



Make Work Pay for People with Disabilities
Report to Government 2017







Make Work Pay
for People with Disabilities

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Preface

As a society committed to social inclusion, Ireland recognises the role that policy plays in promoting the well-being of people with a disability. This is evident in the Government's decision in 2015 to launch the Comprehensive Employment Strategy for People with Disabilities 2015-2024. This strategy sets out a ten-year approach to ensuring that people with disabilities, who are able to, and want to work, are supported and enabled to do so.

A key strategic priority within the Comprehensive Employment Strategy is to ensure that work pays for people with disabilities. The Department of Social Protection was charged with establishing an interdepartmental expert group, with an independent chair, to examine the complex interactions between the benefit system, including the Medical Card, the additional costs of work associated with a disability, and the net income gains in employment. In addition, the group was charged with considering practical solutions to ensure that people with disabilities who are interested in working can compare their take-home pay to their welfare entitlements and can be reassured that benefits will be seamlessly restored if the employment does not work out for them.

I was honoured to be asked to chair the interdepartmental group comprised of representatives of a range of Government departments and agencies and three independent expert members. The group's work involved a review of international and national research evidence, analysis of the population of people with disabilities in Ireland, and consultation with key

stakeholders to identify the barriers to work for people with disabilities. This research, analysis and consultation which was undertaken between March 2016 and January 2017, provided the basis for our recommendations.

As Chair of the group, I would like to thank the departmental and agency members of the group for their strong engagement with the material on which the analysis and recommendations are based, and the three independent experts, Dr Mícheál Collins, Anthony McCashin and Eithne Fitzgerald, for leading the key work streams and chairing the related subcommittees. Finally, I would like to acknowledge the great commitment of the officials in the Department of Social Protection who supported the group in undertaking its work, and the contributions of Teresa Leonard, Eamonn Rossi, Anita Kelly and Eric Doyle to the Report itself.

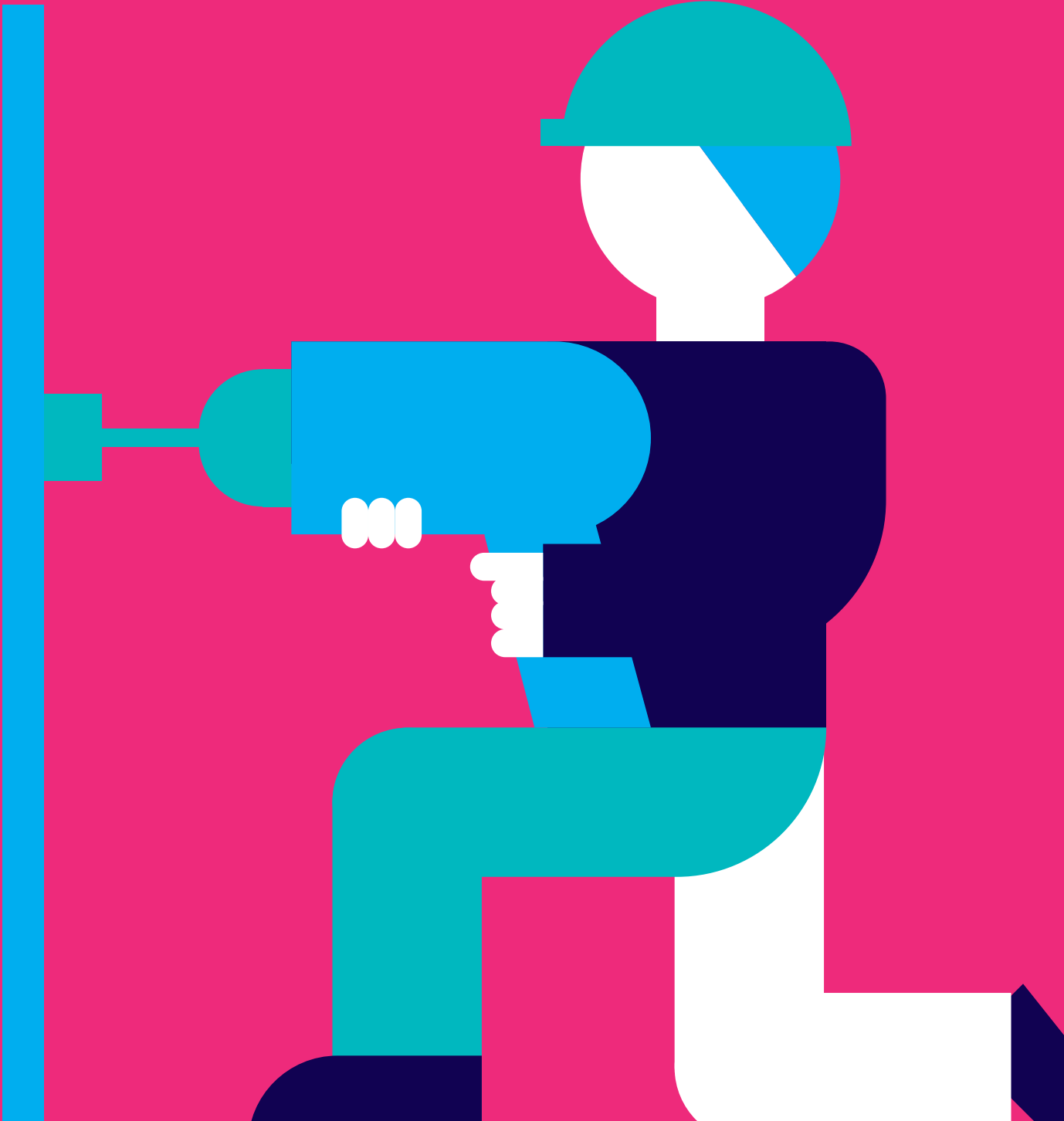
I am very pleased to commend this Report to Government. I believe that its recommendations, which are robustly evidence-based, provide a strong basis for Government to act on improving the environment for people with disabilities who wish to work. Greater employment success for people with disabilities is possible, but can only be achieved when all Government departments, agencies and support organisations work together on this common objective.

