



**PRESS RELEASE**

**07/04/09**

**Social Welfare spending to be 20% higher than in 2008**

**Government avoids a general cut in weekly Social Welfare payment rates**

**- Hanafin**

By providing almost €21.3 billion for social welfare – 20% more than what was spent in 2008 – the Government has ensured that income support will be available to people who need it and has avoided a general cut in weekly social welfare payment rates.

According to Minister Hanafin, **“the focus of the social welfare measures announced today is to help people get access to education, training and work experience.”**

**“People will now be able to access the back to education and back to work schemes much earlier. A new graduate placement programme is being developed in conjunction with the Department of Enterprise, Trade and Employment. And we are also putting in place a new incentive to encourage 18 and 19 year old jobseekers to avail of the education and training opportunities and improve their skills, in order to try to avoid them becoming long-term welfare dependent from a young age”** she said.

Minister Hanafin explained that **“in the context of a budget of almost €21.3 billion, savings have been kept to an absolute minimum at €300 million in 2009 and €400 million in 2010. These will be achieved by increased**



**anti-fraud activity, non-payment of the Christmas bonus, changes in the rent supplement scheme and the introduction of a lower rate of Jobseeker's Allowance for those aged under 20."**

The Minister said that the decision not to pay the Christmas bonus was a very difficult one for the Government but that it had to be done in order to avoid cutting all the weekly social welfare payment rates while trying to keep the welfare budget at a level the State can afford.

ENDS

7th April 2009

### **SOCIAL WELFARE BUDGET DETAILS**

#### **Overall Expenditure Of Almost €21.3 Billion**

- Almost €21.3 billion is now being provided for welfare services in 2009. This represents an increase of €1.7 billion, or 8.7%, on the amount originally provided for this year in the last Budget and is €3.6 billion or approximately 20% higher than the actual amount spent in 2008.
- After this Budget, total gross spending on social welfare is expected to account for 29% of gross total Government expenditure in 2009.
- Putting aside borrowing, the social welfare expenditure provided in this Budget is expected to account for 60% of the anticipated Exchequer current revenue from tax and other sources.
- Most of the extra expenditure will be required to provide income support to the increasing numbers of people becoming unemployed.



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- In the October budget, provision was made for the extra expenditure expected to result from an average live register of 290,000 in 2009. However, the scale of the increases in unemployment experienced in recent months means that an average figure of 440,000 is more likely and that is now being provided for at an additional cost of €1.97 billion. This cost is being partially offset by savings of €300 million.

### **Improvements In The Back To Education Allowance Scheme**

The Back to Education Allowance Scheme allows jobseekers who qualify for it to return to education and maintain their welfare payment. Improvements are being made as follows:

- Jobseekers who have been out of formal education for at least 2 years will now be able to access the second level Back To Education Allowance once they have been in receipt of Jobseeker's Allowance/Benefit for at least three months (down from six months).
- Earlier access is also being provided to the BTEA third level scheme. Presently, there is a general requirement that a person be receiving a jobseekers payment for 12 months before they can access the scheme. They can access it at nine months if this is recommended by a FÁS Employment Services Officer. This is now being extended so that they will also be able to access it at nine months if this is recommended by one of the Facilitators of the Department of Social and Family Affairs.

### **Improvements In The Back To Work Schemes To Refocus Them On Helping People Into Self-Employment**



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- In order to respond effectively to the growing numbers on the Live Register, the changing profile of jobseekers generally and the current employment situation, it has been decided to refocus the existing resources from the Back To Work Schemes on helping people into self-employment. The intention is to support enterprises who will, in due course, create further employment opportunities.
  
- To this end, the employee strand of the Back to Work Allowance will be closed to new applicants and the duration of the Enterprise scheme will now be up to 2 years, as distinct from 4 years. These resources will be used to support significant improvements in the Back to Work Enterprise Allowance (BTWEA).
  
- Currently in order to qualify for BTWEA a person must be in receipt of a Jobseekers payment for 24 months. Access will now be available much earlier under two distinct BTWEA schemes:
  - People who are entitled to Jobseeker's Benefit and have been awarded statutory redundancy or been an employee paying full rate PRSI contributions for at least two years prior to their claim to Jobseeker's Benefit to access a shorter Back to Work Enterprise Allowance Scheme immediately. This new scheme will be payable for the duration of their Jobseeker's Benefit entitlement while they are establishing their enterprise (eg for a maximum of either 9 or 12 months).
  
