



Social Protection spending in the context of the Pandemic Unemployment Payment (PUP)

Key Messages

- The *Social Welfare (Covid-19) (Amendment) Act 2020* has enabled the reimbursement in 2020 of approximately €1.8 billion spending from the Social Protection Vote to the Social Insurance Fund (SIF);
- Pandemic Unemployment Payment (PUP) costs pre-August 2020 have been apportioned between the SIF and the Vote, based on the underlying entitlements of claimants to either benefit or allowance payments. This reduces SIF reserves by approximately €1.8 billion;
- This adds to the ongoing pressures on SIF reserves and is anticipated to result in the SIF requiring a subvention from the Exchequer (through the Vote) of approximately €93 million in 2020;
- Due to the anticipated use of all SIF reserves in 2020, a €587 million subvention from the Vote to the SIF in 2021 will be needed i.e. the Social Protection Vote's spending in 2021 is likely to be approximately €587 million greater than was projected in the *Budget 2021 Expenditure Report*;
- This does not increase total Social Protection spending in 2021 but it affects the division of that spending between the Vote and the SIF; and
- The introduction of Level 5 restrictions, which increases the number of PUP/Employment Wage Subsidy Scheme (EWSS) claimants, combined with the increase in their payment rates to end-January 2021 will increase overall spending in 2020 and 2021.

Introduction

Projections of Social Protection spending have been subject to several revisions since last year - due primarily to the impact of the pandemic. Overall spending on Social Protection in 2020 is now expected to be €31.6 billion - the original estimate was €21.2 billion.

Spending on Social Protection is split between Voted spending (i.e. spending from the Exchequer) which usually relates to means tested payments and activation measures, and the Social Insurance Fund (SIF) which usually relates to statutory benefits linked to social insurance payments.

This PBO Note discusses overall Social Protection spending and how it has evolved during 2020. In particular, it discusses the impact of the PUP on the SIF and its reserves.

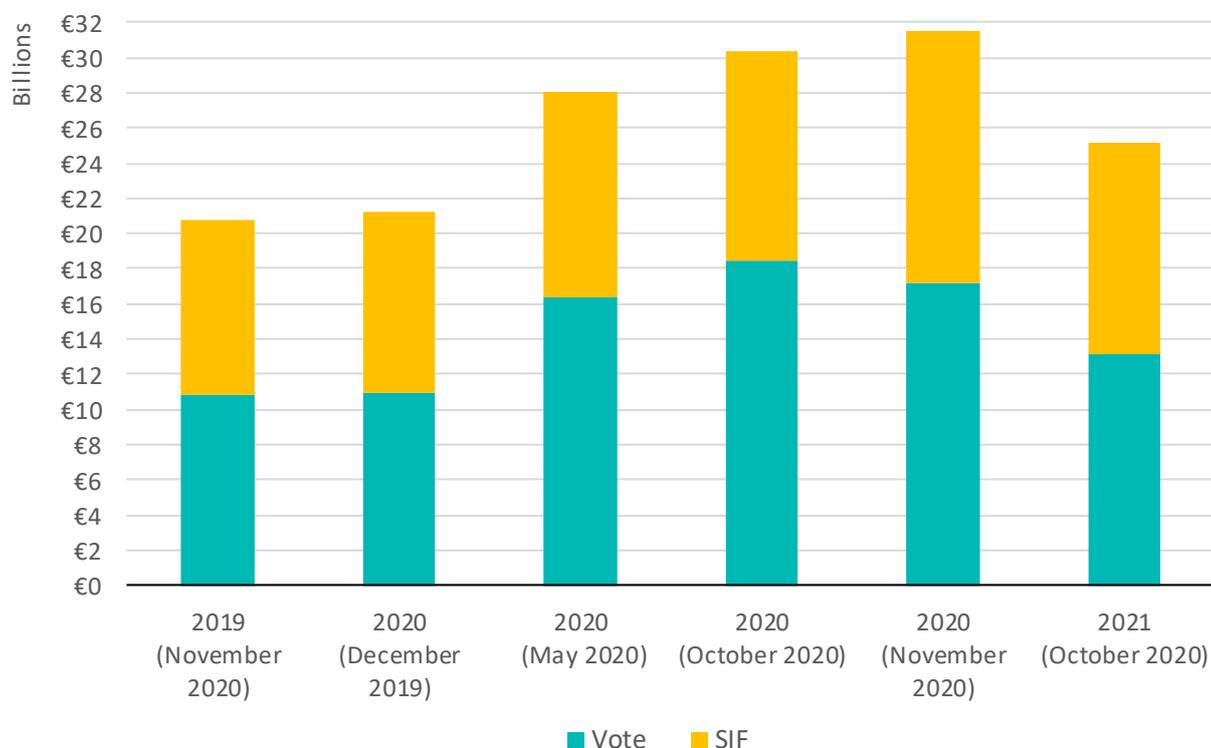
Overview of Social Protection Spending 2019-2021

