

Costing Analysis on Abolishing the Means Test for the Carer's Allowance

Parliamentary Budget Office

30 May 2023

Disclaimer

As part of its confidential costing service, the PBO endeavours to provide reasonable estimates (or ranges of estimates) for policy proposals (as submitted). Policy specifications are those supplied by the client. To respect the impartiality of the Office in providing this service, the PBO should not be represented as supporting the underlying proposals and will not comment on the merits or otherwise of the underlying proposals. For the detail of the costing service, refer to the [Policy Costing Service Guidelines](#) and the [An Overview of the PBO Costing Process and our Prioritisation Framework](#). The PBO reserves the right to publish details relating to a confidential costing analysis when the results are made public.

Overview

This publication is a public release of a series of costing analyses prepared on a confidential basis by the Parliamentary Budget Office (PBO) upon request from Deputy Pauline Tully, a member of Sinn Féin, for Carer's Allowance means threshold alteration specified by the client. The analysis was done based on the current recipients of the Carer's Support Grant and the Domiciliary Care Allowance, given similar eligibility criteria, using SILC and DSP data. The first section of this publication is on the costing of the policy for the removal of the means test for those entitled to Carer's Allowance based on need. The second section is on that for raising of the thresholds so that all households earning under €100,000 would qualify.

1. Summary of request

Changes to the means-test for Carer's Allowance
<i>Policy 1:</i> <ul style="list-style-type: none">• Removal of the means-test for Carer's Allowance.
<i>Policy 2:</i> <ul style="list-style-type: none">• Raising the income threshold so that all households earning under €100,000 would qualify for Carer's Allowance.

2. Overview of Data and Methodology

This is a lengthy analysis, as the PBO has endeavoured to provide as much detail as possible regarding the various steps involved in arriving at a cost estimate for the proposed policies.

We estimate potential new Carer's Allowance recipients based on the current recipients of the Carer's Support Grant and the Domiciliary Care Allowance, given similar eligibility criteria. To this end, we use survey data, specifically the 'Survey on Income and Living Conditions' (SILC), and administrative data from the Department of Social Protection.

Overall, our analysis suggests that potential new Carer's Allowance recipients would have earnings that are low enough to make the difference in costs between Policy 1 and Policy 2 negligible.

2.1. Data

1. The PBO issued a request for information to the Department of Social Protection (DSP) seeking the latest administrative data on recipient numbers for the following schemes:
 - A. Carer's Allowance full-rate;
 - B. Carer's Allowance half-rate;
 - C. Carer's Support Grant;
 - D. Domiciliary Care Allowance.
2. The PBO sought this information broken-down by age cohort (aged 66 and under, versus over 66), the number of carees (one, versus two or more), and the number receiving an additional payment for a child dependent (aged under 12, versus 12 and over). The PBO also requested information on the number of claimants for the Carer's Support Grant and Domiciliary Care Allowance who aren't also receiving the Carer's Allowance (either full- or half-rate).

3. This information was supplemented using:
 - A. Publicly available data on the number of Carer's Allowance recipients by payment band;¹
 - B. Information obtained from the latest version of the Survey on Income and Living Conditions (SILC).²

2.2. Methods and Key Assumptions

First, it is necessary to estimate the potential number of recipients under each of the proposed policies. Then, we can proceed by estimating the cost of each policy. Finally, the additional cost of Policy 1 and Policy 2 relative to the current or 'baseline' policy can then be determined.

Policy 1

1. The removal of the means-test would have two main implications for recipients:
 - A. The overall number of recipients would increase, as those previously excluded from the CA on the basis of their means would become eligible to receive the payment.
 - B. Those already receiving the CA, but on a reduced payment rate due to their means, would become eligible for the maximum rate of payment.
2. **To proxy the number in A** we refer to the Carer's Support Grant³ and the Domiciliary Care Allowance schemes.⁴ We assume that recipients under these two schemes may also be eligible for Carer's Allowance on the basis of meeting non-means related criteria.

Unlike the Carer's Allowance, the Carer's Support Grant and the Domiciliary Care Allowance are non-means tested, and so not all Carer's Support Grant and Domiciliary Care Allowance recipients will receive the Carer's Allowance. The Carer's Support Grant is a once-off annual payment that is paid to carers irrespective of their means – it is paid automatically to recipients of the Carer's Allowance and the Domiciliary Care Allowance. The Domiciliary Care Allowance is a monthly payment to children under 16 years of age with a severe disability.

