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Government of Ireland

# Spending Review 2021 – The Pandemic Unemployment Payment and the Employment Wage Subsidy Scheme: Trends and Interactions

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*November 2021*

# Spending Review 2021 – Overview, Aims & Objectives



## Overview

This paper presents insights on the evolution of expenditure and recipient trends observed for the Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS) / Employment Wage Subsidy Scheme (EWSS), and the interactions between these two schemes. It also considers issues for further consideration deriving from these insights.

## Aims and Objectives

- The aim of this paper is to present some insights into the key aspects of the PUP and the EWSS through examining the scheme design, and changes in expenditure and composition of PUP and EWSS recipients over time in response to developments in epidemiological situation.
- The paper also aims to demonstrate the interactions between these two schemes, along with their sensitivity to changes in the degree of openness of the economy.
- The main objectives of this paper are to:
  1. Provide an overview of COVID-19 labour market support expenditure and recipient trends;
  2. Present a comprehensive view of the composition of PUP recipients who remain on the scheme;
  3. Investigate the composition of groups whose labour market participation has been particularly affected by COVID-19, namely long-term PUP recipients;
  4. Investigate flows and interactions between the PUP and EWSS;
  5. Present policy implications derived from the analysis to build the evidence base for any such future schemes and identify further research questions.

# Spending Review 2021 – Key Findings



## Key Policy Relevant Findings

- The PUP and TWSS/EWSS have been key policy levers in alleviating the impact of the COVID-19 public health restrictions on households and enterprises. The introduction of these policy measures has been unprecedented in terms of the expenditure, scale, reach and format.
  - As of week ending October 22<sup>nd</sup> 2021, the total spend across the two schemes is €16.7bn (€8.8bn PUP and €7.9bn TWSS/EWSS).
  - At their peak, the schemes were supporting around 1m individuals (605,700 PUP and 407,700 TWSS) and around 37,000 enterprises; reducing to 400,000 (90,000 PUP and 310,000 EWSS) as of week ending October 22<sup>nd</sup> 2021.
  - Around 59% of PUP and 54% of EWSS expenditure has gone to four sectors: Accommodation and Food, Retail, Administration and Support Services and Construction. These four sectors still account for 54% of PUP recipients and 57% of EWSS recipients.
- Long duration PUP recipients provide a good indication of where the potential longer term labour market damage may occur.
  - As PUP numbers have decreased, the proportion of long-term recipients in receipt of payment has greatly increased with around 48,500 people having been in receipt of the PUP for 95 percent or more of the weeks since the scheme began, as of October 5<sup>th</sup> 2021.



# Spending Review 2021 – Key Findings



## Key Policy Relevant Findings

- Flows between the schemes can be insightful and are needed to disentangle where labour market improvements are occurring compared to shifts from one support to another.
  - Although numbers on the PUP have been declining steadily in recent months, a significant proportion of these flows have been to the EWSS (e.g. 77,000 moved from PUP in May 2021 to EWSS in June 2021, 52% of the flow to employment in this period). While the return to work is positive, the EWSS support still bears an exchequer cost. These inflows have been largely offsetting outflows from EWSS to non-EWSS supported employment, resulting in EWSS levels persisting at around 300,000.
- While the paper does not assess the efficiency and effectiveness of the schemes, it does identify a number of policy implications and areas for further research such as exchequer impact, deadweight and market distortions.
  - The schemes supported household incomes, employment and the enterprise base during the pandemic. However, this was achieved at an exorbitant cost to the Exchequer. In addition, broad eligibility has likely resulted in some deadweight loss, which should be assessed in future. Finally, it is not clear what the impact of the schemes has been on the labour supply, wage levels and reallocation of resources within the economy, all of which are critical in supporting economic recovery and employment growth.