

# Costing Analysis on Alterations to Income Disregards in the Means Test for the Carer's Allowance

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## 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 alterations specified by the client to the value of income disregards in the Carer's Allowance means-test. The analysis was done using a microsimulation model developed by the PBO based on the 2021 SILC and 2015/2016 HSB data, so as to simulate the eligible population subset. The publication is split into four sections which explore the seven different policy options.

## 1. Summary of request

<b>Alterations to the value of income disregards in the Carer's Allowance means-test</b>
Examine how the income disregards, holding the capital disregards constant, could change if the funding allocated to Carer's Allowance section increased by: <ol style="list-style-type: none"><li>1. €10 million per annum</li><li>2. €25 million per annum</li><li>3. €50 million per annum</li><li>4. €75 million per annum</li><li>5. €100 million per annum</li></ol>
The cost of increasing the single and couple income disregard from their current levels of €350 per week and €750, respectively to: <ol style="list-style-type: none"><li>6. €450 (single) and €900 (couple) per week</li><li>7. €500 (single) and €1,000 (couple) per week</li></ol>

## 2. Overview of Data and Methodology

- To provide robust costing estimates the PBO developed a bespoke microsimulation model. Our model accounts for the eligibility criteria underlying the Carer's Allowance means-test and models this means-test on a sample of households from survey data, with all incomes expressed in 2024 values.
- We use two Irish household survey data sets to develop the model: 1) the 2021 version of the Survey of Income and Living Conditions (SILC) and 2) 2015/2016 Household Budget Survey (HBS).
  - SILC is the main data set used and provides us with data on earned income-employee income and self-employed income, income from investments and savings, rental income, home-ownership status, the number of months in the past year spent in a caring or home-duties role, hours worked per week, marital status, household size, Medical Card receipt, age, self-reported health status and an indicator of limitation in daily activities.
  - The HBS provides us with data on transport costs and trade union dues, both of which are deductible in the Carer's Allowance means test.

- Within SILC we identify 133,109 individuals we estimate are operating in a caring role. These people span four definitions we used to define a carer and are composed of:
  1. *Adults who report spending at least one of the past twelve months in a caring or domestic duties role, and also live with a person who could fulfil the criteria of being in need of care* (as per the Carer's Allowance operational guidelines). A person in need of care is defined as a child who has a Medical Card (a proxy for being in receipt of Domiciliary Care Allowance) or an adult who is in poor health - with poor health defined as 1) suffering from a chronic illness and 2) self-reporting being "fair", "bad" or "very bad" and 3) having limitations in daily activities due to health problems.
  2. *Working-adults, neither in a stated caring role nor sick, but who live with an adult in poor health in a two-person household.* Some carers may work outside the home- and may identify as an employee in SILC. As these people are living with a sick adult in a two-person household, they may also be operating in a caring role. As such, we allow a portion of these adults to be defined as carers.
  3. *Retirement-age adult, neither in a stated caring role nor sick, but who live with an adult in poor health in a two-person household.* As per above, some retirement-age adults in a caring role may identify as pensioners in SILC. Therefore, we allow a portion of these adults to be defined as carers.
  4. *Lone parents, neither in a stated caring role nor sick, in a household where a child has a Medical Card.* Lone parents have a dual primary earner and carer role, and are an important cohort in any analysis of caring. Low-income lone parents in receipt of the One-Parent Family Payment are also eligible for a half-rate payment of Carer's Allowance, this is the largest primary scheme amongst half-rate claimants. We allow a portion of lone parents who fulfil the traits listed above, to be assessed for Carer's Allowance.
- We assess these 133,109 individuals for Carer's Allowance via simulating the means-test<sup>1</sup>. We derive an individual carer's means as follows:

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<sup>1</sup>Details on the means-testing for Carer's Allowance were sourced at:  
[https://opac.oireachtas.ie/AWDData/Library3/EASPDoclaid28082019\\_104436.pdf](https://opac.oireachtas.ie/AWDData/Library3/EASPDoclaid28082019_104436.pdf)