¹ See response to Parliamentary Question (PQ) 462 and 463, Tuesday 29th November 2022: [Social Welfare Benefits – Tuesday, 29 Nov 2022 – Parliamentary Questions \(33rd Dáil\) – Houses of the Oireachtas](#).

² SILC micro-data was obtained from the ISSDA for the purposes of this costing. For more information on the SILC survey, see: [Survey on Income and Living Conditions \(SILC\) 2021 - CSO - Central Statistics Office](#).

³ For more information on the Carer's Support Grant scheme, see: [Carer's Support Grant \(citizensinformation.ie\)](#).

⁴ For more information on the Domiciliary Care Allowance scheme, see: [Domiciliary Care Allowance \(citizensinformation.ie\)](#).

Those in receipt of the Carer's Support Grant and the Domiciliary Care Allowance will meet key eligibility criteria for the Carer's Allowance. For example, as with the Carer's Allowance, Carer's Support Grant recipients must be caring on a full-time basis and must not be in employment for more than 18.5 hours per week. Receipt of the Domiciliary Care Allowance means that the household has a child with a severe disability requiring a level of ongoing care that is substantially above what would usually be needed by a child of the same age.

We focus on the number of unique Carer's Support Grant and Domiciliary Care Allowance recipients – those receiving the Carer's Support Grant and the Domiciliary Care Allowance who are not currently in receipt of the Carer's Allowance. We assume that all those receiving the Carer's Support Grant who are not currently receiving the Carer's Allowance or the Domiciliary Care Allowance, would qualify with the removal of the means-test on the basis that they are already meeting other relevant non-means related criteria (e.g. they are not working more than 18.5 hours per week). We assign these recipients a payment in line with their age cohort and their number of carers. However, to estimate the proportion of Domiciliary Care Allowance recipients whose parents would qualify for the Carer's Allowance with the removal of the means-test, we must refer to SILC 2021 data to further assess their eligibility.

Households in receipt of the Domiciliary Care Allowance will also receive a medical card for the child for which the Domiciliary Care Allowance is claimed. We focus on the sub-sample in SILC of those households with a child that has been assigned a medical card, as determined using the variable: *GMS_Card*.⁵ Among these households, the CA could only be claimed by an adult who is not working more than 18.5 hours per week. First, we exclude those adults who are classified as unable to work due to a long-standing health problem (variable: *PL032*) – we assume that these individuals are unable to provide care as a result of their own medical condition. Then, among the remaining adults, we calculate the proportion of those households with at least one adult who is not working more than 18.5 hours per week, using the variables: *PL060* and *PL100* – total hours worked in main, and in second or more jobs per week. This amounts to 66% (that is, we estimate using SILC data that 66% of the potential Domiciliary Care Allowance recipients have at least one adult in the household who is not working more than 18.5 hours per week and could therefore be eligible for receipt of the Carer's Allowance).

We use this figure to estimate that, with the removal of the Carer's Allowance means-test, 66% of the current recipients of the Domiciliary Care Allowance who are not

⁵ It is important to note that, while all Domiciliary Care Allowance recipient children are eligible to receive a medical card, not all children who have received a medical card are Domiciliary Care Allowance recipients. Domiciliary Care Allowance recipients will be a subset of the broader population of children with medical cards.

already receiving the Carer's Allowance, would qualify. We assume that all of these additional recipients are aged under 66,⁶ and assign each individual their relevant Carer's Allowance payment in line with their number of carees. We further assign a child dependent increase (available as part of the full-rate Carer's Allowance).

3. **To estimate B**, we use data shared by Department of Social Protection on the number of Carer's Allowance recipients, broken down by half- and full-rate. The abolition of the means-test will mean that these individuals will receive the maximum payment rate, in line with their age cohort and their number of carees (e.g. aged 66 and under versus over 66; one versus two or more carees).
4. With an estimate of recipient numbers under Policy 1, it is possible to estimate the total and additional cost (i.e. the cost relative to the current or 'baseline' policy). The additional cost arises due to a greater number of recipients (i.e. those receiving the Carer's Support Grant and the Domiciliary Care Allowance who would now qualify for the Carer's Allowance, but do not qualify under the baseline policy), and also as a result of current recipients being awarded a higher payment. However, calculating the additional cost requires an estimate of the cost associated with the baseline policy.