Frances Ruane

January 2017



Executive Summary and Key Recommendations



1. Background

In 2010, the OECD found that:

“Too many workers leave the labour market permanently due to health problems or disability, and too few people with reduced work capacity manage to remain in employment.”

This statement also applies in Ireland, where people with disabilities are only half as likely to be in employment as others of working age.

Currently there are over a quarter of a million people with disabilities receiving a social welfare illness or disability weekly payment in Ireland. Almost half of these are receiving Disability Allowance. Across all disability and illness schemes, almost 80% do not claim for dependent spouses or children.

Ensuring people with disabilities are supported to achieve their employment ambitions is one of the most significant labour market and social policy challenges for policymakers today. To this end, the Government’s ten-year Comprehensive Employment Strategy for People with Disabilities was launched by An Taoiseach, Enda Kenny T.D. in October 2015. The strategy’s six priority areas are:

- i. Build skills, capacity and independence
- ii. Provide bridges and supports into work
- iii. Make work pay
- iv. Promote job retention and re-entry to work
- v. Provide coordinated and seamless support
- vi. Engage employers

This Report represents the findings and recommendations of the Make Work Pay Interdepartmental Group¹, ('the Group'), which was established to address Strategic Priority iii, "Make work pay". The Group from the outset adopted a cross-departmental approach. Specifically, the Report considers:

"The complex interaction in the benefit system, including the Medical Card, the additional costs of work associated with disability, and the net income gains in employment, with a view to devising workable solutions to difficulties identified."

2. Methodology

The Group, in the first instance, agreed a set of policy principles – client focused; simple and transparent; fair; promoting early intervention; and cost-effective and efficient – which guided its deliberations and subsequent recommendations.

There is a complex range of income, health and other supports available to people with disabilities, with different eligibility criteria and definitions of disability applying across different schemes. This reflects the incremental evolution of supports, designed across different Departments, to meet the diverse needs of persons with disabilities. The Group examined the main income and eligibility criteria. Among the key benefits at risk if someone leaves the welfare system or if earnings rise above a threshold are the Medical Card, Free Travel, and the Household Benefits Package.

The Group examined the strategies and current range of measures across OECD countries to enhance incentives to work for people with disabilities. The Group also reviewed the international research evidence on the impact of these approaches on employment participation by people with disabilities.²

The Group compiled the existing research and statistical data for Ireland on factors affecting such work participation, including findings from the National Disability Survey, the Department of Social Protection's 2015 survey of Disability Allowance recipients, and research from the National Disability Authority. The main categories of social welfare disability payment recipients were profiled. A detailed technical background paper³ contains an analysis of the differences between net incomes for people on

1 See Appendix 2 for a full list of group members.

2 A background paper "Making work pay for people with disabilities – a review of the international evidence" is published alongside the Report.

3 This paper "Examination of the Financial Incentive to Participate in the Labour Market of Disability and Illness Schemes", which summarises the work undertaken to inform the Group, is published alongside the Report.

welfare and in employment, computing replacement rates and the proportion of any extra earnings a person with a disability would get on taking a job or increasing hours of work. This analysis of an extensive range of representative case studies covered different disability payment schemes, family types, and earnings situations. It drew on evidence sourced from the Department of Social Protection's record systems on patterns of work history and earnings of disability scheme recipients. The analysis used the benefit rates in force in 2016, at the time the Report was written, however using the 2017 rates would make no material difference to the findings and recommendations.