- We disregard earned income below the relevant disregard- €350 for a singleton and €750 for a couple- at baseline. We then deduct estimated PRSI contributions and assume that all employment income is Class A PRSI and all income from self-employment is Class S PRSI. We also deduct average weekly transport costs and trade union dues for carers as calculated in the HBS for those in-receipt of a carer's payment. Average transport costs (fuel, bus, rail, Luas and taxi expenditure) are calculated as €38.91 per week and union dues are €0.42 per week. Pension contributions, another deductible element, are not included due to the lack of data in SILC and the inability to identify superannuation in the HBS. Means for a couple are then divided by 2, to be equated to per capita means as per the operational guidelines of Carer's Allowance.
- The means calculation also considers the impact of capital owned by carers, including savings, investments, and real estate (excluding the primary residence). Income generated from capital, such as rental income, dividends, and interest, is not included in means. The capital held by households is estimated using variables from SILC, namely "regular taxes on wealth" and "Interest, Dividends, Profit from Capital Investments in Unincorporated Business". Regular taxes on wealth are assumed to be related to Local Property Tax (LPT) and are based on 2013 house price valuations.
- To differentiate between housing capital excluded from means (principal primary residences) and housing capital included in means (secondary properties), rental income is used as a proxy for owning multiple properties. For all households owning property, either with a mortgage or outright, the value of the stock of property owned is estimated based on their reported LPT payment. The value of this stock of property is then uprated to 2024 values based upon observed house price growth to 2022 and by estimated inflation to 2024. For households with rental income, it is assumed they own additional properties that contribute to their assessable capital in the means-test. The value of housing owned by those without rental income is estimated to be 67% of the value held by households with rental income. As a result, 33% of the total value of housing owned by households with rental income is considered

for capital purposes, while the remaining 67% represents the value of their principal primary residence, which is not factored into means.

- The other component of capital income is derived from "Interest, Dividends, Profit from Capital Investments in Unincorporated Business." A notional rate of return, equal to the growth in the Harmonized Index of Consumer Prices for 2021 (2.37%), is assumed for these capital investments since base interest rates were negative in 2020. This rate of return is divided by the yield to estimate the capital investment<sup>2</sup>.
- Total capital is calculated as the sum of estimated housing stock (excluding primary residence values) and capital from investment returns. For a couple, the capital stock is divided by 2. The resulting capital is then used in the means calculation, where the first €50,000 is disregarded, the next €10,000 is valued at 0.1%, the subsequent €10,000 is valued at 0.2%, and any excess over €70,000 is valued at 0.4%. For a couple, the implied capital means are then multiplied by 2.
- Individuals with zero means receive the maximum rates of payment<sup>3</sup>. Individuals with positive means receive a tapered payment, with a withdrawal rate of 100% applying<sup>4</sup>. We model half-rate claimants as carers who are also in receipt of one or more social welfare payments; namely, state pensions, disability payments, sickness benefits or survivor benefits<sup>5</sup>. We also allow lone parents, who are also carers and earning less than €165 per week (the income disregarded for the One-Parent Family Payment) to

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<sup>2</sup>This method of converting yields to capital stocks is best practice in microsimulation and outlined in the EUROMOD conventions document available at:

<https://euromod-web.jrc.ec.europa.eu/resources/model-documentation>

<sup>3</sup>The maximum weekly rates of payment are €236 for a carer under 66 with 1 caree and €274 for a carer aged over 66 with 1 caree. The maximum rate of payment is 50% higher if caring for 2+ carees. There are also half-rate payments for individuals on certain welfare schemes. Half-rate claimants are not eligible for an IQC payment as part of the Carer's Allowance.

<sup>4</sup> We model a 100% withdrawal rate e.g., a €1 increase in means is associated with a €1 decrease in the Carer's Allowance weekly payment. This is a good approximation of how the scheme operates in practice and is modelled for computational feasibility.

<sup>5</sup> These were the set of welfare payments we could identify in the data. These will capture the largest schemes such as all State pensions and Disability Allowance, but excludes the One-Parent Family Payment, Injury Benefit, Death Benefit, Health and Safety Benefit, Partial Capacity Benefit, Adoptive Benefit, Maternity Benefit, Adoptive Benefit, Parent's Benefit, Paternity Benefit, Increases for Qualified Adults (IQAs) for Jobseeker's Allowance and Benefit and Farm Assist. The benefits we model as qualifying for a half-rate payment account for at least 45% of the half-rate primary payments for half-rate Carer's Allowance recipients and 65% once increase IQAs for these schemes are included, based upon data available in the Statistical Information on Social Welfare Statistics 2021- <https://www.gov.ie/en/publication/9262a-2021-annual-statistics-report/>

be eligible for a half-rate payment, as they are likely to receive a half-rate Carer's Allowance alongside the One-Parent Family Payment in practice.

### 3. Results

Our modelling replicates the recipient base of Carer's Allowance well. The overall caseload of 94,998 is close to recent weekly caseload of 92,839, for 25/02/2023-03/03/2023 as detailed by the DSP to the PBO. Overall, our model predicts a baseline cost of €1,067 million for the Carer's Allowance scheme for the year 2024 generated by 94,998 recipients<sup>6</sup>. Our model replicates the stock of Carer's Allowance recipients quite well, with some differences in 1) the proportion of full-rate and half-rate recipients and 2) the age composition (over and under 66) for half-rate claimants. These points are discussed in more detail in Section 4.