We refer to publicly available information on the number receiving the Carer's Allowance broken down by payment band.⁷ We assess the proportion of recipients that are assigned to each payment band and assume that this holds for the updated data on recipient totals received by the PBO from the Department of Social Protection.⁸ We assign recipients the mid-point of their payment band and use this to calculate the cost associated with the baseline policy. This allows us to calculate a weekly cost (the Carer's Allowance is a weekly payment) which is then annualised by multiplying by 52. The additional cost is then calculated as the extra cost associated with the proposed policy relative to the baseline policy.⁹

Policy 2

1. Under the second policy, which involves raising the income threshold so that all households earning under €100,000 would qualify for the Carer's Allowance, estimates of recipient numbers are calculated in largely the same way as described for Policy 1.

⁶ This appears to be a reasonable assumption, given that these individuals are caring for children aged under 16.

⁷ See response to Parliamentary Question (PQ) 462 and 463, Tuesday 29th November 2022: [Social Welfare Benefits – Tuesday, 29 Nov 2022 – Parliamentary Questions \(33rd Dáil\) – Houses of the Oireachtas](#).

⁸ Note that recipient totals supplied in the PQ are broadly consistent with more recent data received by the PBO, suggesting consistency in recipient numbers over time.

⁹ This analysis involves taking a snapshot of recipient data, i.e. data for a particular week (the latest available), and assuming that the number (and type) of recipients holds for the duration of the year. In effect, this is a stylised analysis. In reality, it is likely that recipients will enter and exit the scheme during a 12-month period, and the proportion of recipients in each payment band will fluctuate.

We assume that all those who are currently in receipt of the Carer's Allowance (either full- or half-rate) will continue to receive it under a higher income threshold and will receive the maximum payment in line with their age cohort and their number of carers.¹⁰ To estimate the additional number of recipients, i.e. those who were previously ineligible but who will become eligible under the new higher income threshold, we refer to SILC 2021 data.

We use the variable: *HY023*, which captures total household disposable income, excluding social transfers (such as other social welfare payments). As SILC 2021 refers to data from the year 2020, we uprate incomes to 2023 levels, using earnings data from the CSO.¹¹

2. This uprated income variable is used to assess eligibility for the Carer's Allowance for those individuals who meet the other criteria described previously.

To identify the proportion of Domiciliary Care Allowance recipients who may qualify for the new policy, we focus on those in SILC who meet the following criteria:

- They are an adult (variable: *Aggp3*);
- A child in the household has been assigned a medical card (variable: *GMS_Card*);
- The adult is not unable to work as a result of a long-term medical condition (variable: *PL032*) – we assume that these individuals are well enough to provide care and are not out of work as a result of their own medical condition;
- The adult does not work more than 18.5 hours per week (variables: *PL060*, *PL100*).

To identify the proportion of Carer's Support Grant recipients who may qualify for the new policy, we first exclude those cases identified as potential Domiciliary Care Allowance recipients, and focus on those in SILC who meet the following criteria:

- They are an adult (variable: *Aggp3*);
- The adult is not unable to work as a result of a long-term medical condition (variable: *PL032*) – we assume that these individuals are well enough to provide care and are not out of work as a result of their own medical condition;
- The adult does not work more than 18.5 hours per week (variables: *PL060*, *PL100*).

¹⁰ Data is not available on the incomes of current Carer's Allowance recipients. Although not clarified in the policy specification, it is assumed that the intention is to assign all those who meet the new income threshold the maximum Carer's Allowance payment in line with their age cohort and their number of carers.

¹¹ Uprate factors of 4.67% and 3.31% were used to capture income growth over 2020 to 2022, reflecting growth in incomes over this time. A two-year average growth rate of 3.99% was estimated and applied for 2023. See: [Earnings and Labour Costs Q3 2022 \(Final\) Q4 2022 \(Preliminary Estimates\) - CSO - Central Statistics Office](#).

In order to identify the rate of payment that will apply to each recipient, we separately assess those aged 65 years and over¹² and those aged under 65, in line with the criteria outlined above.