The Group conducted an extensive consultation process with stakeholders, representing the main disability groups and umbrella bodies, and reviewed the findings on the 'make work pay' theme of similar consultations ranging back to the early 2000s. Together, these suggested a set of consistent key messages in relation to the barriers to employment faced by people with disabilities.

The Report presents a synthesis of the main findings of the Group's research, analysis and the feedback from consultation. The twenty-four recommendations are based on the Group's findings and seek to address the main barriers identified to 'making work pay' for people with disabilities. In the case of each recommendation, the responsible bodies (Departments/Agencies) are identified and the associated time frames for proposals and implementations are set out.

3. Key Findings

The key findings of the analysis are grouped under three headings:

1. Raising employment rates of people with disabilities is an international policy goal
2. Ireland's incentives to work are generally in line with those in other countries
3. There is positive interest in work among people with disabilities in Ireland

3.1 Raising employment rates of people with disabilities is an international policy goal

The UN Convention on the Rights of Persons with Disabilities, the World Health Organisation's World Report on Disability, the OECD, and the EU Disability Strategy all emphasise the importance of raising employment rates for people with disabilities. Across the developed world, there is no 'stand-out' approach taken to this issue with countries adopting a range of policies and strategies. While a variety of different approaches have been adopted in OECD countries, experts are agreed that:

- **Social inclusion**, through access to employment, is particularly important for people with disabilities, and brings wider personal and social benefits as well as being a protection against poverty. Society can also gain from the social and economic contribution people with disabilities can make when enabled to work according to their capacities.
- **Financial incentives** (the key focus of this Report) are not, of themselves, enough to make a significant difference to participation in employment by people with disabilities, and the scale of response to improved incentives is muted. Rather, positive financial incentives may be considered an important enabling condition. A disincentive to work is just one of a range of barriers to raising employment of people with disabilities, and action is needed across a number of different fronts if there is to be real progress.
- **Continuity and security of support**, in the form of an adequate income and access to key supports and services, are very important for people living with a disability. People with disabilities are reluctant to give up the security of their welfare payments and health supports when they are unsure of the impact of returning to work on their income.
- **Perceived, not just actual disincentives affect behaviour**, so that if people perceive they will be barely better off or even worse off in a job, their decisions about work are affected, even in cases where actual calculations would show otherwise.
- **Early intervention is critical**, as joblessness soon becomes virtually permanent; once people with a disability become long-term jobless, only a tiny minority ever take up employment. Therefore, early intervention is critical to support initial employment or early return to work before joblessness becomes established. For those who want to and are able to work, critical points are when young people with disabilities leave education, or when an adult experiences onset of a disability in the course of working life.
- **Incentives to work and adequate social protection need to be balanced**, particularly as many people with disabilities have significant health challenges or severe functional difficulties which could rule out employment.

3.2 Ireland's incentives to work are generally in line with those in other countries

Ireland is broadly in line with other OECD countries in terms of the financial incentive measures deployed to assist people to fulfil their employment ambitions. Measures such as the Disability Allowance “earnings disregard” and partial capacity type payments are found in the majority of developed economies. The current system of financial incentives in Ireland for people with disabilities on social welfare is generally well-designed to ensure that a person (without dependants) is financially better off working. The key features of the system can be summarised as follows:

- **Work for most disability recipients pays better than social welfare**
About 80% of recipients of illness or disability payments do not claim for dependants. In cash terms, our analysis shows they would be financially better off working than on welfare.
- **Family income can be affected if young people with disabilities take up work**
Depending on family circumstances, for example, if a parent is in receipt of Carer's Allowance, overall family income could actually fall if a young person on Disability Allowance takes a job, depending on what they earn.
- **Work is financially relatively less attractive for people with families**
Disability welfare payments, like all weekly social welfare payments, have additional allowances for dependent partners and children, while wage rates are not related to family size. This feature of the system means that people who move off welfare altogether because they are working forfeit any such additions, and this affects the extent to which work is financially attractive particularly at lower wages. Social welfare rules also make for complex interactions between the income of the person with a disability and his/her partner's earnings, which can affect total family income.
- **Loss of secondary benefits can become an issue for people as they earn more**
People who move off welfare altogether into a job would lose social welfare secondary benefits, such as the Household Benefit Package⁴ and Living Alone Allowance (worth together about €43 a week to those who get these), and Free Travel. For a single person on Disability Allowance, who would

4 The Household Benefits Package comprises the Electricity or Gas Allowance, and the Free Television Licence.

finally move off welfare at an income of €423 a week, this would represent up to a 10% fall in income at that point. Even more significantly, the means test for the Medical Card means that single people on Disability Allowance would lose long-term entitlement once earnings reach €120 a week, even though there generally is a temporary entitlement to retain the Medical Card for three years after taking up work.

