An Roinn Gnóthaí Fostaíochta
agus Coimirce Sóisialaí
Department of Employment Affairs
and Social Protection

Tax Strategy Group 20/05 Social Protection Package – Budget 2021 Issues

September 2020

Social Protection Package – Budget 2021 Issues

Introduction

Social Protection supports have always played a major role in Irish life, both in terms of the number of people who depend on them and also the financial and economic scale of the system. This was brought into sharp focus with the onset of the Covid-19 pandemic crisis in March 2020 when most sectors of the economy were required to close to observe health guidelines for tackling the pandemic and many workers became dependent on existing and newly developed social protection supports.

At end July 2020, there were over 1.3 million persons in receipt of a weekly social welfare payment in respect of nearly 2 million beneficiaries. Of the weekly welfare recipients, 662,020 were in receipt of a pension payment and 269,285 were in receipt of working age income supports. Some 210,151 received a disability allowance or an invalidity pension and 91,157 were in receipt of Carer's Allowance or Benefit. A further 637,793 families received a monthly child benefit payment in respect of 1.2 million children. In addition there were 447,639 workers whose employers were benefitting from the Temporary Wage Subsidy Scheme (TWSS) and 274,578 recipients of the Pandemic Unemployment Payment (PUP)[1]. At its peak there were 602,107 people in receipt of the PUP. Taken as a whole, these numbers show that the payments and services operated by the Department of Employment Affairs and Social Protection (DEASP) impact, either directly or indirectly, on the lives of most people in the State.

This paper begins by examining the general role of social transfers[2]. Trends in poverty rates are briefly discussed, followed by an analysis of newly emerging trends in the labour market.

The paper presents overall DEASP expenditure by its various programmes. Budget 2021 is also discussed in the context of commitments in the new Programme for Government – Our Shared Future.

---

[1] CSO data

[2] Social transfers include unemployment-related payments, old-age social welfare payments, occupational pensions, family/child related allowances, housing allowances and other social transfers, e.g. disability benefits.

The paper concludes with presenting a range of illustrative welfare Budget measures and provides, in Appendix 1, the distributive and poverty impact of some of these measures, in order to demonstrate the social impact of welfare budgetary policy.

Role of Social Transfers

1. Social transfers play a pivotal role in alleviating poverty. They provide a valuable benefit to young families and older people and, in addition, they cushion people from the worst effects of unexpected reductions in income due to life contingencies such as unemployment, old age, illness or disability. Welfare payments are essential in supporting well-being and reducing inequalities through the redistribution of income, therefore helping to promote social cohesion. In addition to income adequacy, social transfers are critical to the social determinants of health[3], crime prevention and access to education.

2. Social protection expenditure contributes, directly and indirectly, to the wider economy. People in receipt of welfare payments usually spend most, if not all, of their payments each week, thereby adding to domestic and local employment and economic activity.

3. Throughout the last number of years, social transfers performed strongly in reducing the at-risk-of- poverty rate. In 2018, social transfers (excluding pensions) reduced the at-risk of poverty rate from 30.2% to 14% or 16.2 percentage points in absolute terms. This represents a poverty reduction effect of 53.6%[4]. The impact of social transfers in reducing poverty is one of the highest in the EU. This reflects the progressive and targeted nature of social transfers. Other research undertaken[5] also suggests that the level of service provision has a significant impact on the expenditure needs of people on low incomes.

4. Social transfers also provide support across the life-course, from helping to protect children from the risks of inter-generational poverty and disadvantage, to ensuring an adequate standard of living across all life-cycle groups.

---

[3] See, for example: http://www.euro.who.int/en/health-topics/health-policy/health-2020-the-european-policy- for-health-and-well-being/publications/2013/review-of-social-determinants-and-the-health-divide-in-the-who-european-region.-final-report

[4] The reduction including pensions was from 40.9% (before social transfers) to 14% (after social transfers), a 'poverty reduction effect' of 65.8 per cent.

[5] Vincentian Partnership for Social Justice (2019), *Minimum Essential Standard of Living 2019 Update Report*

5. The role of social transfers was highlighted in particular in recent months when the rapid deployment of such transfers to meet the sudden loss of employment income experienced by workers when most sectors of the economy closed served to address the immediate income needs of those workers. Research from the ESRI[6] has shown that the pandemic unemployment payment insulated low income families from the income shock of measures taken to halt the spread of Covid-19.

Poverty Trends

6. Poverty trends emerging from the pandemic crisis will not be immediately evident. The results of CSO's Survey on Income and Living Conditions (SILC) for 2020 on which poverty trend analysis is based, will not be available until the end of 2021.

7. The latest survey results reflecting 2017/2018 incomes show that pre-pandemic crisis poverty indicators had begun to stabilise and decline following increases during the Financial Crisis in 2009/2010 which peaked in 2013/2014. These results highlight the effect of a crisis on poverty trends and suggest how scarce resources could be directed in supporting the most vulnerable during, and when recovering from, a crisis.

    i. The at-risk-of-poverty rate was 15.7% as reported in SILC 2017, reducing to 14.0% in SILC 2018. Changes in the at-risk-of-poverty rate in the 2018 SILC reflect different dynamics: (a) the rise in the 60% median income threshold as household incomes have increased with the emerging economic recovery; and, (b) the cushioning effect (poverty reduction effectiveness) of social transfers, in reducing pre-social transfer at-risk-of-poverty rates.

    ii. Consistent poverty, the indicator used to set the national social target for poverty reduction, fell to a low of 4.2% in the 2008 SILC, before rising to a high of 9% in SILC 2013. Having fallen again to 6.7% in 2017, the consistent poverty rate estimated in SILC 2018 was 5.6%.

