



Submission to the Department of Social Protection on the Pay-Related Jobseekers Benefit ‘Strawman’

Age Action is Ireland’s leading advocacy organisation on ageing and older people. Age Action advocates for a society that enables all older people to participate and to live full, independent lives

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Introduction

Age Action welcomes the opportunity to make a submission to the Department of Social Protection on the Pay-Related Jobseekers Benefit (PRB) 'strawman' proposals.

Age Action supports the development of a stronger social insurance safety net, which can be developed by drawing on best practice from other European Union member states while also avoiding some of the disadvantages of their systems.

Issues Affecting Older Workers

The absolute number of older workers (aged 55+) has tripled since 1998, up to 500,300 in 2022 versus 168,200 in 1998, and they now represent 18.7% of the labour force versus 9.9% in 1998. Within these figures, one in nine people aged 66+ is at work (approximately 80,000 people), despite nearly all of them having an entitlement to the State Pension. The proportion of workers aged 66+ has grown by 50% in five years.

Government policy is to encourage people to work beyond the traditional retirement age and public service contracts permit working until age 70. The PRB proposal must be designed in a way that supports older workers, including those who choose to work beyond the State Pension age of 66. The current proposal does not do this, as it is exclusively focused on "full-time work" and is potentially limited to a certain age group. This is a mistake as the world of work is changing, and full-time hours as a norm is an outdated assumption.

The PRB proposal does not define full-time work, but other DSP rules define it as working more than 29 hours per week. A definition of full-time work is absent from the department's *Code of Practice on Determining Employment Status*. Across the EU, more than half of workers aged 65+ were employed on a part-time basis.¹ This is partly because older workers are more likely to be engaged in unpaid care.

The focus on full-time work is a fundamental flaw in the proposals, as this does not give older workers the support to reduce their hours as part of transitioning from paid employment to retirement. Most workers wish to make a transition rather than face a sudden 'cliff edge' abrupt end of employment. The PRB contradicts government policy to support older working lives. Noting that the PRB proposals may be a template for Illness Benefit, which may be an important support for older workers, it is essential that the requirement for full-time work is removed from the PRB rules.

It would be age discrimination to deny older workers access to pay-related jobseekers because they are aged over 65. At present, they are forced to take the State Pension rather than Jobseekers or Illness Benefit. This can reinforce a culture that pushes older workers out of the labour market against their will. Mandatory retirement at 65 already means some older workers

¹ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Ageing_Europe_-_statistics_on_working_and_moving_into_retirement#Employment_patterns_among_older_people

have a poorer standard of living in retirement than they would have done if they had been able to work for a few more years.

Just because a worker is ill at some age over 65 does not mean that he or she would not wish to return to work for several years after a period claiming Illness Benefit. At present, Illness Benefit is not available to older workers despite many employers deducting this amount from the wages of older workers who are on sick leave on the assumption that it will be paid. To be coherent with the government's objective of supporting people who choose to remain at work, the social protection system should be designed to support older workers, including those who move to part-time work. That means extending Illness Benefit and Pay-Related Jobseekers Benefit to people aged 65+ who remain in the labour market.

Responses to the 'Strawman' Questions

- 1. Is the rationale for the introduction of PRB sound?**
- 2. Are there other arguments that could be made for or against the introduction of a PRB?**
- 3. What are the risks (including fiscal, labour market, social inclusion, equity) that need to be considered in introducing a PRB?**

The Pandemic Unemployment Payment (PUP) demonstrated that the standard rate of Jobseekers Benefit was grossly inadequate to allow workers to meet their needs. Higher income replacement by social protection systems helps maintain aggregate demand in the economy and is an 'automatic stabiliser' during periods of economic downturn, which preserves jobs and businesses. Income supports for people who are unemployed must provide an adequate income, and a pay-related system is one way to achieve this.

The core argument against a PRB is that it should not be introduced unless there is a sufficient increase in PRSI to pay for it.

Another argument against a PRB is that it must not create a deep divide between social insurance benefits and tax-funded means-tested assistance from DSP. Those who rely on assistance payments must not be left behind on sub-poverty rates. As such, the introduction of a PRB must be accompanied by progress on the benchmarking and indexation of all welfare payments to ensure that they provide income adequacy.

4. How can the potential risks be mitigated?

Benchmarking and indexation would mitigate the risk of PRB leading to a worsening of incomes for those who are long-term welfare recipients, and they would help to prevent a deepening of inequality for those on means-tested assistance payments. All welfare rates should be benchmarked using an appropriate standard such as the Minimum Essential Standard of Living, adjusted to include housing and healthcare costs. A cost of ageing study is needed to identify the full range of costs affecting people in older age. Welfare rates should be

indexed against average earnings and inflation by law, so that they change on a quarterly basis in line with changes in the wider economy.