**Table 1:** Baseline modelled caseload of Carer's Allowance Recipients

	Recipients (DSP)	Recipients (Modelled)
<b>Full-Rate</b>		
< 66, 1 caree	40,188	41,710
< 66, 2+ carees	7,637	7,459
>= 66, 1 caree	1,758	5,269
>= 66, 2+ carees	154	0
Total Full-Rate	49,737	54,438
<b>Half-Rate</b>		
< 66, 1 caree	24,251	18,378
< 66, 2+ carees	2,568	1,439
>= 66, 1 caree	15,895	20,298
>= 66, 2+ carees	388	445

<sup>6</sup> To validate the baseline cost of the model we compared to the latest publicly available data from the Statistical Information on Social Welfare Services (SISWS) publication. The annual cost of the Carer's Allowance scheme in 2021 was €930.7 million. With the increase in welfare payments in Budgets 2022 and 2023 this figure will be inflated in 2024, holding the caseload of Carer's Allowance recipients constant. DSP publish Quarterly Statistical Reports. The latest report available (Q1 2023) showed that the average rate of payment to those on Carer's Allowance was €215 week. The corresponding figure was €196 for Q1 2021. The caseload of recipients has also been rising on a quarterly basis with 91,353 recipients in Q1 2021, 93,382 in Q1 2022 and 95,284 recipients in Q1 2023. Overall, based on these trends we believe our estimate of €1,067 million for 2024 seems reasonable, and accurately reflects the dynamics of growth in Carer's Allowance expenditure. Publicly available statistical publications by DSP are available at: <https://www.gov.ie/en/organisation-information/0f390-social-protection-statistics/?referrer=http://www.gov.ie/en/collection/1b0ce-social-protection-statistics/>

Total Half-Rate	43,102	40,560
<b>Total Recipients</b>	<b>92,839</b>	<b>94,998</b>

**Source:** PBO analysis using the SILC 2021 AMF and the Household Budget Survey 2015/2016.

**Notes:** Recipients from the Department of Social protection reflect figures for the week 25/02/2023 to 3/03/2023. Modelled numbers are PBO's microsimulation of eligibility for Carer's Allowance and apply the 2023 eligibility rule to households in SILC 2021, with incomes uprated to predicted 2024 levels.

The results of the specific scenarios to be costed are in Tables 2 and 3. In Table 2, we show how the income disregards can be increased, were an increase in funding for the whole of 2024 made available for the Carer's Allowance scheme (scenarios 1-5). Note that in arriving at these estimates we assume that the single and couple disregards grow proportionally i.e., by the same percentage. To calculate the disregards matching the expenditure increase we iterate our model over values of the single disregard from €351 to €1,000 (in intervals of €1) and increase the couple disregard proportionately.

Our modelling indicates that the income disregards could be increased from their current levels of €350/€750 (single/couple) to:

- €367/€786 for a €10 million increase in the expenditure allocation in 2024
- €406/€870 for a €25 million increase in the expenditure allocation in 2024
- €454/€973 for a €50 million increase in the expenditure allocation in 2024
- €521/€1,116 for a €75 million increase in the expenditure allocation in 2024
- €611/€1,309 for a €100 million increase in the expenditure allocation in 2024

**Table 2:** Increase in income disregards from an increase in the expenditure allocation

Scenario	Increased Expenditure Allocation (€ million per annum)	Total Expenditure on Carer's Allowance (€ million per annum)	Disregard (Household Type)	Disregard (€ per week)
<b>Baseline</b>	<b>0</b>	1,067	Single	350
			Couple	750
<b>1</b>	<b>10</b>	1,077	Single	367
			Couple	786
<b>2</b>	<b>25</b>	1,092	Single	406
			Couple	870
<b>3</b>	<b>50</b>	1,117	Single	454
			Couple	973
<b>4</b>	<b>75</b>	1,142	Single	521
			Couple	1,116
<b>5</b>	<b>100</b>	1,167	Single	611
			Couple	1,309

**Source:** PBO modelling using SILC 2021 and HBS 2015/2016.

**Notes:** Increase in expenditure is to be interpreted as a full-year increase in expenditure for 2024. The table shows estimates from the PBO's microsimulation of eligibility for Carer's Allowance and apply the 2023 eligibility rule to households in SILC 2021, with incomes uprated to predicted 2024 levels. Note that rounding may affect results, as the couple disregard was rounded to the nearest whole number after the empirical exercise. The total expenditure is also rounded to the nearest million.