[6] ESRI (2020), Budget Perspectives 2021, The Potential Costs and Redistributive Effects of Covid-19 related Unemployment in Ireland (https://www.esri.ie/publications/the-potential-costs-and-distributional-effect-of-covid-19-related-unemployment-in)

8. The impact of poverty varied across different groups. While the consistent poverty rate for the population as a whole was 5.6% in 2018, the groups with the highest rates of consistent poverty were individuals who were unemployed (27.6%) and those who were not at work due to illness or disability (21.3%). Those in employment, older people, and people living in owner-occupier housing had the lowest consistent poverty rates. In terms of household composition, individuals in households where there was one adult and one or more children under 18 years of age had the highest consistent poverty rate (19.2%). Consistent poverty was lowest (0.8%) for individuals in households with two adults where at least one was 65 years of age or older and where there were no children present.

Labour Market Trends

9. Recently-published analysis[7]indicates that the implementation of public health measures, requiring the closure of all non-essential businesses, resulted in an unprecedented increase in unemployment within a matter of weeks – a much more rapid increase than witnessed during the 2009/2011 Financial Crisis.

10. The CSO's Covid-19 Adjusted Monthly Unemployment Estimates stood at 16.7 per cent in July 2020, down from 23.1 per cent in June 2020. In the case of younger workers (i.e. those aged 15-24 years), the equivalent rates were 41.2 per cent per cent and 57.8 per cent, respectively. This measure of youth unemployment needs to be interpreted carefully as access to the Pandemic Unemployment Payment, upon which the Covid-19 adjusted measure is based, was extended to young people who were, prior to the pandemic, in full time education but who may have had a part-time job. Accordingly, many of the young people captured in this measure will return to education as colleges and universities re-open. It is expected that this will lead to a significant reduction in reported youth unemployment.

11. The Stability Programme Update (SPU) expects the level of employment to fall significantly this year, from an average of 2.32 million in 2019 to 2.11 million in 2020, a loss of approximately 220,000 jobs.

12. The SPU forecast indicates that unemployment will peak in Q2 2020 before it begins to fall in the second-half of the year with a year-end forecast of approximately 11 per cent.

[7] The Initial Impacts of the COVID-19 Pandemic on Ireland's Labour Market.pdf

13. Those employed in the food and accommodation and retail sectors have been hardest hit, with over 90 per cent of their collective workforce receiving either the PUP or the TWSS by the end of April. While initially impacted by public health restrictions, the construction (or outdoor work, more generally) sector has the potential to recover in the near-term in line with the easing of restriction measures. To date, over 82,000 recipients of the PUP who worked in the construction sector have exited the scheme.

14. The performance of the labour market in the weeks and months ahead, including the capacity of employers to respond to the phased return to work following the Covid-19 lockdown, and the level of any resulting residual unemployment, remains uncertain.

Social Protection Budgets 2015 - 2019

15. While core social welfare rates were largely protected, Budgets 2009 to 2014 included a number of cost saving measures that contributed to the fiscal consolidation effort over the financial crisis. Budget 2015 provided scope to make some improvements for welfare recipients. That Budget reinstated a partial Christmas Bonus (25%), introduced the Back to Work Family Dividend scheme, increased the Living Alone Allowance and Child Benefit payments, but did not include increases in the weekly rates of payment.

16. Budget 2016 included a €3 weekly rate increase for pensioners, and increases in Child Benefit, the Carer's Support Grant and Fuel Allowance as well as the introduction of a new Paternity Benefit scheme. The Christmas Bonus was increased to 75% in December 2015.

17. Budget 2017 introduced the first general increase in weekly rates of payment since 2009 with a €5 increase in the weekly rate of all social welfare payments and proportionate increases for qualified adults and those on reduced rates of payment. Budget 2017 also introduced a number of measures improving the social insurance coverage of the self-employed, providing access to Invalidity Pension and Treatment Benefits. Other Budget measures included improvements for lone parents and farmers, and new pre-activation supports for people with disabilities. The Christmas Bonus was increased to 85% in December 2016.

18. Budget 2018 continued the improvements in weekly rates of payment. A further €5 increase was introduced in the weekly rate of all pension and working age payments, with proportionate increases for qualified adults and those on reduced rates of payment. A particular effort was made to address the issue of child poverty through targeted

increases. Budget 2018 provided for an increase in the weekly qualified child payments, an increase in income thresholds for the Working Family Payment, improvements for lone parent families, the introduction of a Telephone Support Allowance and the announcement of a new Youth Employment Support Scheme.

