

## INOUE PRESENTATION TO THE SELECT COMMITTEE ON BUDGETARY OVERSIGHT ON THE COMMISSION ON TAXATION AND WELFARE'S REPORT: CHAPTERS NINE TO TWELVE FEBRUARY 15<sup>th</sup> 2023

### Introduction

On September 14<sup>th</sup>, 2022, the report from Commission on Taxation and Welfare (COTW) was published: noted amongst the key messages was that *"The adequacy of social welfare rates is central to poverty reduction. Regular benchmarking exercises for working-age payments should be undertaken, which would set multi-annual targets for progress in rates<sup>1</sup>."* The INOU welcomes this message and the opportunity to make a submission and a presentation to the Select Committee on Budgetary Oversight on Chapters nine to twelve of the COTW report.

### Chapter 9: Promoting Enterprise

The focus and recommendations in this chapter are very much on the tax system. Yet for some people, who experience discrimination or exclusion in the labour market, self-employment can be an important avenue to address their unemployment. The Back to Work Enterprise Allowance (BTWEA) is an important support to facilitate them to do this<sup>2</sup>.

The BTWEA runs for two years, but the INOU believes that an additional year should be introduced to support people to make the most of this opportunity with the participant retaining 50% of their social welfare payment in the third year. Such a development would be in keeping with the Government's expressed wish in the *Economic Recovery Plan<sup>3</sup>* that *"A range of measures will be introduced to support young people, disadvantaged groups and people distant from the labour market to find employment"*. (p15)

### Chapter 10: Labour Markets and Social Protection Systems

In this chapter the COTW note *"A coherent approach to the design of the taxation and welfare systems will encourage labour force entry, encourage people to take up work, support people in work who are on low pay and facilitate progression from lower to higher earnings."* (p226) The complexity of Ireland's social welfare system is an issue raised regularly throughout the work of the INOU. This situation, coupled with uncertainty about how the taxation system might impact an unemployed person seeking to move from a welfare payment into work, can make such a move challenging. A challenge that can be exacerbated if the only available work does not have a regular pattern, leading to income uncertainty and insecurity.

The Irish tax and welfare systems must adopt a strong pro-active attitude to information dissemination, seeking to ensure that everyone living and working in Ireland is aware of

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<sup>1</sup> Page nine of the Executive Summary of COTW Report which is available at <https://www.gov.ie/pdf/?file=https://assets.gov.ie/234317/551e66d4-7f6c-492e-b81a-335c4e83ad6f.pdf#page=null>

<sup>2</sup> During the response to the 2008 financial crisis a Short-term Enterprise Allowance (STEA) was also introduced which facilitates people to transfer their Jobseeker's Benefit to this payment and seek to start their own business.

<sup>3</sup> The Economic Recovery Plan 2021 is available to download at <https://www.gov.ie/en/publication/49b23-overview-of-economic-recovery-plan-2021/#the-plan>

their rights and entitlements, what they can seek and where, what information and documentation is required of them to engage with the tax or welfare systems. And though online engagement will be more conducive for many to facilitate such provision, it will be essential that people for whom online engagement is not feasible have full access to meaningful supports and services.

The report also states that *“In economic terms, social protection plays a major role in smoothing incomes and supporting aggregate demand for goods and services after an employment shock. In this way, it acts as an automatic stabiliser, protecting and enhancing human capital and productivity, contributing to inclusive growth and facilitating structural change.”* (p227) The COVID-19 pandemic demonstrated how flexible and supportive public administration can be: the roll-out of the Pandemic Unemployment Payment (PUP) was unprecedented in its scale and speed; PUP and the Enhanced Illness Benefit Payment provided timely and much better income supports to people who would otherwise have struggled at a very difficult and challenging time.