- **People who combine welfare and work tend to keep their weekly earnings at or below €120**

Our findings are that people who combine work and Disability Allowance generally do so only up to earnings of about €120 a week, although they could still retain a proportion of their Disability Allowance over a significant range of earnings beyond this point. This behavioural response may be more to do with the loss of a Medical Card at that income level, than with the structure of the Disability Allowance earnings disregard. It may also reflect perceptions or misperceptions about what social welfare reductions apply at earnings over €120. This finding is in line with international evidence that people with disabilities are reluctant to leave the security of the welfare system altogether, and in particular to forfeit any health entitlements.

3.3 There is positive interest in work among people with disabilities

Encouragingly, many people with disabilities in Ireland would be interested in a job in the right circumstances.⁵ Given health and stamina issues, part-time work is likely to be the choice of most of those not currently working. In particular, significant numbers of people in receipt of Disability Allowance would be interested in part-time or full-time employment if the conditions were right.⁶ Furthermore, the experience of those who have availed of employment supports and financial incentives to return to work has been very positive.

5 According to the National Disability Survey 2006, about a third of those not working would be interested in a job in the right circumstances.

6 Department of Social Protection, Disability Allowance Survey 2015 <https://www.welfare.ie/en/downloads/DSPReportonDisabilityAllowanceSurvey2015.pdf>

4. Key Barriers Identified

The Group identified the main barriers which impede people with disabilities from fulfilling their employment ambitions.

- **Risk of losing the Medical Card**

Successive reports have identified the potential loss of the Medical Card as the single most important disincentive to taking up employment. All our analysis, which is in line with international evidence, shows that potential withdrawal of the Medical Card is the single greatest barrier to 'Making Work Pay' for people with disabilities. This emerges from the findings of the Disability Allowance Survey; from our analysis of sample case studies; from previous expert reports; and from the Group's consultations with disability organisations.

The consultation with stakeholders reaffirms that this is the major issue of concern for those persons with a disability who would like to work. This is unsurprising since people with disabilities have poorer health on average, so the Medical Card is a particularly significant support. Ireland (along with the US), appears to be unusual amongst OECD countries in that taking up work may trigger a loss of medical entitlement, which occurs at relatively low levels of income.

While people who have been on a disability payment for at least a year can retain a Medical Card for a further three years on return to work, people with lifelong conditions generally do not see this temporary retention as sufficient, in that it does not offer the security of continued access to the Medical Card, and the supports it brings.

As well as giving entitlement to free healthcare and specialist therapies, the Medical Card also confers eligibility to essential disability aids/assistive technology (such as wheelchairs or hearing aids) free of charge, where they are prescribed. Many of these are expensive items for anyone who would otherwise have to buy them at intervals from their own pocket.

Another practical issue for people with disabilities who hold a Medical Card and who wish to work is that work undertaken must be certified as being of a rehabilitative nature. This certification may create delay and have the effect of discouraging people with disabilities to take up work.

- **The combination of the Medical Card and the Disability Allowance earnings disregards at €120 creates a significant disincentive**

In terms of the most significant financial support, Disability Allowance, there is evidence that in the most common case, a single individual with no dependants, the combination of the phased reduction in the Disability Allowance payment above earnings of €120 a week, and of the Medical Card means test threshold at the same earnings level, appears to act as a significant disincentive to work beyond this point. Those on disability-related payments who do work, tend to do so only up to the earnings disregard limit, despite the fact that the system ensures that they continue to get a significant net benefit from additional hours worked. The decision facing the individual is further complicated by the potential withdrawal of secondary benefits, with a common perception that secondary benefits may be lost if the person takes up any work.

- **Loss of access to transport supports**

The research also identifies access to transport supports as an issue for persons with disabilities seeking to fulfil their employment ambitions. In particular, people on long-term disability payments lose their entitlement to Free Travel immediately if they move off welfare altogether into employment. While there are several transport supports available for persons with disabilities, responsibility for administering these supports is spread across a number of Government Departments and Agencies with differing qualification criteria. Some people who have significant transport needs, could, if they were to work, fall between different schemes of supports. Others may find their entitlement difficult to understand or navigate. These features of the present system can act as a barrier to taking up employment.

- **Complexity makes it hard to decide if you would be better off in a job**

The current system of supports for people with disabilities, across a range of schemes provided by government departments and other state agencies, is a complex one. It reflects the variety and span of different needs people with disabilities can have, as well as the separate evolution of the different schemes. The outcome is that people find the system difficult to navigate. It is hard for individuals to calculate accurately and understand fully the implications of any earnings for their net incomes and entitlements.