3. Of these cases that meet the eligibility criteria defined above, only those whose household income is below the threshold of €100,000 are deemed eligible for the Carer's Allowance under Policy 2. We calculate the proportion of such cases using the SILC data and apply this proportion to the administrative data on the number of Carer's Support Grant and Domiciliary Care Allowance recipients (specifically those who are not already in receipt of the Carer's Allowance), received from the Department of Social Protection.

Based on this analysis, we estimate that 99.4% of those Domiciliary Care Allowance recipients who also meet other eligibility criteria (i.e. the previously calculated 66%) will be eligible for Carer's Allowance under the new income threshold. As before, all of these recipients are assumed to be aged under 66 years and are assigned a child dependent increase.

For Carer's Support Grant recipients, we estimate that 86% of those aged under 66 years and 99% of those aged 66 years and above, will be eligible for the Carer's Allowance under the new income threshold.

3. Results

The estimated costs are detailed below. As shown, there is minimal difference in cost between Policy 1 and Policy 2, given that a high number of potential recipients who meet other, non-means related criteria, are estimated to qualify under the threshold of €100,000 imposed in Policy 2. This makes intuitive sense – recipients of the Carer's Allowance are not permitted to work more than 18.5 hours per week, and it stands to reason that those who meet this criterion will be more likely to fall on the lower end of the income distribution.

3.1. Estimated Costs

Table 1. Estimate of annual cost – Baseline, Policy 1, and Policy 2

Policy	Estimate of weekly cost	Estimate of annual cost	Additional Cost Relative to Baseline
Baseline	€17.5 million	€910 million	-
Policy 1	€25.14 million	€1,307 million	€397 million
Policy 2	€24.94 million	€1,297 million	€387 million

Source: PBO's own modelling using DSP data, and SILC 2021. Estimate of annual cost based on annualised weekly cost. Rounding may affect totals.

¹² Although a higher rate of CA applies to those aged 66 and over, SILC only identifies those aged 65 years and over (variable: *Aggp3*).

Table 2. Baseline Policy, Estimated Cost

Scheme	Recipients	Weekly cost
<i>Carer's Allowance – full-rate</i>		
<66, 1 caree	40,188	€10.9 million
<66, 2+ carees	7,637	
>= 66, 1 caree	1,758	€0.46 million
>= 66, 2+ carees	154	
Total	49,737	€11.3 million
Child < 12 ¹³	15,712	€0.49 million
Child >= 12	16,686	€0.63 million
Total	32,398	€1.12 million
<i>Carer's Allowance – half-rate</i>		
<66, 1 caree	24,251	€3.1 million
<66, 2+ carees	2,568	
>= 66, 1 caree	15,895	€2.1 million
>= 66, 2+ carees	388	
Total	43,102	€5.1 million
Overall total	92,839	€17.5 million

Source: PBO's own modelling using DSP data. Rounding may affect totals.

Table 3. Policy 1, Estimated Cost

Scheme	Recipients	Weekly cost
<i>Carer's Allowance – full-rate</i>		
<66, 1 caree	40,188	€12.2 million
<66, 2+ carees	7,637	
>= 66, 1 caree	1,758	€0.54 million
>= 66, 2+ carees	154	
Total	49,737	€12.7 million
Child < 12 ¹⁴	15,712	€0.49 million
Child >= 12	16,686	€0.63 million
Total	32,398	€1.12 million
<i>Carer's Allowance – half-rate</i>		
<66, 1 caree	24,251	€3.3 million
<66, 2+ carees	2,568	
>= 66, 1 caree	15,895	€2.3 million
>= 66, 2+ carees	388	
Total	43,102	€5.6 million
<i>Additional recipients from the Carer's Support Grant</i>		
<66, 1 caree	2,849	€0.76 million
<66, 2+ carees	236	
>= 66, 1 caree	246	€0.07 million
>= 66, 2+ carees	4	

¹³ We apply an average of the full and half-rate additional payment per dependent child.

¹⁴ As above, we apply an average of the full and half-rate additional payment per dependent child.