5. Do you agree that social insurance rates, for employees and employers, should be increased to cover the additional costs to the Social Insurance Fund (SIF) or the Exchequer (which is the residual financier of the SIF) that may arise as a result of the introduction of a PRB scheme for jobseekers?

We endorse the top-level recommendation made in chapter 4 of the recent Taxation and Welfare Commission report, to significantly increase the overall level of tax and social insurance revenue as a share of national income to meet the challenges Ireland faces in the years ahead. These challenges include sustaining the State Pension as the bedrock of income in older age, and ensuring health, social care, transport, housing and other services are sufficient in quality and quantity to meet the needs of the whole population. In this context, higher tax and social insurance will be needed to provide social protection recipients with adequate incomes.

As a fundamental principle, the proposed PRB reforms must not reduce the amount of PRSI or taxation available for other social protection beneficiaries. As such, increases in PRSI sufficient to fund PRB must be secured before PRB can be introduced.

The proposed PRB reform must be compatible with the recent proposals for reform of the State Pension, such as the proposal to allow deferred access to the State Pension, at a higher weekly rate, up to age 70. These State Pension proposals will make the State Pension system more expensive on a per capita basis, and they too need to be fully funded from increases to PRSI and taxation, without reducing the resources available for other social protection recipients.

In September 2022, Minister Humphreys announced that “the level and rate of increase in social insurance rates will be determined on a structured basis every 5 years informed by the outcome of a statutory actuarial review”.² The PRB should be explicitly linked to the implementation of this pledge, specifically legislation underpinning the review of the Social Insurance Fund and mechanisms to raise social insurance rates sufficient to meet the entitlements that people have under social protection. PRB should not proceed in the absence of this legislative underpinning for PRSI rate increases. A social insurance commission or equivalent statutory body should be established to issue binding recommendations on increasing PRSI to ensure the sustainability of the Social Insurance Fund.

Age Action has concerns about some of the proposals for raising PRSI outlined in the Taxation and Welfare Commission report, which we outlined to the Oireachtas Select Committee on Budgetary Oversight. For example, the average replacement rate of pension incomes in

² <https://www.gov.ie/en/press-release/6b939-minister-humphreys-announces-landmark-reform-of-state-pension-system-in-ireland/>

Ireland (39%) is far below the EU average (58%). As such, any increase of tax or PRSI on pension incomes has a greater risk of pushing older persons into risk of poverty than might be the case in other European countries. While there may be some older persons on relatively high retirement incomes, most older persons may not have the capacity to pay PRSI while still maintaining a minimum essential standard of living. Any suggestion of older workers paying PRSI beyond the age of 66 must be accompanied by an opportunity for them to enhance their State Pension income and to access other social protection income supports, such as the proposed PRB. Pandemic Unemployment Payment was unfairly denied to older workers, and they are currently denied access to Jobseekers or Illness Benefit.

6. What are the implications of extending a PRB model to other short-term income supports such as Parents Benefit, Maternity Benefit, or Illness Benefit? Are there deadweight effects?

It is a good idea to extend a PRB model to other social insurance benefit payments, as recipients of different income supports have the same need for income replacement and, based on horizontal equity, the social protection system should provide equal income replacement across the different benefit schemes.

People on low incomes tend to spend all their weekly income. Even a replacement income of €450 (the maximum under PRB) is likely to be entirely spent, as those who would receive that amount would have been receiving a significantly higher income from employment. The money paid out by welfare goes into the economy, much of it supporting local jobs and businesses. As such, providing a more adequate income to people on maternity leave or on sick leave makes sense, both in terms of providing income adequacy and in terms of the welfare system's role in providing for economic stability through maintaining aggregate demand.

The 'deadweight' concept is not helpful as a tool of analysis here. The Public Spending Code defines deadweight as "outcomes that would have occurred anyway, in the absence of the intervention". A higher level of income during maternity leave or time off work due to illness is highly unlikely to occur if social protection benefits are not increased. The likely outcome is more severe loss of income among recipients, leading to hardship in some cases and a loss of aggregate demand across the economy.

7. Do you agree with the proposed coverage of the PRB system?

No. The proposals require five years at work before access to a full PRB rate. This discriminates against young people, those engaged in care or homemaking who are disproportionately women, and migrants who might not have five years at work before becoming unemployed. It discriminates against any person who might demonstrate willingness by taking up work in an enterprise that may not be viable.

The focus on full-time workers discriminates against older workers, people with disabilities and anyone with care responsibilities (more often women). It also discriminates against migrant

workers who are only permitted to work part-time (e.g. foreign students) who are currently able to access Jobseekers Benefit.

8. Do you agree that people already in receipt of Jobseeker's Benefit when PRB is introduced, should stay on that payment during a transition period until their benefit expires (paragraph 2 above)?