The consultation process has identified the value of a ready reckoner, and of the assignment of a dedicated case officer in the local Intreo Office, as important measures to guide the person with disabilities to the appropriate

benefits available and the impact of taking up employment. The support of family and friends in their search for suitable employment was also highlighted as a significant factor.

- **Perception that it takes time to get benefits restored if a job does not work out**

Taking a job may not work out, for one or more reasons. The job may not be suited to the individual's health and capacities, or the individual could experience a health setback, or the employer may run into economic difficulties. People with disabilities, particularly those with intermittently-occurring symptoms, have real concerns about how difficult and how quickly they could get their different benefits (including the Medical Card) restored in a situation where employment does not work out. The fact that there are often several agencies or different schemes involved add to this concern, which can impede a person's willingness to seek or take up employment.

5. Fundamental reform should focus on early intervention

Having identified the barriers to employment, the Group concluded that there could be a compelling case for a more fundamental reform of the existing system of social welfare disability payments. Detailed recommendations in relation to such a fundamental reform lie outside the Group's terms of reference, but the Group decided that it would be appropriate to suggest that any such reform should focus on early intervention for everyone (including young people) who has the capacity for, and interest in, work. This may entail a restructuring of the disability welfare system, across different schemes, to address key objectives such as early intervention, supporting those who have the capacity for and interest in work, and simplification of complexity.

6. Summary of Key Recommendations

The principal recommendations in this Report which address the issues identified by the Group are categorised under four broad headings as follows:

- i. Reconfiguring the system of payments and supports to ensure that work pays
- ii. Promoting early intervention
- iii. Communicating effectively that work pays
- iv. Future-proofing

i. Reconfiguring the system of payments and supports to ensure that work pays

This set of recommendations seeks to improve the alignment of the various supports in place across different departments and agencies with the overall objective to make work pay.

The Group's recommendations are:

1. Raise the Medical Card earnings disregard from its current level of €120 per week for people on Disability Allowance or on Partial Capacity Benefit associated with Invalidity Pension. This reflects the Group's view that this is the single most significant barrier for people with disabilities, and that the disregard should be increased substantially. *Responsible Department/Agency: Department of Health/HSE*

- Recommended time frame for proposals: Q4 2017
- Recommended time frame for implementation: Q4 2018

2. a. Dispense with the requirement that work be of a 'rehabilitative nature' for Medical Card earnings disregard purposes. *Responsible Department/Agency: Department of Health/HSE*

- Recommended implementation time frame: By Q4 2017

- b. Dispense with the requirement that work be of a 'rehabilitative nature' for the Disability Allowance earnings disregard. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2017

3. Develop and bring forward proposals to address access to or affordability of necessary aids/ appliances/ assistive technology required for everyday living for those people with disabilities whose entry, retention or return to work could be jeopardised by being unable to afford these items, given the level of employment income, and whose needs are not met by other schemes of assistance. *Responsible Departments/Agencies: Department*

of Justice and Equality, with support from the National Disability Authority, and in collaboration with the Department of Health, HSE, and the Department of Social Protection

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Q4 2018

4. Allow people on a long-term disability payment who move off the payment to get a job to retain entitlement to the Free Travel Pass for a period of three years, similar to the current entitlement to retain a Medical Card. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q1 2018

5. Undertake a review of transport supports encompassing all Government funded transport and mobility schemes for people with disabilities, to enhance the options for transport to work or employment supports for people with disabilities, and to make proposals for development of a coordinated plan for such provision. This Plan should have regard to making the most efficient use of all available transport resources. *Responsible Departments/Agencies: Department of Justice and Equality, in partnership with the Department of Transport, Tourism and Sport, and with support of the National Disability Authority, Department of Health, HSE, Department of Social Protection, Pobal, Department of Finance, Revenue, Department of Public Expenditure and Reform*

- Recommended initiation date: Q2 2017
- Recommended time frame for proposals: Q4 2017

6. The Transport Support Scheme currently being developed by the Department of Health should seek to avoid creating financial barriers for people with disabilities who will be eligible under that scheme and who wish to access employment supports or further their employment ambitions. *Responsible Department/Agency: Department of Health, HSE*

- Recommended implementation time frame: By Q4 2017

7. a. Put in place and promote a system for fast-track reinstatement of the Medical Card for people with disabilities who have lost it on return to work, and have subsequently had to leave their job within one year. *Responsible Department/Agency: Department of Health, HSE*

- Recommended implementation time frame: By Q1 2018

- b. Put in place and promote a system for fast-track reinstatement of Disability Allowance, Illness Benefit or Invalidity Pension to people with disabilities who have returned to work, and have subsequently had to leave their job within one year. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q1 2018

8. Establish a formal protocol in the Department of Social Protection/Intreo service that an enquiry from a person on a long-term disability payment about taking up or returning to work will not result in a review of their current entitlements. Communicate this message through all appropriate channels and face-to-face with disability claimants. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: Q4 2017

ii. Promoting early intervention

This set of recommendations seeks to introduce new processes to ensure that individuals who wish to work can engage at the earliest possible time with the support systems.

