11 - £20 3
- £21 - £50 4
- Over £50 5

Q1d Do you think you would still be entitled to the medical card if you were to take up full-time work?
- Don't Know 3
- No 2
- Yes 1

Housing

Q2 Do you live in:

- Private (not local authority) rented accommodation? 3 Go to Q3a.
- A house for which you have a mortgage? 2 Go to Q4a.
- Local Authority rented accommodation? 1 Go to Q5a.
- Other (please specify) ________ Go to Q6a.

Supplementary Welfare Allowance Rent Supplement

Q3a How much do you pay in rent to your landlord every week?
Rent: £__________ per week
Q3b Do you receive rent supplement every week?
Don't Know  3  Go to Q7
No.         2  Go to Q6
Yes          1

Q3c How much do you receive in rent supplement each week/month?
Rent Supplement: £__________per week/month.

Q3d If you took up part-time work (i.e. less than 30 hours per week) do you think you would be entitled to:
- No rent supplement payment  1
- A reduced rent supplement payment  2
- Your current level of rent supplement payment  3
- Don't Know  4

Q3e If you took up full-time work (i.e. greater than 30 hours per week) do you think you would be entitled to:
- No rent supplement payment  1
- A reduced rent supplement payment  2
- Your current level of rent supplement payment  3
- Don't Know  4

Go to Question 7

Supplementary Welfare Allowance Mortgage Supplement

Q4a How much are your mortgage payments per month?
Mortgage Payment: £__________per month

Q4b Are you in receipt of a mortgage supplement?
Don't Know  3  Go to Q6
No.        2  Go to Q6
Yes         1

Q4c How much do you receive in mortgage supplements per month?
Mortgage Supplement £__________Per month

Q4d If you took up part-time work (i.e. less than 30 hours per week) do you think you would be entitled to:
- No mortgage supplement payment  1
- A reduced mortgage supplement payment  2
- Your current level of mortgage supplement payment  3
- Don't Know  4

Q4e If you took up full-time work (i.e. greater than 30 hours per week) do you think you would be entitled to:
- No mortgage supplement payment  1
- A reduced mortgage supplement payment  2
- Your current level of mortgage supplement payment  3
- Don't Know  4

Go to Question 7
Local Authority Rent Scheme

Q4a. How much do you pay a week in rent to the Local Authority?
Rent: £______ per week

Q4b. Do you think that the amount of rent that you pay will be affected if you take up work?
Don't Know 3
No 2
Yes 1

Go to Question 7

Other Accommodation

Q6a. Do you receive any financial support from the government or any other state organization in meeting your housing costs?
No 2
Yes 1
If yes, please state the form of support and the amount that you receive per month

Go to Question 7

National Fuel and Smokeless Fuel Scheme

Q7. Are you currently in receipt of a Fuel Allowance?
Don't Know 3 Go to Q8
No 2 Go to Q8
Yes 1

Q7a. Do you know how much you receive in the form of Fuel Allowance each week?
Don't Know 3
No 2
Yes 1
If yes, how much do you receive ________ per week?

Q7b. If you take up work do you think you would be entitled to Fuel Allowances?
Don't Know 3
No 2
Yes 1
Other (please specify) _____________________________
Butter Vouchers

Q8  Do you receive butter vouchers every month?
    Don't Know  3  Go to Q8
    No  2  Go to Q8
    Yes  1

Q8a  How many butter vouchers do you receive every month?
     __________ per month.

Q8b  On average how many of these butter vouchers do you use every month?
     __________ per month.

Q8c  If none, why do you not use any butter vouchers?
     Cannot use butter vouchers to get butter substitutes (e.g. low fat butter, margarine, etc.) 4
     Stigma  3
     Shopkeepers will not accept them 2
     Not worth the bother 1
     Other (please specify) ________________________

Q8d  Do you use the butter vouchers to buy goods other than butter?
     Never  1
     Rarely  2
     Sometimes  3
     Always  4

Q8e  Do you know how much the vouchers are worth to you?
     Don't Know  3
     No  2
     Yes  1
     If yes, how much is each voucher worth to you: £____________ per voucher

Q8f  If you took up work do you think you would still be entitled to the butter vouchers?
     Don't Know  3
     No  2
     Yes  1

*Only ask the following if the person has dependent children. If has no child dependents so straight to question 10.

Back to School Clothing and Footwear Allowance

Q9  Did you receive the Back to School Clothing and Footwear Allowance this year?
    Don't Know  3  Go to Q10
    No  2  Go to Q10
    Yes  1

Q9a  How much is the Back to School Clothing and Footwear Allowance worth to you?  £______________
Q9b. If you took up work do you think you would still be entitled to the Back to School Clothing and Footwear Allowance?

- Don’t Know: 3
- No: 2
- Yes: 1

Christmas Bonus

Q10. Normally a Christmas Bonus is paid every Christmas to those in receipt of an Unemployment Assistance Payment, how much do you think this will be worth to you this Christmas:

- £______________
- Don’t Know: 1
- Other: 2

Section D. Job Search, Employment and Employment Programme Experience

Q1. During the last Six Months about how many jobs did you actually apply for?