19. Budget 2019 continued the trend of improving weekly rates of payment with some targeted measures for child supports. A further €5 increase was introduced in the weekly rate of all pension and working age payments, with proportionate increases for qualified adults and those on reduced rates of payment. Budget 2019 also saw another increase in qualified child payments and a change to the structure of those payments. An increase of €2.20 for children under 12 was provided and an increase of €5.20 for children aged 12 and over. Improvements for working families included a further increase in the earnings disregard for lone parents in receipt of One-Parent Family Payment and Jobseeker's Transitional Payment, as well as the introduction of a housing cost disregard on maintenance payments for recipients of the Working Family Payment. Budget 2019 also saw the introduction of new social insurance schemes – Parental Benefit and Jobseeker's Benefit Self-Employed scheme (JBSE). Parental Benefit provides for two paid weeks of parental leave, while the key objective of the JBSE scheme is to provide support to self-employed contributors who are no longer engaged in self-employment.

Budget 2020

20. In Budget 2020, a 100% Christmas Bonus was paid to recipients of long-term social welfare payments, benefiting over 1.2 million people, including pensioners, people with disabilities, carers, lone parents and the long-term unemployed.

21. Continuing with improvements in the Qualified Child Payment, an increase of €2 and €3 for children age under 12 and age 12 and over respectively was announced as part of Budget 2020. Working Family Payment income thresholds were increased by €10 per week for families with up to three children.

22. Budget 2020 saw an increase in the income disregard for One-Parent Family Payment (OFP) and Jobseeker's Transition payment (JST) by €15 (from €150 to €165) per week. The effect of this is to increase the amount of money that a lone parent can receive from employment without it reducing their social welfare payment. This enhances the incentive for a lone parent to take up employment. This measure further enhanced the improvements to JST made in Budgets 2017, 2018 and 2019, and the improvements to OFP made in Budgets 2018 and 2019.

23. The Living Alone Allowance was increased by €5 from €9 to €14. This is an additional payment made each week to people aged 66 years or over who are in receipt of certain social welfare payments, including State pensions, and who are living alone. It is also paid to people who are less than 66 years of age, living alone and in receipt of disability allowance, invalidity pension, incapacity supplement or blind pension.

24. A disregard for the Blind Welfare Allowance in the assessment of means for social assistance payments was also introduced.

25. Eligibility for the Household Benefit Package was broadened by amending current household composition criteria to reflect the bill-payer and, if applicable, their spouse/civil partner/cohabitant only. This measure supports vulnerable multi-generational households at a time of high housing costs.

DEASP Expenditure in 2020

26. The original Revised Estimates Volume (REV) for 2020 published in December 2019 provided for expenditure of €21.2 billion for the Department of Employment Affairs and Social Protection in 2020. This was to be an increase of €449 million or 2.2% on the 2019 outturn expenditure which was €20.755 billion.

27. As the original estimate had not been voted upon, spending in 2020 was operating under the 'four-fifths' rule which applies to voted expenditure under the Central Fund (Permanent Provisions) Act, 1965. Under this rule, Departments can spend an amount up to 80% of that included for the relevant Department in the previous year's Appropriation Act. The Department was expected to exceed this expenditure limit during the first week of June.

28. To enable spending to continue, new Revised Estimates were presented to, and approved by, the Dáil on 28th May 2020.

29. The new 2020 Revised Estimate provides for an overall estimate of €28.04 billion. This is an increase of €6.84 billion or 32.2% on the original estimate published last December. This provides funding for decisions already made by Government at that point – including providing for payment of the emergency Pandemic Unemployment Payment (PUP) up to 9th June and the Temporary Wage Subsidy Scheme up to the following week.

Table 1: Total Department expenditure by programme, 2016 to 2020

	2016 Outturn	2017 Outturn	2018 Outturn	2019 Outturn (Provisional)	2020 REV*	% of 2020 REV total
	€'m	€'m	€'m	€'m	€'m	%
Administration	582	618	637	639	659	2%
Pensions	7,090	7,387	7,758	8,215	8,425	30%
Working Age Income Supports	3,948	3,598	3,422	3,259	7,755	28%
Working Age Employment Supports	1,009	874	792	694	2,748	10%
Illness, Disability and Carers	3,700	4,009	4,254	4,506	4,753	17%
Children	2,594	2,621	2,631	2,655	2,783	10%
Supplementary Payments, Miscellaneous Services and agencies	879	836	816	787	917	3%
Total expenditure	**19,802**	**19,942**	**20,310**	**20,755**	**28,040**	
Change	**-102**	**140**	**371**	**445**	**7,285**	

30. When compared to the original Estimate, the significant increase in the allocation by €6.84 billion for 2020 mainly reflects the impact of Covid-19 related expenditure on the Pandemic Unemployment Payment and the Temporary Wage Subsidy Scheme which were assumed to cease in June 2020. It was subsequently decided to extend both payments. The potential requirement for a Supplementary Estimate, and the volume of that estimate, will largely depend upon the performance of the labour market over the coming months and any transfer of expenditure from the Social Insurance Fund to the Vote arising from Section 6 of the Social Welfare (Covid-19) (Amendment) Act 2020.

Government Priorities

31. The recently agreed Programme for Government – Our Shared Future - provides a number of commitments relevant to the Department.

32. Retention of the State pension age at 66 years, pending the report of the Commission on Pensions and any subsequent Government decisions on its recommendations, is a core commitment which will impact on Social Protection expenditure in 2021.