The Group accepts the arguments made by the Advisory Group on Tax and Social Welfare⁷ that the minimum age for payment to the individual be raised to age 18, in line with normal completion of second level schooling, and the minimum age for other weekly payments.

⁷ "Advisory Group on Tax and Social Welfare (2013) Second Report: Review of Budget 2012 Proposals Regarding Disability Allowance and Domiciliary Care Allowance. Dublin: Department of Social Protection".

The Group noted that these proposals have not been implemented, and acknowledged that there were/are a number of valid concerns that need to be addressed before any such change can be introduced. However, when considering the best interest of the young person, the Group holds the view that the award of disability allowance at age 16, before the young adult has had time to develop his or her full employment potential through education and training, does not support the young adult to achieve his or her employment ambitions. Moreover, as this Report clearly demonstrates, such an award at a young age will, in the vast majority of cases, lead these young adults to a lifetime outside the workforce. The Group is of the view that the State should proactively make available the range of education, training and other supports to the young adult with disability at this critical point in their life, to enable them to fulfil their employment ambitions, similar to their peers.

However, the Group also recognises that the current system may create an expectation amongst parents, of even very young children, that disability allowance will be awarded at age 16. Considering the fact that this proposal has been made previously, the approach recommended for implementation will require wide consultation with disability advocacy groups and parents to ensure that the focus remains on achieving the best possible outcomes for the young people involved.

The Group's recommendations are:

9. Reconfigure the Disability Allowance scheme for new entrants to give effect to the principle of early intervention, as follows:
 - a. Support for 16-18 year olds with significant support needs, which is currently paid by means of Disability Allowance, to be paid via Domiciliary Care Allowance up to 18 years of age;
 - b. Explore possibilities for the reform of the structure of the Disability Allowance for those between the ages of 18-22 to focus on participation in education, training and/or social inclusion according to individual capacity.
Responsible Department: Department of Social Protection

- Recommended implementation time frame: By Q4 2018

10. Apply the principle of early intervention across all illness and disability schemes, adapting existing schemes where necessary to give effect to this principle. *Responsible Department: Department of Social Protection*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

11. Offer case officer support and other supports to people with disabilities through the Intreo service at the earliest possible opportunity, and work with them to develop a personal progression plan. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2018

12. Implement the recommendations of the Department of Social Protection's Report on the Review of the Partial Capacity Benefit Scheme which focus on capacity, early intervention and back to work planning, subject to Government approval. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2018

iii. Communicating effectively that work pays

This set of recommendations seeks to address the importance attached internationally of ensuring that people with disabilities have better information available to them on the benefits of taking up employment, where they would be interested in so doing.

The Group's recommendations are:

13. Develop a basic ready reckoner to enable people with disabilities to calculate the likely net monetary value of taking up or going back to work. This would cover basic tax and welfare entitlements, and indicate whether the person would be eligible on income grounds for a Medical Card. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q2 2018

14. Develop a proactive and ongoing strategy to communicate clear, simple, and accurate information in a user-friendly way on what benefits people with disabilities will keep if they are in employment. This strategy should include the following steps:

- Provide clear information on the website of the Department of Social Protection as the lead Department in this area, with cross-links to relevant information from other Departments (e.g. on Medical Card entitlement) and to www.citizensinformation.ie. Include information on fast-track return to benefits.
- Develop dedicated information on www.citizensinformation.ie and on the microsite www.gettingbacktowork.ie around employment for people with disabilities and associated benefits that would be retained.
- Provide for the information to be available in accessible formats as required, such as Easy to Read, and a signed video with subtitles.
- Provide training for Citizens Information Centres in the operation of the Ready Reckoner, and how to build on this to provide a more personalised individual assessment of a wider range of benefits in more complex circumstances.
- Ensure front-line staff in Intreo Offices are trained to know how to access the relevant information, how to operate the Ready Reckoner, and how to refer a client to the local Citizens Information Centre for assistance with a more detailed financial and benefits assessment of complex circumstances.
- Agree formal referral paths from Intreo Offices to local Citizens Information Centres or the Citizens Information Phone Service. Develop information leaflets/messages targeted at people leaving long-term disability payments to enter a job.
- Develop some simple clear messaging around 'It pays to work'.