No. People should be migrated to whatever rate is better. It was unjust that people already on JB did not receive PUP. DSP should review the result of that decision on PUP, and how it affected people, to inform the PRB policy.

9. Do you agree with the approach to self-employed workers set out at paragraph 3 above?

No. Leaving the self-employed on JB reduces their social insurance coverage. A high proportion of older workers are self-employed. The self-employed should pay more PRSI and get a full PRB rate.

10. Do you agree with the approach to casual and part-time workers set out at paragraphs 4, 5 and 6 above? Of the options set out – a modified version of the existing Jobseeker's Benefit approach or a move to a Working Age Payment model – which would you prefer? Are there alternative approaches that you believe may be preferable?

The WAP (only described in light detail) seems like a potentially good policy. More detail is needed on the level of income replacement it would provide. The WAP should not provide an inferior level of income replacement to PRB.

Leaving some categories of worker on JB or inferior schemes is unfair.

11. What are your views on the way in which a PRB scheme could be used to address short-term disruptions to employment (paragraphs 7 and 8)? Do you favour an approach involving a direct social welfare payment to the person concerned or a payment via the employer payroll – in the latter approach, what are your views on the question of whether employers should be required to pay a top-up to ensure that a person receives the equivalent of their normal wage?

A short-term working scheme should be developed separately from PRB, but it should include a mechanism for full income replacement including an employer contribution. Payment via an employer makes sense to keep people's attachment to their place of work. A clause similar to the national minimum wage could be introduced, requiring employers to open their books to demonstrate inability to pay if they claim they cannot meet this obligation.

12. Do you agree to the proposal to base the assessment of eligibility for PRB on more recent employment and contribution records?

13. If so, are the proposed conditions (26 paid contributions in the prior 12 months with at least 4 in the prior 10 weeks) appropriate? If not, what conditions would you propose?

14. Do you agree with the rationale and the proposal to set the minimum number of paid contributions to access PRB the same as that currently required to access Jobseeker's Benefit?

The new system needs to respond to need and to economic conditions, and not to be too rigid about rules that seem to be designed simply to minimise costs.

Different criteria may be needed for part-time or seasonal workers.

15. Do you believe that engagement with the Public Employment Service to assist people to return to employment should be strengthened if PRB is introduced? If yes, please advise details of the type of engagement that should take place and the level of frequency.

Ireland needs a much more comprehensive, accessible and responsive Public Employment Service regardless of whether or what kind of PRB is introduced. A PES is needed that will support anyone who wishes to find work or change job, including older persons who wish to find work after the traditional retirement age. DSP need to ensure that the PES is genuinely available and welcoming to everyone who seeks support. From the first week of accessing a PRB payment, a range of opt-in PES supports should be communicated to the recipient.

16. What is your opinion of the proposed approach to the level of benefit payable under a PRB, i.e., that the rate of payment a person receives under the scheme is directly linked to their previous employment earnings using a fixed percentage of previous earnings rather than using bands?

17. What is your opinion of 60% of prior gross earnings as an appropriate rate of payment for people with five or more years of paid contributions? If you favour an alternative approach, please set that out and explain your rationale.

Using a percentage of previous earnings makes sense as modern IT systems can allow for that level of precision. However, it should not necessarily be a fixed percentage. In too many cases, 60% of prior gross earnings will be too low for a person to meet their basic needs during periods of unemployment. It takes money to get back into work after losing a job, and the PRB should provide an adequate income to meet basic needs. The rate should be informed by consideration of an objective benchmark for income adequacy as well as the level of prior earnings.

In cases where a person was already on a relatively low income, a higher percentage of prior gross earnings should be available for a period, so that they are not plunged into poverty, as severe income loss can cause a person's situation to spiral into a much worse situation rapidly (e.g. inability to pay rent or other basic costs). A higher percentage replacement rate should be

available initially for lower income workers – as it was through the PUP – with appropriate tapering to avoid cliff edge effects.

18. What is your opinion of 50% of prior gross earnings as an appropriate rate of payment for a person with at least two but less than five years of paid contributions? If you favour an alternative approach, please set out the detail and rationale.

As noted earlier, the planned restrictions in the system are likely to exacerbate inequalities based on age, gender, or immigration status. A 50% rate is too low.

19. Do you agree that the rate of payment should be based on previous earnings gross of tax and other statutory deductions rather than net of such deductions? – If not, why would you prefer a calculation based on net salary?

There is too much variation in who can access tax breaks, so a calculation based on net salary would benefit someone who can make extensive use of tax breaks to achieve a higher net salary. As such, we agree that the rate of payment should be based on previous gross earnings.