33. The Programme commitment to "maintain the State Pension as the bedrock of the Irish pension system", underpins broader pension reforms contemplated in the Programme for Government.

34. The Programme also contains a commitment to "protect core weekly social welfare rates".

35. Discourse in recent years has covered the concept of benchmarking and indexation of social welfare payments in order to protect their value over time. This is explored in the options below.

36. This paper also explores increasing the thresholds for assessment of capital (savings, property, investments, etc.) across all social assistance payments.

37. The Programme commitment to extend paid parental leave for parents, to allow them to spend more time with their baby during its first year, mirrors the commitment in the Roadmap for Social Inclusion, for an additional 7 weeks paid parental leave to bring Ireland in line with other EU member states and meet the requirements of on work-life balance for parents and Carers Directive.

Social Impact Assessments

38. In recent years, the Department's Social Protection Package - Budget Issues[8] papers to the Tax Strategy Group contained analysis of the distributive impact of a range of illustrative social protection budget measures.

39. The Programme for Government commits to develop a "*set of well-being indices to create a well-rounded, holistic view of how our society is faring*". This section lists a range of illustrative welfare Budget measures and provides, in Appendix 1, the distributive and

[8] https://www.gov.ie/en/collection/dc3850-budget-2020-tax-strategy-group-papers/

poverty impact of these measures, in order to better inform understanding of the social impact of budgetary policy.[9]

40. Welfare improvements, in general, are progressive and benefit those in the bottom half of the income distribution most, given that welfare income forms a greater proportion of the total incomes of these groups. However, as demonstrated in the analysis included in this document, the impact of individual welfare measures varies, with some having little impact on the bottom quintile while other measures have a broader impact across all income groups. Changes to direct taxation only impact those who pay tax and may have little impact on households in the bottom half of the income distribution (although the impact varies depending on the measures chosen).

Review of Potential Budget Measures

Retaining State Pension Age at 66 years

41. Currently, legislation provides that the State Pension age of 66 years will increase to 67 years from 1 January 2021. This means that, after 1 January 2021, individuals approaching their 66th birthday will have to wait a further year before qualifying for State Pension. If continuing to work, they will pay PRSI on any income or earnings.

42. The Programme for Government – Our Shared Future, contains the following commitment:-

    "*Pending the report of the Commission on Pensions and any subsequent Government decisions on its recommendations, the State Pension age will remain at 66 years and the increase to 67 years will be deferred. This will allow full consideration by Government of any permanent changes. The Commission will report by June 2021. The Government will take action having regard to the recommendations of the Commission within 6 months*."

43. The cost of keeping State Pension Age at 66 over the coming 5 years, rather than it increasing to 67 on 1 January 2021, is as follows:

[9] The Department has published post Budget integrated social impact assessments of the main tax and social welfare measures for Budgets 2013 to 2020 inclusive, using the ESRI SWITCH model.

Projected Cost Difference - SPA @ 66	2021	2022	2023	2024	2025
€m	180	405	400	437	485

44. These estimates are for net costs and take into consideration additional increases or reductions arising in PRSI receipts, movements from other social welfare schemes, and secondary benefit entitlements including Free Travel, Fuel Allowance, Household Benefit Payment and Telephone Allowance. The estimates are based on current rates of payments and do not make any provision for rate increases.

    The additional net costs per annum range from c. €180 million in 2021 (due to a first year effect) to an average of over €400 million per annum thereafter. The estimated cumulative differential cost of keeping State Pension Age at 66 over the period 2021 – 2025 is over €1.9 billion.

45. The definition of State Pension Age ("pensionable age") at Section 2 of the Social Welfare Consolidation Act 2005, as amended, will require amendment to prevent the SPA increasing to 67 on 1 January 2021.

New Retirement Allowance/Pension

46. The new Programme for Government "Our Shared Future" also proposes an "Early Retirement Allowance or Pension" for 65 year olds paid at the same rate as Jobseeker's Benefit without a requirement to sign on, partake in any activation measures or be available for and genuinely seeking work.

47. The design of this "Early Retirement Allowance or Pension" scheme is currently being considered along with the assessment of the necessary legislation, ICT system requirements and administrative processes required to support the introduction of this payment. It is not possible, therefore, to give definitive expenditure estimates at this stage. However, for indicative costing purposes, based on modelling conducted earlier this year, the Department's best current estimate for the gross cost of reintroducing State Pension Transition **(on the same basis as it previously operated)** is €293 million for a full year. It is expected that these costs would be offset somewhat by savings of €166 million on Working Age Schemes (arising from recipients transferring from these schemes to SPT), giving a net cost of €127 million each year. These figures are based on current payment rates. This costing was calculated based on analysis of the observed ratio of SPT awards to State Pension (Contributory) awards for the period from 2009 to 2012, and projecting this forward in terms of estimated recipient numbers in coming years. It should be noted

that these estimates are subject to change in the context of emerging trends and associated revisions of the estimated numbers of recipients.

Benchmarking and Indexation of State Pensions and Working Age Payments

Introduction

48. The current system of setting welfare rates and, in particular, pension rates of payment, has traditionally favoured the provision of a single rate increase without reference to the relative value of that increase. The process provides no assurance as to the real or relative value of future pension payments meaning that neither those at work, nor those in receipt of a pension, can make decisions with respect to other personal savings or expenditure confident in the knowledge that the value of State pension will be protected.