In Table 3, we document the second set of costing requests (scenarios 6 and 7), i.e., moving the single and couple income disregards to specified levels. Our analysis indicates increasing the income disregards for singles/couples for the Carer's Allowance means-test from the current level of €350/€750 (singles/couples) to €450 for a single and €900 for a couple would have a gross cost of €35.6 million in 2024. Increasing the disregards further, to €500 for a singleton and €1,000 for a couple would have a gross cost of €59.4 million in 2024. Please note that the costs in Table 3 are all gross costs, and do not factor in the taxable nature of Carer's Allowance or any interaction with other welfare schemes.



**Table 3:** Full-year costs of specific reforms

Scenario	Disregard (Household Type)	Disregard (€ per week)	Gross Cost (€ million per annum)
6	Single	450	35.6
	Couple	900	
7	Single	500	59.4
	Couple	1,000	

**Source:** PBO modelling using SILC 2021 and HBS 2015/2016.

**Notes:** Costs are full-year costs for 2024. Costs are listed as gross as they do not account for how Carer's Allowance may affect income taxes or expenditure on other welfare payments.

## 4. Areas of Uncertainty

Some points of uncertainty and important caveats are listed below.

### *Data uncertainty*

1. It is difficult to identify who is exactly operating in a carer role in SILC, as domestic duties and caring are reported in the same variable. We have tried to develop a broad definition of carer, but there is no guarantee that some of these carers would be caring for someone sufficiently incapacitated so as to qualify for Carer's Allowance. A lack of health variables, particularly for children in SILC, makes this medical assessment difficult to replicate in our model.
2. This analysis was based on household survey data, this is not as robust as administrative data sources.
3. Capital means from property was approximated based on monies paid for local property tax and having rental income. This is an imperfect measure of capital.
4. We estimate capital from investments based upon returns from investments representing a return of 2.37%. Rates of return on investments vary and are associated with the degree of risk involved. This is an imperfect measure of the underlying capital investment.
5. Our estimation of total capital- property and investments- tends to under-estimate the depth of wealth held by households. Data from the Household Finance and

Consumption Survey show that mean and median household gross wealth in 2020 stood at €406,300 and €230,100. Our estimates of household capital are smaller than this using SILC, at €334,452 for median capital holdings and €180,758 for mean capital holdings.

### ***Modelling uncertainty***

1. The microsimulation model is specifically designed for Carer's Allowance and cannot accurately model other welfare schemes, such as One-Parent Family Payment. This limitation affects the estimation of entitlement for the half-rate Carer's Allowance payment.
2. The model uses specific qualifying conditions, such as being in receipt of disability, survivors, sickness, or old-age benefits, for determining eligibility for a half-rate payment. Additionally, lone parents classified as carers and earning less than €165 per week can avail of a half-rate payment, as they are likely to receive a larger One-Parent Family Payment. Due to these factors, the model tends to underestimate the share of under 66s receiving the half-rate Carer's Allowance.
3. The lack of data on receipt of the One-Parent Family Payment introduces more uncertainty in the modelling of the half-rate payment.
4. The model predicts a slightly higher number of full-rate recipients compared to the official figures from the Department of Social Protection (DSP). In particular, there is an over-prediction of full-rate recipients in the over 66 category. The aggregate number of half-rate recipients is comparable between the model and DSP data, but the model slightly underestimates the figure. There are also differences in the age profile of half-rate recipients, with the model under-predicting the caseload of under 66 carers and over-predicting the caseload of over 66 carers.
5. Modelling the half-rate payment is challenging due to its dependence on eligibility for multiple welfare schemes.
6. The estimated costs presented in the text are gross costs and do not consider the potential decrease in other welfare payments or the increase in income tax due to the taxable nature of Carer's Allowance. These factors are likely to reduce the cost to the Exchequer, but the extent of this reduction is uncertain.

### ***Behavioural uncertainty***

1. Behavioural changes are unlikely to be a major determinant affecting this costing.  
Data and modelling uncertainty are more impactful.

## **5. Appendix - Request (as submitted)**

Would it be possible to give an indication of how much the threshold could increase if an additional sum was allocated to Carer's Allowance Section? If the allocation increased by €10m, €25m, €50m, €75m, €100m what would that mean for income disregards with no change to capital disregards?

Also the cost of increasing the income disregard from its current rate of €350 (single) / €750 (couple) to €450 (single) and €900 (couple) – with no change to the capital disregards.

The cost of increasing the income disregard from its current rate of €350 (single) / €750 (couple) to €500 (single) and €1000 (couple) – with no change to the capital disregards.