Engage with the national disability organisations, including those representing individuals themselves and parent and sibling organisations, and with disability service providers, around where to get this information, and around how to communicate it to people with disabilities through their normal channels. *Responsible Department/Agencies: Department of Social Protection, Citizens Information Board, National Disability Authority*

- Recommended implementation time frame: By Q1 2019

15. Extend inter-agency protocols, where relevant, to include referral of people with disabilities to authoritative sources of information and guidance on the financial and other aspects of employment. *Responsible Departments/Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE, Department of Education and Skills, Education and Training Boards, Department of Housing, Planning, Community and Local*

- Recommended implementation time frame: By Q1 2019

16. Develop and strengthen the capacity of the Department of Social Protection Intreo Service to support people with disabilities to get and maintain employment by:

- Designating Intreo as the first point of contact for people with disabilities interested in work. *Responsible Department: Department of Social Protection*
- Developing the Intreo Service as a welcoming and supportive environment for people with disabilities, with a personalised approach to each case. *Responsible Department: Department of Social Protection*
- Facilitating the attendance of a family member, friend or advocate to support the person with a disability throughout the engagement, if the person desires. *Responsible Department: Department of Social Protection*
- Training Intreo Service Case officers and other front-line staff to work with people with disabilities, to identify their needs, and support them to fulfil their employment ambitions, in accordance with their capacity. *Responsible Departments/Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE, Department of Education and Skills, Education and Training Boards, Department of Housing, Planning, Community and Local Government, Local Authorities*
- Designating named case officers at Intreo Centres to support people with disabilities interested in taking up work. *Responsible Department: Department of Social Protection*
- Provision by the Intreo Service of a continuum of support to the person with disability as they transition into work. *Responsible Departments/Agencies: Department of Social Protection (Lead), EmployAbility, Department of Education and Skills, Department of Health, HSE*

- Recommended implementation time frame: By Q1 2019

17. Develop a suite of protocols with the range of State-funded Disability Service Providers to work in partnership with Intreo offices to advance common objectives, and support people with disabilities to fulfil their employment ambitions, in accordance with their capacity. *Responsible Departments/Agencies: Department of Justice and Equality and the National Disability Authority to facilitate development of the protocols, working with the Department of Social Protection and The Citizens Information Board*

- Recommended implementation time frame: By Q1 2019

18. At local level, review and revise existing protocols and service level agreements with State service providers (including HSE offices, Education and Training Boards, EmployAbility, Local Enterprise Offices, Local Employment Services, Jobs Clubs, Community Resource Centres) to reflect the opportunities now available at Intreo Offices. *Responsible Departments/Agencies: Department of Social Protection, EmployAbility, Department of Health, Department of Education and Skills, Department of Housing, Planning, Community and Local Government, HSE, Local Authorities*

- Recommended implementation time frame: By Q1 2019

19. Provide clear information on the procedures for fast-track return to benefits, any paperwork the individual must supply, and the target timescale for restoration of a person's benefits. Provide clear information on any interim arrangements (e.g. payment of Supplementary Welfare Allowance while awaiting award of the substantive payment). Communicate this information: on the Department of Social Protection and HSE websites; through Intreo case officers working with individuals; through direct communication with individuals exiting a welfare payment to take up work; through disability organisations; and through Citizens Information Centres. *Responsible Departments/Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

iv. Future-proofing

This set of recommendations seeks to identify future actions to ensure that the changes introduced on foot of this Report are reviewed on a regular basis to ensure that Ireland does not fall behind in the policies it puts in place to support employment by people with disabilities in a changing policy world.

The Group's recommendations are:

20. Formally proof all new schemes or reforms at design stage to minimise complexity, and ensure that a person with a disability, who is interested in work, is supported and is not financially disadvantaged by taking up employment. *Responsible Departments/Agencies: Department of Social Protection, Department of Health, HSE, Department of Education and Skills, Department of Jobs, Enterprise and Innovation, Department of Transport, Tourism and Sport, Department of Housing, Planning, Community and Local Government, Local Authorities, Revenue*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

21. Review the Disability Allowance earnings disregards at regular intervals, taking into account developments in the wider economy. *Responsible Department: Department of Social Protection*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

22. Every five years, conduct an evaluation of policies in relation to income and other supports for people with disabilities (including earnings disregards, Medical Cards) from an employment perspective. *Responsible Departments: Department of Social Protection, Department of Health*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

23. Continue to strengthen data collection efforts and the research and evaluation capacity to inform policymaking in this area. *Responsible Departments/ Agencies: Department of Social Protection, Department of Health, HSE, National Disability Authority, Department of Education and Skills*