49. Nearly every other OECD country has developed and implemented a system of benchmarking rates of pension payments. Ireland is one of the few countries that do not operate such a system and there have, accordingly, been calls for many years to benchmark the rate of state pension payments to average earnings.

50. A number of reports have recommended a benchmark rate of 34/35% of earnings for this purpose.

    (i) The Roadmap for Pensions Reform (2018) committed that the Government would examine and develop proposals to set a formal benchmark target of 34% of average earnings for State Pension Contributory payments; and institute a process whereby future changes in pension rates of payment are explicitly linked to changes in consumer prices and average wages.

    (ii) Most recently, the Roadmap for Social Inclusion 2020-2025 (January 2020) specified further Government commitments to consider and prepare a report for Government on the potential application of the benchmarking approach to other welfare payments.

    In line with these commitments, a proposal will be brought to Government shortly on *how a benchmarking system may work.*

    In the meantime, the appendix includes estimates for the cost of increasing pensions and working age payments by either €5 per week or, as an alternative, in line with the HICP, by 0.9% per week.

Extend Parent’s Leave and Benefit

51. Parent’s Leave and Benefit was introduced on 1 November 2019 with the commencement of the Parent’s Leave and Benefit Act 2019. It provides an individual entitlement for each parent for a child born or adopted on or after 1 November 2019, in addition to leave for parents already in place. The Parent's Leave entitlement is currently 2 weeks leave for each parent, to be taken within 52 weeks of the birth or placement of his or her child.

52. The current leave and benefit entitlement is set out as follows:

Parent’s Leave entitlement	Leave	Benefit entitlement
Entitlement for each parent for a child born or adopted on or after 1 November 2019	Two weeks leave for each parent	Benefit paid at €245/week for two weeks

53. The duration of Parent’s Leave can be increased to a maximum of 9 weeks by order of the Minister for Justice and Equality with the consent of the Minister for Employment Affairs and Social Protection and the consent of the Minister for Public Expenditure and Reform. The making of such an Order requires prior approval of both Houses of the Oireachtas.

Covid-19 and parenting

54. The COVID-19 pandemic has had a significant impact on children and parents, with many families experiencing significant stress due to the lack of family support and childcare. An extension of parent’s leave and benefit would enable parents to spend additional time with their child in the first year of its life, which is known to have a positive impact on children. This is especially important during the pandemic period. An extension of parent’s leave would also enable parents to spend additional time with their child while remaining in employment.

55. The estimated cost of an additional week is €15.8m in a full year, based on the average volume of applications of Maternity and Paternity in 2018 and 2019. It is assumed, in a full year, that there would be upwards of 65,000 claims on the basis that there were 44,000 Maternity claims and 28,000 Paternity claims in 2019.

56. Over time, Parent's Leave and Benefit will provide up to 9 weeks for each parent by August 2024 – with 7 weeks to be in place by August 2022. This is in line with the EU Work Life Balance Directive. The Work Life Balance Directive is part of a package of measures to address under-representation of women in employment, and to support their career progression through improved conditions to reconcile their working and private duties.

Capital Disregard for Social Assistance Schemes

57. Applicants for social assistance payments are means tested. A means test is a way of checking if a claimant has enough financial resources to support themselves and determine what amount of social assistance payment, if any, they may qualify for.

    A maximum rate is payable where a person has no or limited means, and tapering applies to the rate payable to those with modest or more substantial means, as there is an expectation that those with resources can at least partly contribute towards supporting themselves.

58. Social welfare legislation provides that, for social assistance schemes, income and capital (such as savings, investments and property other than the family home) belonging to the claimant and his or her partner, where applicable, is assessable for means assessment purposes. The purpose of the means assessment is to maintain the policy of ensuring that social welfare expenditure is targeted to those who need it most. All of the claimant's sources of income are added together and taken into account when deciding whether they qualify for a means-tested payment, or the level at which they are paid.

59. The assessment of capital reflects an expectation that people with reasonable amounts of capital and property are in a position to use that capital, or to realise the value of the property, to support themselves without having to rely solely on a means-tested welfare payment.

The formula for assessing the value of capital for most social welfare schemes is as follows:

Capital	Weekly means assessed
First €20,000	Nil
Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000
Balance	€4 per €1,000

The exceptions to the formula above are Disability Allowance, where the first €50,000 of capital is not taken into account, Supplementary Welfare Allowance, where the first €5,000 is not taken into account, and the Working Family Payment, where capital is not taken into account at all.

60. The capital disregard has not been increased for the schemes in Table 2 since 2005. In recent years there have been calls from the Community and Voluntary Sector to increase the capital disregard with the rationale being that people who save for a relative's future care, or to make provisions for retirement, should not be penalised in means assessments for exercising prudence.

61. Increasing the capital disregard for the means assessment to €50,000, on the social assistance schemes below, is estimated to cost €24 million in a full year. This cost is based on the means assessment data for current recipients and assumes the distribution of capital means will not change. It should be noted that there may be an unknown cost for people who, under current means assessment rules, do not qualify for a payment but would become eligible if the disregard was increased.

