



Chambers Ireland Submission to the Department of Social Protection on Pay-Related Benefit for Jobseekers

February 2023

About Chambers Ireland

Chambers Ireland is an all-island business organisation with a unique geographical reach. Our members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

Our Network has pledged to advocate for and support the advancement of the United Nations Sustainable Development Goals (SDGs). Accordingly, we use the Goals as a framework to identify policy priorities and communicate our recommendations. We have a particular focus on five of the goals encompassing decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11), gender equality (SDG 5), industry, innovation and infrastructure (SDG 9) and climate action (SDG 13).¹

In the context of the current consultation, reform of the welfare system has an important role to play in ensuring decent work and economic growth, and this is the reason for Chambers Ireland's submission on this topic.

¹ The Chambers Ireland SDGs. Available at: <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>

Key Points

- We need to move from a restrictive, one-size-fits-all approach to one that embraces flexibility and can be more reflective of the needs of different individuals.
- We welcome the commitment to learning from the outcomes of the Pandemic Unemployment Payment and the Employment Wage Subsidy Scheme. These initiatives were integral in maintaining jobs, keeping businesses trading and aiding the rapid recovery of the labour market.
- Employers have recently faced inordinate financial and regulatory burdens. For these reasons, we would like to strongly assert that the cost of this proposed new scheme should not be levied on employers.
- Pay-related benefit will disproportionately serve to benefit individuals, in particular individuals with higher earnings, but a general increase in employers' PRSI will drive up the cost of employment for all employees. This will likely increase unemployment across both higher and lower paid individuals, while only those that were previously on higher incomes will benefit.
- The current average duration of a jobseeker on Jobseeker's Benefit is about 14 weeks. We need to ensure that a pay-related system does not unduly increase this average over time. Return to work pathways and supports will need to be adapted and strengthened to ensure they are offering the right advice and assistance for individuals looking to return to work.
- A pay-related benefit system should help mitigate against skills mismatches, which should help ensure better job satisfaction and retention in the long run, and be conducive to improving national productivity.
- Trends within the labour market are moving towards more flexible working practices. Therefore, it is important that we introduce diverse and dynamic welfare solutions that can promote labour force activation across all levels of society.
- Where workers have suitable housing in place, we need to ensure that they are able to keep paying their rent or meeting their mortgage repayments until they can find alternative employment. A pay-related scheme is more supportive of this.

Chambers Ireland's Perspective

Chambers Ireland supports a more open, adaptable, inclusive and needs-led welfare system that encourages workforce engagement and participation across all levels of society. We need to move from a restrictive, one-size-fits-all approach to one that embraces flexibility and can be more reflective of the needs of different individuals.

We welcome the open consultative process and the broad engagement with stakeholders and individuals on this topic of social welfare reform. The social welfare system in Ireland has an all-encompassing reach, as it is designed to offer protection and support to all that need it. This means that throughout the span of a person's life, they may rely on these supports at different points and for different reasons. The focus of the strawman is on jobseeker supports but it is recognized that there is potential for this scope to be expanded over time to other welfare supports.

We welcome the focus on equity and sustainability, and the commitment to learning from the positive and negative outcomes of the Pandemic Unemployment Payment and the Employment Wage Subsidy Scheme. These schemes demonstrated the adaptability of Government during a period of unprecedented social and economic instability, and recognised the value of a pay-related scheme. Chambers Ireland acknowledges the enormously positive outcomes derived from these supports during a very challenging time for individuals and businesses across the country. Without these supports, many more businesses may have struggled and succumbed to financial pressures. These initiatives were integral in maintaining jobs, keeping businesses trading and aiding the rapid recovery of the labour market. This is demonstrated in the most recent Labour Force Survey results, where total employment stands at 2.57 million, which is in excess of the 2.5 million target set in the Economic Recovery Plan for 2024.

We have a few key considerations and concerns, as outlined below.

Financial and social costs for employers

We want to be clear that employers have recently faced inordinate financial burdens through the impact of Covid-19 and inflationary pressures on the costs of raw materials, energy, transport and distribution derived from the repercussions of Russia's invasion of Ukraine. Employers are also facing significant regulatory obligations through the introduction of a suite of new employment law measures, including pension auto-enrolment, statutory sick leave, the phased implementation of a living wage and increases to the minimum wage, as well as new workplace arrangements that are due to be implemented through the Work Life Balance and Miscellaneous Provisions Bill. For these reasons, we would like to strongly assert that the cost of this proposed new scheme should not be levied on employers.

The measures outlined in the strawman proposal relating to pay-related benefit will disproportionately serve to benefit individuals, as opposed to employers. It is also individuals with higher earnings that will experience the most benefit from the new reform proposals. The aim is that people who have contributed more over the years in PRSI should be entitled to more in circumstances where they find themselves without work for a short period of time. For this reason, it would be inequitable to levy increased PRSI rates against all employers to cover these increased Social Protection charges. A general increase in employers' PRSI will drive up the cost of employment, and so negatively affect productivity and competitiveness.