  - Access to the general BTWEA scheme is also being improved. It will now be possible to access the BTWEA at 12 months (instead of 24 months) provided a person has an underlying entitlement to



Jobseeker's Allowance.

- Further flexibilities are also being introduced into the scheme including allowing a person who has previously availed of the BTWEA scheme and exhausted their entitlement to participate a second time after a period of at least 5 years has elapsed.

The overall purpose of the new arrangements is to financially assist those on the Live Register to set up a business almost immediately they become unemployed, thereby ensuring that their knowledge, skills and expertise are fully utilised at an early stage and thereby promoting enterprise and employment in the economy.

**New Graduate Placement Scheme:**

The Department of Social and Family Affairs and Enterprise, Trade and Employment are working together to devise a new graduate placement scheme. It is intended that graduates will be allowed to maintain their social welfare entitlements whilst gaining work experience.

**Savings Being Targeted To Yield €286 Million in 2009 & €374 Million In 2010:**

- Our first priority was to save as much as possible by reducing the incidences of social welfare fraud. **Additional control/ fraud savings** of €82 million in 2009 and €125 million in 2010 are expected to result from increased investigation of people receiving jobseekers payments and the measures in place to ensure that Child Benefit is not paid when people have left the State.

- In order to avoid cutting all the weekly social welfare payment rates while trying to keep the welfare budget at a level the State can afford it has been



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necessary to discontinue funding for the **Christmas bonus** that is usually paid to certain welfare recipients. This will save €156 million in 2009 and €171 million in 2010.

- Changes are being made to the **Rent Supplement scheme** to achieve savings of €50 million in 2009 and €78 million in 2010.
  - Entitlement is being restricted to individuals who have been an existing tenant for at least six months or who have been placed on a local authority housing list following a full housing assessment. This measure is intended to avoid people moving into private rented accommodation simply because of the availability of Rent Supplement.
  - The minimum contribution that recipients of Rent Supplement & Mortgage Interest Supplement make towards their rent or mortgage is being increased from €18 to €24 per week (This will bring rent supplement contributions more in line with local authority differential rents).
  - The maximum rent limits that will apply to new Rent Supplement payments are being reduced to reflect reductions in private rent levels in recent months. Reductions will be 6% to 7% on average, ranging up to 10%, depending on the geographical area and household size.
  - In order to encourage landlords of existing rent supplement tenants to reduce their rents given the reductions in the market as a whole, the payments currently being made to tenants are being reduced by 8%. While tenants are contractually obliged to pay the rent agreed to in



their lease, it would be expected that landlords will decrease the rent in recognition of the fact that rents have fallen generally and that there are now a large number of vacant rental properties nationally.

- **Taken together with the introduction of a reduced payment rate to 18 and 19 year old new claimants of the Jobseeker's Allowance, these changes are expected to generate savings of €300 million in 2009 and €400 million in 2010.**

#### **REDUCTION IN RATE OF JOBSEEKERS ALLOWANCE PAID TO NEW CLAIMANTS AGED 18 AND 19**

##### **Budget Proposal**

- In order to incentivise 18 and 19 year old jobseekers to avail of education and training opportunities and try to avoid them becoming welfare dependent from a young age, changes are being made to the Jobseekers Allowance (JA).
- The rate of JA that will be paid to new claimants under the age of 20 is being reduced from €204.30 per week to €100 per week, with effect from the first week of May 2009.
- When a person on the reduced rate of JA reaches the age of 20, if they still qualify for the Jobseeker's Allowance they will be entitled to the full adult rate.
- The full adult rate of the relevant scheme will be paid to 18 and 19 year olds who
  - Participate in a full-time Youthreach course for young early school



leavers or a full-time course in a Senior Traveller Training Centre;

- Qualify for the Back to Education Allowance (BTEA) for pursuing a fulltime second level course or Post Leaving Cert course. (To qualify for the BTEA they must have been out of formal education for at least 2 years and been in receipt of a jobseekers payment for at least 3 months); or

- Participate in a full-time FÁS training course.

- They can also participate on a PLC course or third level course on the same basis as any other young person and may qualify for a third level grant.

- This measure also applies to new claimants of Supplementary Welfare Allowance (SWA) who are under age 20 years.

### **Numbers Affected & Savings**

The numbers affected will be small at first as it will only affect new applicants from the first week in May. The numbers affected will rise on a weekly basis. Based on current figures, and an expected overall live register average for 2009 of 440,000, we expect a weekly average of 5,000 18 and 19 year olds to be affected by this change in 2009 and a weekly average of 9,000 to be affected by it in 2010.