Figure 1 illustrates the range of estimates for Social Protection spending in 2020¹ – from an initial pre-pandemic projection of approximately €21.2 billion to almost €31.6 billion as of the *Further Revised Estimates for Public Services* approved by the Dáil on 18 November.²

The *Expenditure Report 2021* (p.230) set out 2020 Exchequer spending of almost €18.6 billion for the Vote (i.e. the portion of Social Protection spending that requires Dáil approval). This exceeded spending approved by the Dáil at that stage by approximately €2 billion (see Figure 1).

However, a [Further Revised Estimate for Vote 37 Social Protection](#) was presented to the Dáil and was [scrutinised](#) by the relevant Select Committee on 11 November. This set out almost €31.6 billion in total Social Protection spending (Vote and SIF combined) for 2020. The proposed spending under the Vote is now just €741 million greater than approved in May 2020 – at €17.3 billion.

Figure 1: Total Spending - Vote 37 & SIF



Source: PBO based on [Revised Estimates for Public Services](#) (December 2019); [Revised Estimates for Public Services 2020](#) (May 2020); [Expenditure Report 2021](#) (October 2020); and [Further Revised Estimates for Public Services 2020](#) (November 2020).

[Section 6 of the Social Welfare \(Covid-19\) \(Amendment\) Act 2020](#) provides that the costs of the PUP (incurred by the Exchequer) may be refunded to it by the Social Insurance Fund (SIF). The legislation provides that the value of this refund be agreed between the Minister for Public Expenditure & Reform and the Minister for Social Protection. The [Expenditure Report 2021](#) showed that almost €3.14 billion had been spent by the Exchequer on the PUP. However, the above Ministers have now agreed that €1,817.5 million be refunded to the Exchequer by the SIF - this amount is based upon recipients' underlying entitlement to a jobseeker payment.³ This is set out in the *Further Revised Estimate* (November 2020).

The *Further Revised Estimates* also accounts for the Level 5 restrictions introduced Post-Budget and the Social Protection 'Christmas Bonus'.⁴

¹ It includes 2019 and the Estimate for 2021 for comparison.

² '[Dáil Éireann debate: Estimates for Public Services 2020](#)' (18 November 2020).

³ [Opening Statement by the Minister for Social Protection Heather Humphreys, T.D in relation to the 2020 Further Revised Estimate \(Vote 37 and Social Insurance Fund\)](#) (11 November 2020) p.4.

⁴ Details of the 2020 Christmas Bonus are available [here](#).

Clarity in relation to Social Protection spending as presented for 2020 and 2021

The *Budget 2021 Expenditure Report* could have brought greater clarity to spending on unemployment pandemic-related supports. The Expenditure Report (pp.231-232) set out **the 2020 and 2021 provisions for the Pandemic Unemployment Payment (PUP). On Budget day 2021** this consisted of:

- Over €3.1 billion in 2020 (under the Vote);
- A further provision of €1.4 billion in 2020 (under the SIF); and
- Slightly over €0.6 billion in 2021 from the SIF.