Table 2: Cost of Increasing the Capital Disregard for Principal Means Tested Schemes

Scheme	End May 2020 Recipient Numbers	Approximate Proportion of Current Scheme Recipients Benefitting	Full Year Cost €m*
State Pension (Non-Contributory)	95,213	10.0%	12.2
Jobseeker's Allowance	134,097	2.4%	7.8
Farm Assist	5,700	12.0%	0.9
One Parent Family Payment	39,480	0.3%	0.2
Jobseeker's Allowance Transition	15,360	0.6%	0.1
Carer's Allowance	87,270	0.9%	2.8
Total	**377,120**		**24.0**

*It should be noted that these costings are **subject to change** in the context of emerging trends and associated revision of the estimated numbers of recipients.

62. The TSG is invited to consider this paper.

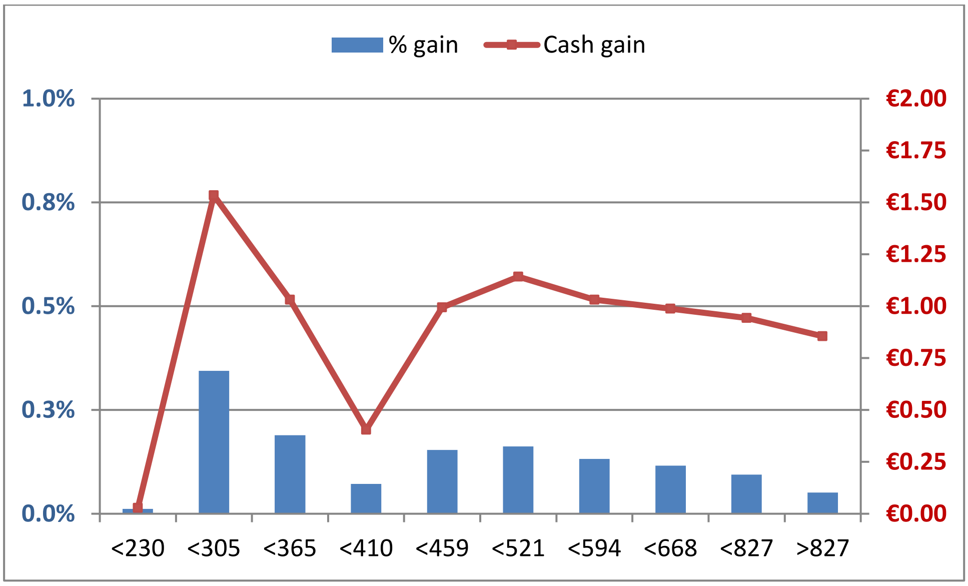
Appendix 1 - Social Impact Assessment of Illustrative Welfare Measures

<u>€5 weekly rate increase for pensioners aged 66 and over with proportionate increases for qualified adults[10]</u>

- Estimated full-year cost is €170.3m.

- The average gain in disposable income is 0.1 per cent (€0.90 per week) across all households. The second decile gains most (0.3 per cent or €1.50 per week). The third, fifth and sixth deciles have above average gains of 0.2 per cent (between €1.00 and €1.10 per week).

Distributional impact
(% and cash change in weekly disposable income)



Source: SWITCH (2019 weighting) ESRI; Analysis by DEASP

- Retired singles and couples are mainly impacted by the measure with gains of 0.5/0.6 per cent (€2.90 and €5.60 per week respectively).

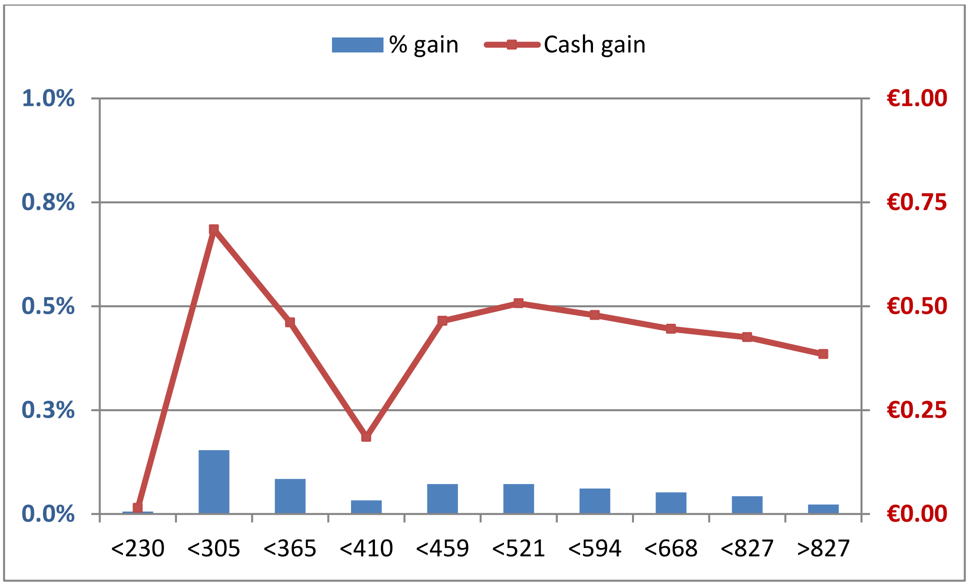
[10] Qualified adult rates for those 66 years of age and over on state pension (contributory) and invalidity pension was increased by €4.50. Qualified adult rates for those under 66 years of age on state pension (contributory) were increased by €3.30.