Later on in this chapter the COTW note that *“Over the past decade, there has been a clear policy of developing the PES in line with international thinking that, for people of working age, social protection systems should be more ‘active’ i.e. provide support to jobseekers finding employment, as well as providing benefits.”* (p231) The downside to this approach is that the Public Employment Service becomes more interlinked with certain social welfare payments, in particular Jobseeker’s payments, the only payments to which Genuinely Seeking Work criteria apply. Such an approach does not lend itself to developing a person centred service inclusive of all people of working age, leaving people who are unemployed and not in receipt of a payment or job changers outside of most labour market supports.

On page 246 the COTW notes that *“There must be a capacity to respond to greater demand for training and support where people are unemployed due to sectoral decline, where tasks are transferred to automated processes.”* This is a challenge that will also arise as Ireland seeks to decarbonise its economy. Over the years INOU affiliated organisations have noted that as good jobs are lost in their area, alternative employment too often has inferior pay, terms and conditions. Such a scenario not only throws up difficulties at the personal, familial and communal levels, but it also presents tax and welfare challenges at national level.

## Chapter 11: Promoting Employment

On page 265 the COTW states that *“In the world of work, the taxation and welfare systems have considerable influence. Both systems should work to make transitions into the labour force attractive, make Ireland an attractive place for Foreign Direct Investment (FDI), and provide a suitable level of income support when individuals experience unemployment.”*

Access to good social welfare and employment supports and services is critical, not only for people who are unemployed but, for Ireland’s social and economic development. In a changing world of work, everyone of working age needs to be able to access good information and supports to make informed and sustainable employment decisions.

Section 11.3.5 is entitled *The Public Employment Service* and in this section the COTW give welcome recognition to the fact that *“Jobseekers are not a homogenous cohort and the*

requirements of other cohorts may be even more diverse, requiring a range of responses from the PES.” (p276) The development and implementation of these responses must be informed by the Public Sector Equality and Human Rights Duty<sup>4</sup>.

In the INOU’s publication *A Quality Public Employment Service*<sup>5</sup> (PES) we note that the key components of such a service are:

- Clear communication
- A positive approach
- Proactive support
- Building relationships and networking
- Co-operation
- Building links with employers
- Provision of clear, accurate and timely information
- Good data collection and monitoring and
- Suitable and supported staff.

These key components would be underpinned by the following values and principles:

- Belief in the potential and capacity of the person
- Respect and dignity
- Informed choice
- Working in partnership with person using the service
- Working in partnership with other organisations, including education and training providers and a range of community and statutory support agencies
- Actively promoting equality and social inclusion
- Enabled by an ethos of continuous professional development; effective recruitment; and good management.

## Chapter 12: Inclusive and Integrated Social Protection

The important role played by social protection supports in so many people’s lives is captured in the following quote from this chapter: *“For those of working age, social protection systems serve to temporarily replace income lost to periods of, for example, unemployment, injury, disability, sickness, paternity or maternity. In cases where earnings from employment are insufficient to avoid poverty or social exclusion, social protection measures provide a floor below which income will not fall. The social protection system also facilitates participation in employment and provides pathways to restoring people’s earning capacity after any of the above contingencies. The principal economic argument for social protection is the mitigation and sharing of risk across society.”* (p288)

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<sup>4</sup> This duty is a legal obligation under the Irish Human Rights and Equality Commission Act 2014, Section 42 (1) which states: *“A public body shall, in the performance of its functions, have regard to the need to —*

- a) *eliminate discrimination,*
- b) *promote equality of opportunity and treatment of its staff and the persons to whom it provides services, and*
- c) *protect the human rights of its members, staff and the persons to whom it provides services.”*

<sup>5</sup> This report is available at [https://www.inou.ie/assets/files/pdf/building\\_a\\_qpes.pdf](https://www.inou.ie/assets/files/pdf/building_a_qpes.pdf)

On the same page the COTW also noted that *“A key function of the social protection system is to act as a safety net for those at risk of poverty. It follows, therefore, that social welfare rates must be adequate in order to effectively provide such a safety net.”*

Further on in the report, on page 295, the Commission states *“However, while the relationship between benefit rates and earnings needs to be monitored, the Commission is not convinced that rates of social welfare payments are suppressing labour supply at present in Ireland.”* A key lesson from the Covid-19 crisis and the enhanced level of payment people received through the Pandemic Unemployment Payment (PUP) was that supporting people to manage their period of unemployment better does not impede people returning to work. In the first lock down over 600,000 people were in receipt of the PUP, by the time the payment was phased out in 2022 just over 20,000 people transferred across to a Jobseeker’s payment. Notwithstanding the impact of Covid-19, the cost of living crisis, and the impact of the war on Ukraine, Ireland is experiencing historically high levels of employment.