Total	3,335	€0.82 million
<i>Additional recipients from the Domiciliary Care Allowance</i>		
1 caree	1,251	€4.9 million
2+ carees	16,202	
Total	17,452	€4.9 million
Overall total	113,626	€25.14 million

Source: PBO's own modelling using DSP data, and SILC 2021. Rounding may affect totals.

Table 4. Policy 2, Estimated Cost

	Recipients	Weekly cost
<i>Carer's Allowance – full-rate</i>		
<66, 1 caree	40,188	€12.2 million
<66, 2+ carees	7,637	
>= 66, 1 caree	1,758	€0.54 million
>= 66, 2+ carees	154	
Total	49,737	€12.7 million
Child < 12 ¹⁵	15,712	€0.49 million
Child >= 12	16,686	€0.63 million
Total	32,398	€1.12 million
<i>Carer's Allowance – half-rate</i>		
<66, 1 caree	24,251	€3.3 million
<66, 2+ carees	2,568	
>= 66, 1 caree	15,895	€2.3 million
>= 66, 2+ carees	388	
Total	43,102	€5.6 million
<i>Additional recipients from the Carer's Support Grant</i>		
<66, 1 caree	2,450	€0.65 million
<66, 2+ carees	203	
>= 66, 1 caree	244	€0.07 million
>= 66, 2+ carees	4	
Total	2,901	€0.72 million
<i>Additional recipients from the Domiciliary Care Allowance</i>		
1 caree	1,243	€4.8 million
2+ carees	16,104	
Total	17,348	€4.8 million
Overall total	113,626	€24.94 million

Source: PBO's own modelling using DSP data, and SILC 2021. Rounding may affect totals.

¹⁵ As above, we apply an average of the full and half-rate additional payment per dependent child.

4. Areas of Uncertainty

Data uncertainty

The SILC survey was used to assess eligibility across different criteria and to estimate household income. However, survey data may not be fully representative of the broader population, particularly when examining samples of relatively small cohorts. In addition, this data refers to 2020 and while an attempt was made to uprate income levels to be representative of 2023, it is possible that other factors will have changed since 2020, impacting on CA eligibility.

Administrative recipient data was obtained from DSP. While this data represents the latest available data, it characterises a snapshot of recipient numbers only. Recipient numbers are likely to fluctuate throughout the year as individuals enter and exist the scheme. For this reason, while an annualised cost was calculated based on an estimate of weekly cost multiplied by 52, the actual cost will differ given that the recipient base will not be the same in each week.

The SILC-based approximation for the proportion of Domiciliary Care Allowance and Carer's Support Grant recipients that would be eligible for the Carer's Allowance based on the various criteria, will include some of those already in receipt of the Carer's Allowance. If this cohort was excluded, it is possible that a different figure for the proportion of eligible recipients would be estimated, than that used in our analysis. However, it is not possible to distinguish Carer's Allowance payments from Carer's Support Grant and Domiciliary Care Allowance payments in the SILC data.

Modelling uncertainty

Every effort was taken by the PBO to use the available data in order to determine the likely number of recipients under each of the proposed policies. This involved modelling using SILC survey data. However, the means-test for social welfare payments can be complicated, which may result in an over- or under-estimate of the recipient base.

When estimating the cost of the baseline policy, data on the underlying incomes of current CA recipients was unavailable. The PBO used publicly available information on the number of recipients by payment band, and applied the midpoint of each band when costing. There will be recipients on greater than, or less than, the midpoint of the band in each case, which could impact on overall cost.

In assessing eligibility for CA under Policy 2, incomes as captured by the SILC survey were uprated in line with wage growth for 2021 and 2022, and the average growth rate for this period was assumed to hold for 2023. A deviation in the growth in individual household incomes from that assumed in our analysis could impact on overall eligibility and therefore cost.

Behavioural uncertainty

It is possible that newly eligible recipients do not avail of the CA due to a lack of awareness regarding eligibility (i.e. take-up rates could be lower than assumed).

Further, it is possible that there is a labour supply response to the proposed policies, where individuals who are ineligible due to means under the baseline policy, are eligible under Policy 1 or Policy 2, and therefore reduce their working time in order to receive the payment. This has not been captured in our analysis.

5. Appendix - Request (as submitted)

To cost if it is feasible to remove the means test for those entitled to Carer's Allowance based on need.

If possible to cost the raising of the thresholds so that all households earning under €100000 would qualify.