

# COVID-19 socio-economic responses in Ireland

ESPN Flash Report 2020/23

MARY DALY – EUROPEAN SOCIAL POLICY NETWORK

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*The government acted in mid-March to financially cushion workers and employers from the impact of the pandemic. Income and job subsidies were introduced on a temporary basis. Those already in poverty – especially families with children – will see little or no change and the relative generosity of the new unemployment payment institutionalises a gap between its recipients and the existing benefit claimants. However, the new measures have some progressive effects. The two main parties which are currently negotiating a new government are proposing a new social contract in Ireland which plans, inter alia, to provide each citizen with accessible and affordable healthcare as well as a living wage.*

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## Description

Ireland has made significant use of income and employment support policy to respond to the pandemic. Two new temporary schemes have been introduced: a weekly unemployment payment and a wage subsidy support scheme for employers.

Introduced on 15 March, the COVID-19 Pandemic Unemployment Payment (PUP) is available to employees, self-employed people, students and non-EEA nationals who have lost their employment due to the COVID-19 pandemic. It is neither means nor family size tested and is paid at a flat rate of €350 per week (raised from an original value of €203 on 24 March). Under the current legislation it is paid for up to 12 weeks.

The Temporary COVID-19 Wage Subsidy Scheme was announced on 24 March. It is run by the taxation authority (Revenue) and subsidises employers to continue to pay their employees during the pandemic. The scheme is planned to run for 12 weeks from 26 March 2020. The scheme refunds employers up to a maximum of €410 for each qualifying employee (up to a maximum of 70% of an employee's wages or 85% if the employee's wage is less than €412 a week). In order to be eligible for the scheme employers must be experiencing "significant economic disruption" from the crisis; have a demonstrated decline in turnover of at least 25%; be unable to pay normal wages and outgoings; and be retaining their employees on the payroll. Employers can make an additional payment to eligible employees up to a maximum of the difference

between the subsidy and their average net pay.

In addition to these, other measures were also taken. For example, a COVID-19 Enhanced Illness Benefit for COVID-19 related absences was also introduced (it is paid at the same level as the PUP) and the six-day normal waiting period for an illness payment was abolished. This new temporary benefit is especially oriented to those who need to self-isolate or who are diagnosed with the virus and could not work.

Two main measures were taken to improve the financial situation of existing claimants. First, an extension of the payment period for the Winter Fuel Allowance (a means-tested payment for those on long-term social welfare benefits to help with fuel costs) by 4 weeks (meaning an additional €98 per qualifying household). Second, the payment for the spouse/partner (the so-called Qualified Adult Allowance) for unemployed claimants was raised by €12.30 a week (from €134.70 to €147 a week). This was mainly to correct for considerably greater generosity for those receiving the PUP (and the COVID-19 Enhanced Illness Payment) as against those on the regular jobseeker payments. In addition, all activation-related activities have been cancelled and penalty rates lifted.

Beyond the income support system, legislation was enacted mandating a prohibition on evictions and also a freezing of rents for a period of three months. This means that landlords are not only prohibited from increasing rents during the three-month period but they may not backdate any intended rent

increases during this time as arrears of rent due to them when the crisis passes.

As of 21 April, 584,000 people were receiving a PUP (in addition to 212,000 people on the Live Register) and over 46,000 employers had registered with the Revenue for the Temporary COVID-19 Wage Subsidy scheme. Of the PUP recipients, 252,000 are women and 332,000 are men. Three sectors account for almost half of the PUP payments: accommodation and food service activities at 21.6%; wholesale and retail trade, repair of motor vehicles and motorcycles at 15.1%; and construction at 13.2%.



## Outlook and commentary

There are some significant structural points to note about the new measures. First, Ireland's is a double-sided response: supporting individuals for lost wages and also jobs. Second, the measures are special and temporary. Third, the fact that the PUP and the Illness Benefit are not income tested but rather flat rate is a significant departure from the norm of income support in Ireland which relies heavily on means-tested social assistance. One of the most significant elements about the new measures is that they are focused on individuals rather than families. The PUP and the Illness Benefit are payments for individuals and therefore take no account of the claimant's family situation. Hence, they are worth considerably more to those with no child or spousal support obligations - €350 weekly compared to €203 for the jobseeker's allowance for individuals.

Against a backdrop assumption of 600,000 job losses (a "medium assessment"), it is suggested that, taken together, the PUP and the

extension of the fuel payment significantly mitigate losses in terms of the numbers of families that would otherwise see an income loss (Beirne et al 2020). This is largely due to the relative generosity of the PUP. Indeed, the PUP is predicted to leave some low-income families financially better off than were they in employment. The same research suggests highly progressive redistribution in the new measures, with those in the two lowest quintiles being - on average - largely insulated from losses. The bottom quintile actually gains slightly as a percentage of disposable income as many of them were earning less than the €350 provided by the PUP before they became unemployed. The measures also cushion income losses for those higher up the income distribution, but to a lesser degree.

It is important to bear in mind that the challenges facing Ireland in regard to poverty, adequate income support and employment quality and support have not gone away. Indeed, like elsewhere they will probably be exacerbated by the pandemic. Some have taken the institution of a base €350 payment as tacit acknowledgement that the current payment rates (nearly €150 less for an individual) are too low (Irish Times 2020). Some have argued for the introduction of a Basic Income scheme and Universal Basic Services (Social Justice Ireland 2020). Ireland is currently without a government but the two main parties (Fianna Fáil and Fine Gael) have now produced a framework document to facilitate discussions with other parties on the formation of a government. This proposes a new social contract to provide each citizen with accessible and affordable health care, housing, education, childcare and disability services, as well as a living wage, upskilling, and a dignified retirement.

## Further reading

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<https://www.irishtimes.com/opinion/coronavirus-time-for-a-new-social-contract-in-ireland-1.4225255>

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## Author

[Mary Daly](#) (University of Oxford)

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