The provision for the PUP (to be paid from the SIF) is set out under the heading of 'Pandemic Unemployment Benefit'. This should have been explained in the Expenditure Report. The *Social Welfare (Covid-19) (Amendment) Act 2020* placed the Covid-19 Pandemic Unemployment Payment (PUP) on a statutory basis - therefore the use of alternative terminology in the Budget documentation presented to the Dáil is potentially confusing.

The Expenditure Report did not detail the apportionment of the cost of the PUP pre-August 2020 between the Vote and the SIF - this has now been set out in the [Further Revised Estimates for Public Services 2020](#) (November 2020).⁵ Additionally, the Further Revised Estimate updates projected spending in 2020. **Total PUP spending of over €5 billion in 2020 is currently apportioned as:**

- €1.3 billion of the pre-August PUP payments to the Vote;
- €1.8 billion from the SIF to the Vote in re-imburement of pre-August PUP spending; and
- €2 billion to year-end for SIF spending (post-August) on the PUP.

As with the Expenditure Report, PUP spending under the SIF in the Further Revised Estimate is set out under the title of 'Pandemic Unemployment Benefit'. The use of this terminology, again without explanation, in place of the scheme's legislated name could create confusion.

The rationale for attributing some (but not all) costs of the PUP pre-August 2020 to the SIF reflects the distinction between allowance and benefit payment types and which type a PUP claimant would have been entitled to. **Post-August 2020 the full cost of the PUP will be met from the SIF. The division of pre-August PUP payment between the Vote and the SIF does not change overall spending on Social Protection. However, it does impact the SIF reserves (see below).**

SIF Reserves

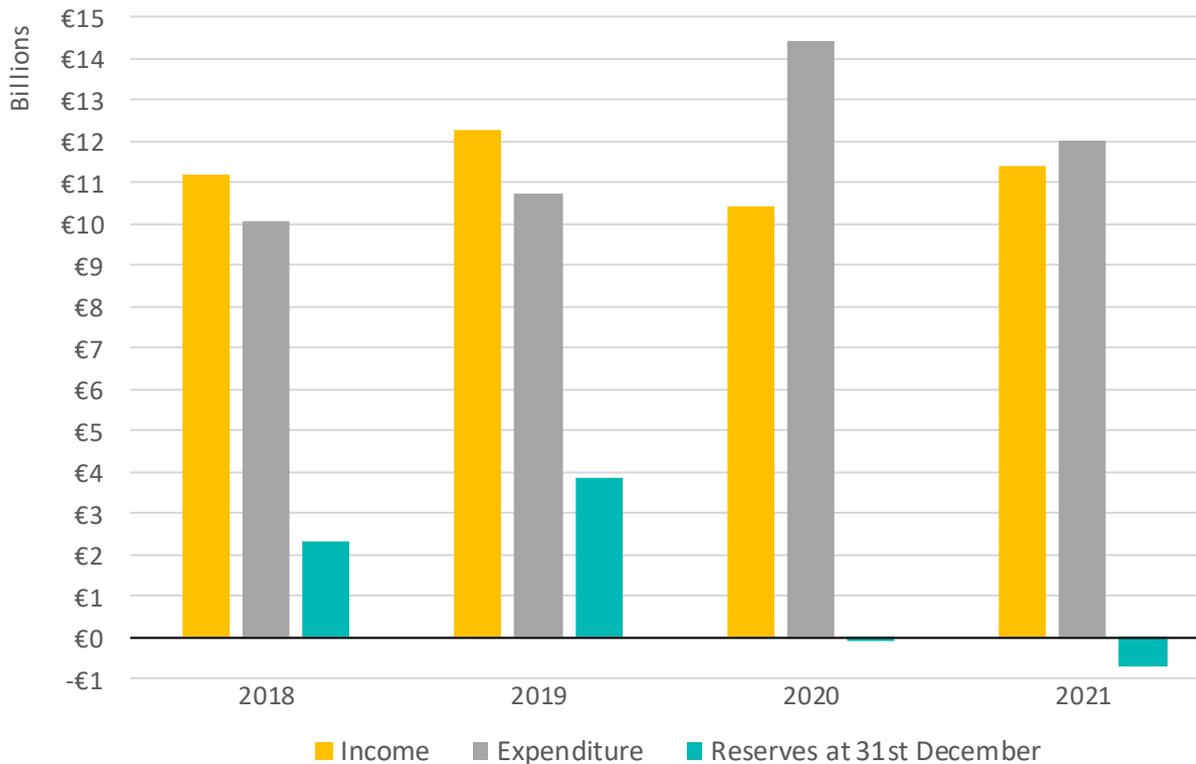
The SIF's reserves entering 2020 were €3.89 billion at 31 December 2019. The SIF uses its reserves when its spending exceeds its income in any given year. Using these reserves reduces the amount the Government must borrow or otherwise generate. When the SIF cannot meet its spending from the combination of its income and its reserves it requires a subvention from the Exchequer. In effect, a subvention is an allocation from the Vote to the SIF.