20. Do you agree with proposed weekly payment cap (€450/€300) and proposed weekly payment floor (€100)?

No. The proposed weekly payment cap should be set relative to a benchmark of income adequacy, such as a percentage of average earnings, so that it rises automatically on a quarterly basis. As pointed out by the OECD economists at the DSP's consultation event, the €100 floor is very low in comparison with international examples. €100 is an inadequate income and a higher floor is needed. (See above in relation to PRB paying a higher percentage of low incomes.)

21. The proposal is for a flat rate of payment over the duration of the claim. Do you support this approach, or do you believe that the rate of payment should be graduated (e.g. in some countries a higher payment is made initially, which decreases over time)?

22. Do you agree with the approach to using a 12-month period for calculation of average salaries? If not, what alternatives would you propose, and why?

The ultimate goal here should be to replace a person's employment income with an adequate income for a realistic period, sufficient for most people to find work. If the initial replacement rate is as low as 60%, there is little scope for reducing that further without making the payment inadequate, and 60% may already be inadequate for many low paid workers.

The lack of qualified adult or qualified child increase is problematic and needs re-examination. Just because 90% of current JB claimants do not have dependents does not mean that the remaining 10% should be discriminated against, as family status is a protected ground of the

Equality Acts. Those with dependents should not be given an inferior scheme of unemployment protection compared to PRB.

23. Do you agree with the proposed duration for a PRB (6 months)? If not, what duration would you propose and why? If you would prefer a longer duration, how would you propose that the extra duration be funded?

The duration is far too short. It is not evidence-based, and it ignores the fact that many people will not be able to transition to a means-tested payment – e.g. people who have saved up for a home purchase deposit will be forced to use up those savings before becoming eligible for a means-tested payment.

According to the strawman document, 30% of JB recipients do not exit the scheme within six months. That is a high number, and the PRB duration should be extended for at least one year if not longer, as is common in other European jurisdictions.

A longer duration should be given to workers with decades of service.

As noted above, PRSI needs to rise significantly. Ireland has a very low level of social insurance compared to other European jurisdictions and a robust social protection system will require higher rates of PRSI to fund it.

24. Would you prefer a staggered approach where payment rates drop incrementally the longer you remain on the payment? e.g. after 3 months?

No. The ultimate goal here should be to replace a person's employment income with an adequate income for a realistic period, based on evidence of how long is sufficient for most people to find work. Six months is not sufficient for 30% of people to leave JB in the current period of high employment, so at least one year should be envisaged for PRB and potentially longer.

25. What are your views on the potential impact of the PRB on the labour market, and whether the payment of the support for a shorter period will mitigate the negative effect that increased replacement rates can have on work incentives?

The incentive/disincentive argument is weakly supported by psychological evidence and is, at least in part, ideological rather than technical, and therefore inappropriate for the design of a public service.³ Almost everyone out of 600,000+ people in receipt of €350 PUP went back to work, some of them into jobs that paid them only marginally more in net income. There was clearly little disincentive to do so.

³ For a development of this argument, see for example, Wright, S. (2012). 'Welfare-to-work, Agency and Personal Responsibility'. *Journal of Social Policy*, 41(2), 309-328. doi:10.1017/S0047279411001000, and Schroeder, D. (2000). *Work Incentives and Welfare Provision: The 'Pathological' Theory of Unemployment*, Routledge. <https://doi.org/10.4324/9781315201948>

Job matching (matching people's capabilities with appropriate jobs) is far more important than marginal delays returning to work as the benefits to people and the economy from good job matching are much higher than the cost of a few week's welfare payment that may be necessary for a person to find an appropriate job, rather than accepting the first offer made to them regardless of fit.

26. What is your view of the proposed rules for requalification for the scheme, i.e., that a person will be eligible for PRB for a maximum of 6 months in any 24-month period?

This is too restrictive and could harm people during economic recessions. It is also a provision that works against any person who demonstrates willingness by taking up opportunities that may not work out. The rules of the PRB should not punish people for taking up work, as could occur if this rule was implemented.

27. Do you agree with the principle of moving away from a 'days worked' model to an earnings-based model similar to that used for Working Family Payment? If not, why not?

Yes. The current system of 'days worked' is known to disadvantage carers, parents (primarily mothers), and others. The system of 'days worked' is also likely to negatively affect older workers who wish to move to a part-time working arrangement.

28. What are your views on the appropriate level for an earnings threshold (a) for a single person (b) for a couple without children?

The core principle here should be that people's total income from all sources is adequate, for example as benchmarked against a proportion of average earnings or in relation to the Minimum Essential Standard of Living plus housing and healthcare costs.

29. Do you agree to the 60% taper/withdrawal rate? If not, what rate would you suggest and why?

A significant number of part-time jobs are low paid (e.g. retail, hospitality, security, cleaning). The core principle here should be that people's total income from all sources is adequate. The "60% of the difference" calculation may not be sufficient, and a higher percentage and/or different threshold may be needed to ensure an adequate income.