- The impact on the whole population at-risk-of-poverty is small. However there is an estimated decrease of 1.0 percentage point in the at-risk-of-poverty rate for older people.

€2.20 weekly rate increase for pensioners aged 66 and over with proportionate increases for qualified adults[11]

- Estimated full-year cost is €75.2m.
- The average gain in disposable income is 0.1 per cent (€0.40 per week) across all households. The second decile gains most (0.2 per cent or €0.70 per week).

Distributional impact
(% and cash change in weekly disposable income)



Source: SWITCH (2019 weighting) ESRI; Analysis by DEASP

- Retired singles and couples are mainly impacted by the measure with gains of 0.2/0.3 per cent (€1.30 and €2.60 per week respectively).
- The impact on the population at-risk-of-poverty is small – there is a fall of about 0.5 percentage points in the at-risk-of-poverty rate for older people.

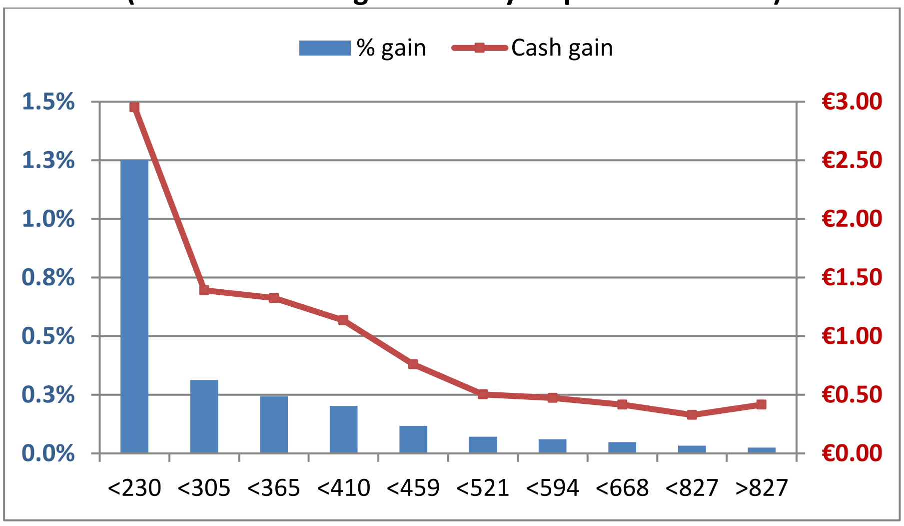
[11] The increase of €2.20 is in line with general price inflation. Qualified adult rates for those 66 years of age and over on state pension (contributory) and invalidity pension was increased by €2.00. Qualified adult rates for those under 66 years of age on state pension (contributory) were increased by €1.45.

<u>€5 weekly rate increase for working-age welfare recipients with a proportionate increase for qualified adults</u>[12]

- Estimated full-year cost is €221.8m.

- The average gain in disposable income is 0.1 per cent (€1.00 per week) across all households. The bottom decile gains most at 1.3 per cent (€2.90 per week), with smaller gains for the second, third and fourth deciles.

Distributional impact
(% and cash change in weekly disposable income)

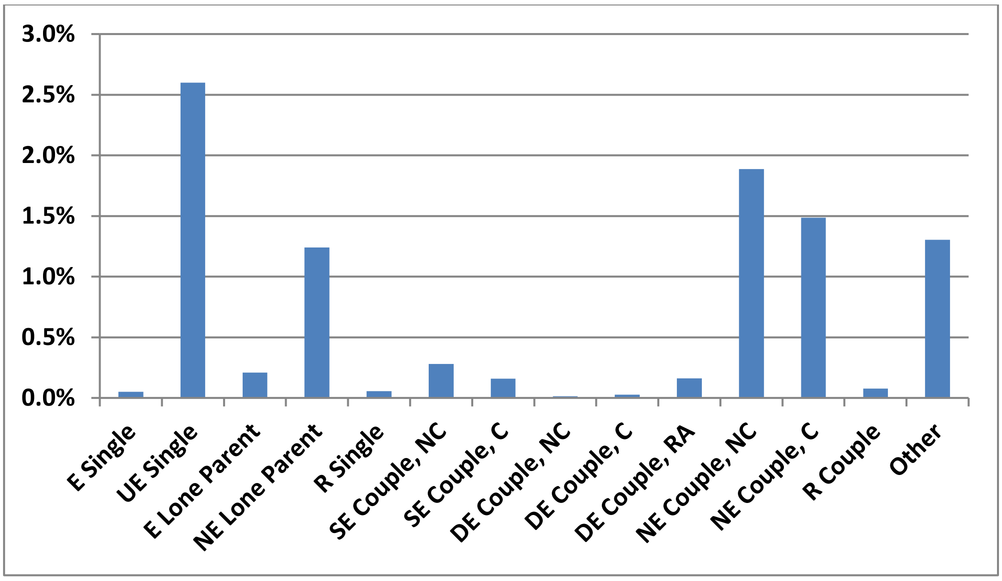


Source: SWITCH (2019 weighting) ESRI; Analysis by DSP

- Unemployed singles gain most (2.6 per cent or €4.30 per week), followed by non-earning couples with and without children (1.5/1.9 per cent or €8.50/€7.50 per week) and non-earning lone parents (1.2 per cent or €4.70 per week.