Figure 2 illustrates SIF spending and the value of its reserves. Where the value of end-year reserves are less than €0, this represents the value of a subvention from the Vote.

⁵ The *Social Welfare (Covid-19) (Amendment) Act 2020* provided for an apportionment of costs arising from the PUP between March and August to be charged to the SIF by the PUP; however, it was "not clear from the Bill or its Explanatory Memorandum to what extent these and other costs associated with the Covid-19 PUP will be funded by the Social Insurance Fund or the Exchequer." See Library and Research Service, [Bill Digest: Social Welfare \(Covid-19\) \(Amendment\) Bill 2020](#) (July 2020).



Figure 2: SIF Spending and Reserves



Source: PBO based on Department of Social Protection, [Social Insurance Fund: Financial Statements 2019](#) (06 November 2020); [Expenditure Report 2021](#) (13 October 2020); and [Further Revised Estimates for Public Services](#) (November 2020).

Figure 2 illustrates the depletion of SIF reserves - due primarily to the large increase in SIF spending in 2020 and the fall in PRSI receipts. This necessitates a subvention of just over €93 million from the Vote. A significant component of this increased spending reflects the €1,817.5 million refund from the SIF to the Vote in respect of PUP liabilities. If the refund to the Vote from the SIF were not required, then the SIF's reserves at end 2020 would be approximately €1,724 million.⁶

The *Expenditure Report 2021* set out that SIF expenditure would exceed its income by almost €600 million in 2021. However, as the refund from the SIF to the Vote in respect of PUP liabilities had not been finalised at the time of that publication, it was not possible to determine then if a subvention would be required. **It now appears that Voted Social Protection spending for 2021 is likely to be approximately €587 million greater in 2021 than set out in the *Expenditure Report 2021* - to reflect this subvention.**

The *Revised Estimates for Public Services 2021*, expected to be published in mid-December 2020, should provide updated figures to account for this development. In addition, the Revised Estimates will also have to be updated to account for policy decisions taken post-Budget, such as the introduction of Level 5 restrictions increasing the number of PUP/Employment Wage Subsidy Scheme (EWSS) claimants and the increase in their payment rates to end-January 2021. These decisions will likely increase overall Social Protection spending in 2021.

⁶ The PBO has discussed the issues of long-term sustainability of the SIF in a number of publications, including: [An overview of the Social Insurance Fund \(SIF\)](#) (2018); [Demographics and Voted Expenditure](#) (2019); and [The COVID-19 Pandemic: Implications for the Social Insurance Fund](#) (2020).