A key concern for the INOU is that the issue of income adequacy is properly addressed and that social welfare payments are set at a level that (i) lift people above the poverty line and (ii) supports them to meet a minimum essential standard of living (MESL), which should be informed by the work of the Vincentian MESL Research Centre.

Over the years the INOU has called on the Government to *“Introduce a work-friendly Social Welfare system for Jobseekers reflective of changing work practices, based on hours worked rather than days worked.”* On December 7<sup>th</sup> the Department of Social Protection (DSP) opened a public consultation on Pay-Related Benefit for Jobseekers, within the consultation document there is an outline of a Working Age Payment. Amongst the points made is that *“It is also intended to remove inconsistencies in payment rates between people in similar situations and to move away from the ‘days worked’ model whereby a person is disqualified for payment on a day where they might only work for 1 or 2 hours.”* The Department are proposing a payment based on the Working Family Payment. The INOU notes the potential of such an approach, but a substantial body of work would need to be undertaken to see if this approach would address the current challenges, and consider what new ones it may create.

In the INOU’s Pre-Budget submissions we have also called on the Government to re-introduce pay-related Jobseeker Benefit (JB) payments and restore its duration<sup>6</sup>. The key proposals in the DSP’s public consultation on Pay-Related Benefit for Jobseekers include:

- For people who have at least five years paid contributions (of which six months must have been in the 12 months prior to claim), be set at 60% of the person’s prior gross income subject to a cap of €450 per week (almost 50% of the gross adjusted average industry weekly earnings).
- For people who have less than five years prior contributions but at least two years (of which six months must have been in the 12 months prior to claim) be set at 50% of the person’s prior gross income subject to a cap of €300 per week (about 33% of gross adjusted average industry weekly earnings).

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<sup>6</sup> Depending on the person’s number of PRSI contributions, JB is currently paid for a maximum of 9 months or 6 months. Prior to the 2008 crisis the maximum duration was 15 months or 12 months.

- The duration of benefit would be 6 months compared to 6–9 months for Jobseeker’s Benefit. On expiry of benefit, after 6 months, any person still unemployed would be eligible to apply, as now, for the Jobseeker’s Allowance scheme or any replacement to that scheme.

The INOU are concerned at the proposed further cut in the duration of a Jobseeker’s Benefit payment. Not everyone who has become unemployed finds a new job within six months; people on a JB payment do not automatically end up on a Jobseeker’s Allowance (JA) payment. JA is a means tested payment and depending on the person’s personal and family circumstances they may not make the transition from JB to JA. This can leave a person who remains unemployed without relevant supports and services. The INOU also notes that the Department’s proposed changes are pay related up to a point, with length of employment potentially carrying more weight than level of pay. We will be making a submission to this public consultation at the end of February.

In the INOU’s submission to the Committee, at the end of the sections dealing with Chapters ten to twelve, tables of the recommendations contained in these chapters were included, alongside the INOU’s consideration of what was proposed by the Commission.

*Thank you for your time and consideration*

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**The Irish National Organisation of the Unemployed (INOUE)**

*“The INOU is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all. We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society.” (INOUE Mission Statement)*

The organisation has almost two hundred affiliated organisations and six hundred individual members. We work at the local and national level on issues affecting unemployed people through the provision of training and welfare rights information services; analysis of Government policies and related advocacy work; and working with a wide range of other organisations on issues of common concern.