[12] €3.30 increase for QAs (incl JA recipients aged 25); €5.00 increase for QAs of JA recipients aged under 25

Impact by family type
(% change in income by different family types)



Source: SWITCH (2019 weighting) ESRI; Analysis by DSP

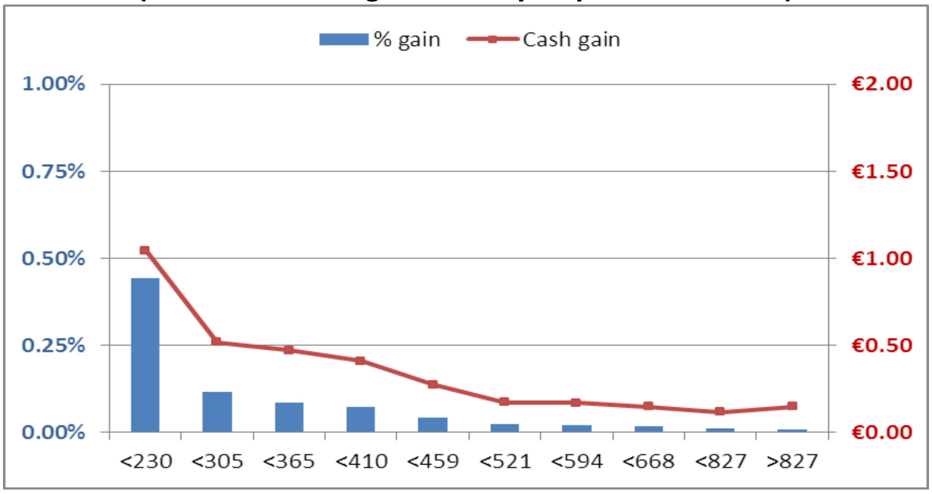
The impact on the population at-risk-of-poverty is not significant.

€1.80 weekly rate increase for working-age welfare recipients with a proportionate increase for qualified adults[13]

- Estimated full-year cost is €80.0m.

- The average gain in disposable income is 0.05 per cent (€0.35 per week) across all households. The bottom decile gains most at 0.4 per cent (€1.00 per week), with smaller gains for the second, third and fourth deciles.

Distributional impact
(% and cash change in weekly disposable income)

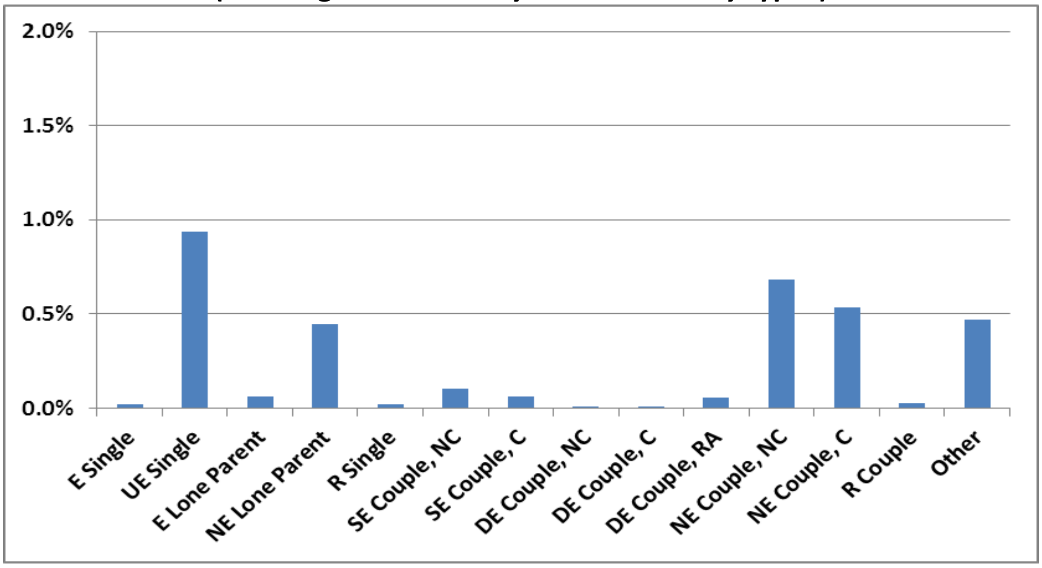


Source: SWITCH (2019 weighting) ESRI; Analysis by DSP

- Unemployed singles gain most (1.0 per cent or €1.50 per week), followed by non-earning couples with and without children (0.7/0.5 per cent or €2.70/€3.10 per week) and non-earning lone parents (0.4 per cent or €1.70 per week).

[13] €1.20 increase for QAs (incl JA recipients aged 25); €1.80 increase for QAs of JA recipients aged under 25

Impact by family type
(% change in income by different family types)



Source: SWITCH (2019 weighting) ESRI; Analysis by DSP

- The impact on the population at-risk-of-poverty is not significant.