These changes have the potential to generate savings of €12 million in 2009 and €26 million in 2010. If take-up of the education and training opportunities is high, less savings will be achieved in the short-term, but the long-term savings generated by helping young people to avoid welfare dependency would be expected to be very significant.



### **Impact On Couples**

- The Qualified Adult rate (e.g. for a spouse/partner) payable in these cases will also be reduced to €100 per week.

- This will mean that a couple (where the primary payment is to the 18 and 19 year old) will get a total of €200 per week, down from €339.90.

### **People Who WILL NOT Be Affected:**

- **Young people with dependent children.**

- Claimants with children but no qualifying adult (e.g. spouse/partner) would receive the same rate of payment as a person over 20 i.e. €204.30 plus €26 per child. (There are 79 such cases at present.)

- Claimants with children and a qualified adult will also receive the same rate of payment as they would if they were over 20 years old – eg full JA rate, full QA rate & qualified child payment. (There are about 200 such cases at present).

- **18 and 19 year olds who qualify for the Jobseeker's Benefit.** Such young people are entitled to JB on the basis of having paid sufficient PRSI contributions (this would be a minority of young jobseekers, most would apply for JA).

- **People transferring to Jobseeker's Allowance immediately after exhausting their entitlement to JB or those transferring from the Disability Allowance** directly to JA (thereby avoiding them being faced



with a large income drop).

- **Where an existing JA claimant under age 20 (being paid €204.30) gets a job and leaves JA** but loses that job and ends up back on JA within 12 months, they will get €204.30, rather than €100 a week. If this was not done, there would be little incentive for those currently on JA to take up offers of work.
- **Persons leaving HSE Care.** The reduced Jobseeker's Allowance payment will not apply to persons leaving the care of the Health Service Executive at age 18 e.g. those in foster homes or HSE care facilities or who were under HSE care within the last 12 months before they reached age 18.

### **Rationale for the change**

#### **Incentive For Education and Training:**

- Receiving the full adult rate of a jobseekers payment at 18 years of age, without a strong financial incentive to engage in education or training, can lead to welfare dependency from an early age.
- While many young people with low levels of education and training were able to get work in construction and other areas when the economy was doing well, they are likely to find it much harder to get work over the next few years.
- If they do not improve their skills, they are at risk of becoming long-term unemployed from a young age.
- They are considered to be at a greater risk of having difficulty securing a



job than older jobseekers who might have low skills but at least have some work experience.

- Therefore, it is considered necessary to provide 18 and 19 year old jobseekers with a strong financial incentive to engage in education or training or to take up employment that pays more than €100 per week.
- The fact that 18 and 19 year olds who participate in a FÁS or similar training/ education course will get the full rate of the relevant payment (e.g. FÁS training allowance, Community Employment rate, Back to Education Allowance) instead of €100 on JA should be a major incentive for such participation.
- Young people with dependent children will not have their rates reduced.

### **Experience Of The Pilot Initiative**

- FÁS and the Department of Social and Family Affairs are currently running a pilot exercise in Clondalkin and Letterkenny for all 18 and 19 year olds who wish to sign on the Live Register for the first time. Instead of getting Jobseeker's Allowance, they are instead immediately placed on a six-week programme designed to improve their chances of securing employment, in return for which they receive the normal FÁS training allowance (which is slightly more than Jobseeker's Allowance). Failure to attend means they receive no payment.
- Initial feedback shows that many candidates did not wish to participate, preferring to get almost the same money without having to attend a course, and consequently they were sometimes disruptive and difficult to manage.



- This obstacle of their being a lack of a substantial financial incentive is now being addressed with the introduction of the reduced rate of JA for those under 20.

**Reducing The Difference Between The Levels Of Income Support Paid To Jobseekers And Full-time Students Of The Same Age:**

- It is questionable that 18 and 19 year olds without child dependents need an income of €204.30 per week and the current income differential between young jobseekers and young third level students can be considered to be unjustifiable.
- The maximum amount of third level grant (including the special top up grant) paid to young people from the poorest families whose family home is near their college is just €2,680. If such young people have to live away from home to go to college the max they can get is €6,690.
- The current rate of €204.30 per week paid to 18 and 19 year old JA recipients amounts to €10,624 per annum, while the reduced rate of €100 per week amounts to €5200 per annum which is still almost twice the nonadjacent third level grant rate, including top up.