- None: 0
- Just One: 1
- Two: 2
- Three to Five: 3
- More than five: 4

Q2. Why did you not apply/Why did you apply for so few?

Q3. Did this/any of these result in an offer of a Job?

- No, I received no job offers: 0
- Yes, I received 1 offer of a job: 1
- Yes, I received 2 job offers: 2
- Yes, I received between 3 to 5 job offers: 3
- Yes, I received more than 5 job offers: 4

Q3a. What was the main reason you did not take this / one of these job offer/s?

- It was just a short-term / temporary job: 1
- It had no long term prospects in terms of security: 2
- It had no long term prospects in terms of career development: 3
- Overall household income would be affected / decline: 4
- Pay was too low in comparison to social welfare: 5
- Pay was too low: 6
- Would have lost Some of my secondary benefits: 7
- Other (please specify): 8

Q3b. What was the gross wage offered / What was the gross wage of the best offer?

Gross per Week £:__________________________

Q3c. What gross wage would you have required to take up that job?

Gross per Week £:__________________________
Q3d  What secondary benefits that you have now do you believe you would have lost if you took up this job offer? (Show prompt card)

- Don't Know
- Medical Card
- Rent Supplement: Supplementary Welfare Allowance
- Mortgage Supplement: Supplementary Welfare Allowance
- Local Authority Housing
- Fuel Allowance
- Butter Vouchers
- Christmas Bonus
- Back to School Clothing and Footwear Allowance
- Other (please specify)

Section E  Participation on Employment Programmes

Q1  Have you taken part in any of the following employment programmes? (show prompt card)

- None
- Back to Work Allowance Scheme
- Community Employment
- Jobstart
- Work-Place
- Job Initiative
- Part-Time Job Incentive Scheme
- Part-Time Job Opportunities
- Other (please specify)

Q1a  Before starting on the Programme were you aware that you could keep some of the secondary benefits?

- No
- Yes

Q1b  Had you discussed your entitlement to continue to have the Secondary benefits with any one?

- No
- Yes

If yes?  Who did you discuss this with?
How satisfied were you with this information that you received?

Very Dissatisfied 1
Dissatisfied 2
Neither Dissatisfied or Satisfied 3
Satisfied 4
Very Satisfied 5

Q1c What secondary benefits did you retain while you were on the Programme?
(Show Prompt Card)

Medical Card 1
Rent Supplement: Supplementary Welfare Allowance 2
Mortgage Supplement: Supplementary Welfare Allowance 4
Local Authority Housing 4
Fuel Allowance 5
Butter Vouchers 6
Christmas Bonus 7
Back to School Clothing and Footwear Allowance 8
Other (please specify) 9
None of the above 10

Q1d To what extent were you influenced to participate in these programmes by the fact that you could retain these benefits?

Very influenced 1
Somewhat influenced 2
Not at all influenced 3

Q1e When did you cease participation on this Programme?
Month:________ Year:________

For those who completed a Job Start/Back to Work Scheme

Q1f Did you become unemployed immediately after completing this Programme?

No 2
Yes 1

Q1g What was the main factor influencing your decision not to continue in employment after completing the Programme?

It was just a short-term / temporary job? 1
It had no long term prospects in terms of security 2
It had no long term prospects in terms of career development 3
Overall household income would be affected / decline 4
Pay was too low in comparison to social welfare 5
Pay was too low 6
Would have lost Some of my secondary benefits 7
Other (please specify) 8

Go to Section F
Q2 Have you considered participating on any of the following employment programmes? (show prompt card)
Back to Work Allowance Scheme 1
Community Employment 2
Jobstart 3
Work-Place 4
Job Initiative 5
Part-Time Job Incentive Scheme 6
Part-Time Job Opportunities 7
Other (please specify) 8
None of the Above 9

Q3 Are you aware that you can retain some/all of your secondary benefits while participating on these programmes?
No 2
Yes 1

Q3 Have you talked to anyone about your entitlements to retain secondary benefits while on these programmes?
No 2
Yes 1
If yes, who did you talk to? 

Q3a Where you satisfied with this information that you received?
Very Dissatisfied 1
Dissatisfied 2
Neither Dissatisfied or Satisfied 3
Satisfied 4
Very Satisfied 5

Q4 To what extent would the retention of secondary benefits influence your decision in anyway to participate on these programmes?
Very much influenced 1
Somewhat influenced 2
Not influenced at all 3

Section F Importance of Secondary Benefits

Q1 Which three benefits that you currently receive would you rank as most valuable to you, where a benefit with a rank of one would indicate that this benefit is currently the most valuable to you? (show prompt card)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Medical Card</td>
</tr>
<tr>
<td></td>
<td>Housing Support (i.e. Rent/Mortgage Supplement, Local Authority Housing)</td>
</tr>
<tr>
<td></td>
<td>Fuel Allowance</td>
</tr>
<tr>
<td></td>
<td>Butter Vouchers</td>
</tr>
<tr>
<td></td>
<td>Back to School Clothing and Footwear Allowance</td>
</tr>
<tr>
<td></td>
<td>Christmas Bonus</td>
</tr>
</tbody>
</table>

Thank you for taking part in the survey.