Increasing the costs of employment for people on lower wages when the benefits accrue to those on higher wages has readily foreseeable consequences; the higher cost of employment will see unemployment increase relative to the base case where this policy will not be introduced. This will likely increase unemployment across both higher and lower paid individuals, while only those that were previously on higher incomes will benefit. Furthermore, however short the applicable period of a higher rate of Jobseekers payment is available, it will arise at a point in time where tax receipts are reducing, because taxes of all kinds are correlated in the Irish system (given our dependence on Labour, Corporation, and Consumption taxes). This policy will result in higher current account expenditure at a time when Government revenues are experiencing a shock. As a consequence, this policy will need to be pre-funded.

This will require an expansion of the PSRI rates in advance of the next economic downturn. Where these taxes fall needs to be carefully calibrated to ensure that the true costs are not being borne by lower-income people who lose their jobs to ensure that higher-income individuals receive increased payments.

Work incentives

The primary concern of a pay-related scheme is whether it may disincentivize individuals to return to work. It is noted that the current average duration of a jobseeker on Jobseeker's Benefit is about 14 weeks. We need to ensure that a pay-related system does not unduly increase this average over time. For this reason, the terms of the scheme will need to be evidence-based and finely balanced in order to create an adequate shock buffer for individuals who find themselves suddenly and unexpectedly without work, but to ensure they are still able to meet outstanding financial commitments and to mitigate against some economic pressures.

We welcomed the involvement of experts from the OECD, ESRI and IGEES at the stakeholder event and the preparation of a comprehensive international examination of pay-related systems in other jurisdictions, as well as detailed analysis of the Pandemic Unemployment Payment and how this worked in practice for recipients during Covid-19. This research shows a thorough commitment from the Department to get the terms of a pay-related scheme right and we welcome this progress and trust that the same level of analysis will be applied throughout the process.

The learnings from this research should also be applied to strengthening the return to work pathways and supports that will need to be adapted and strengthened to ensure that they are offering the right advice and assistance for individuals looking to return to work and who are in receipt of pay-related Jobseeker's Benefit. We note the recent consultation on developing a Lifelong Guidance Strategy and would highlight that support for Jobseekers will form an important part of such a strategy.

Skills and Talent

Recruitment and retention is a key concern for our membership. We appreciate that a pay-related benefit scheme for jobseekers affords peace of mind and additional time for people to weigh up their job options and apply for roles that are suited to their skillsets. We have one of the highest educated workforces in Europe, which is a strong selling point in attracting and retaining foreign direct investment. We have recently witnessed significant redundancies hitting the tech sector in Ireland with hundreds of people in different companies losing their jobs over a relatively short space of time. Many of these individuals will have experienced a significant drop in their weekly income where they moved to Jobseeker's Benefit. For some, the weekly drop will not sustain their financial commitments, and this may result in pressure to take the first available job opportunity that is open to them.

However, we want to avoid skills mismatches and ensure that, where possible, individuals have time to find and take on similar employment to their previous role. This should ensure better job satisfaction and retention in the long run, and be conducive to improving national productivity. A pay-related benefit system is better suited to ensuring that the Irish labour force is well-matched to meet the diverse and challenging needs of employers across all sectors and regions.

A flexible labour market requires flexible supports

Trends within the labour market are changing over time and, in recent years, we have witnessed a move towards more flexible working practices, including remote or hybrid working, job-sharing, flexitime, increased digitalization, and non-traditional employment contracts. For many people who may have previously been excluded from the workplace because of disabilities or caring duties, there are now more flexible options available. For example, as a result of Covid-19 and the increased workplace flexibility resulting from remote and hybrid working arrangements, the number of women in Ireland participating in the workforce reached a record level of 72%. This flexibility of working conditions opened up opportunities for many

that may have previously disengaged from the workforce and is demonstrative of how important it is to introduce diverse and dynamic welfare solutions that can promote labour force activation across all levels of society.

Similarly, increased labour mobility is becoming increasingly common. People are no longer finding one job or career path and staying in the same position over the entirety of their working life. Dynamism and flexibility of the workforce through upskilling and reskilling is now required. If this is needed of employees and individuals to serve national interests of productivity and competition, then we need to offer adequate compensation and supports for people who are not averse to less predictability or stability and take a risk in pursuing a new career.

We need to ensure that we are keeping people engaged with the workforce and, if this is to be achieved, we need a robust social protection framework that reflects the changing world of work.

Housing

We accept the need for a more flexible welfare system that may better compensate individuals in the unfortunate position of losing their jobs. Housing is a key priority for our members. The ability for employees to find appropriate and affordable housing is a significant challenge and a key concern. Therefore, where workers have suitable housing in place, we need to ensure that they are able to keep paying their rent or meeting their mortgage repayments until they are able to find alternative employment. We agree that the terms of the pay-related proposals should be proportionate and the six month duration, as outlined in the strawman, should be appropriate in meeting this objective of keeping people with secure housing in their homes until they can find another job.

Monitoring and evaluation of effectiveness

If a pay-related benefit system for jobseekers is introduced, we would like to see this done on a phased basis to ensure that it is not having any adverse effects on recipients. We need to ensure that the system is fit-for-purpose and isn't disincentivizing people from returning to work. We feel the proposed terms should be proportionate and conducive to ensuring this isn't the case but would like to see robust reporting over the phased implementation stages and significant engagement with stakeholders on the impacts being felt at local, regional and national levels.