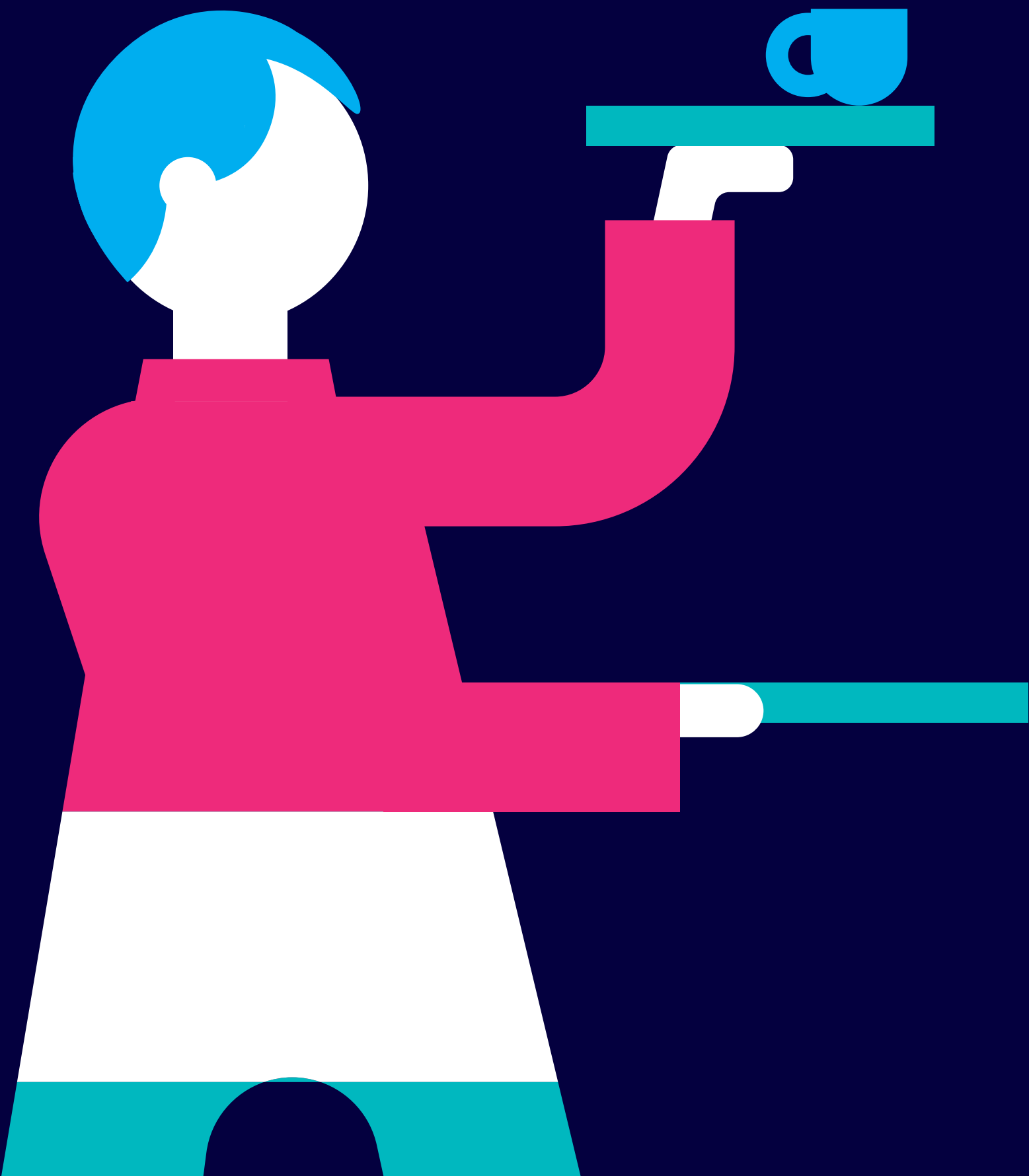
- Recommended implementation time frame: Continuous

24. Incorporate an annual review of delivery of actions recommended in this Report and the outcomes achieved in the reviews of progress under the Comprehensive Employment Strategy for People with Disabilities 2015-2024. *Responsible Department: Department of Justice and Equality*

- Recommended initiation date: Q4 2017, and annually thereafter in accordance with the time frame in the Comprehensive Employment Strategy for People with Disabilities.

7. Conclusion

The Group is strongly of the view that the implementation of the recommendations in this Report, taken together with the other actions in the Comprehensive Employment Strategy, will make a real difference to people with disabilities, who have the capacity and interest, to participate in employment. The challenge for policymakers, working across government, is to ensure that the conditions are right to support people with disabilities to achieve their employment ambitions and potential.



1

Chapter One

Introduction

- Discusses the Context and Case for Action
- Locates the work of the 'Make Work Pay' Interdepartmental Group within the Comprehensive Employment Strategy for People with Disabilities
- Outlines the policy principles adopted by the Make Work Pay group and its evidence-based methodology
- Sets out the road map for the remaining chapters of the report

1.1 Introduction The Case for Action

Around the world, countries are adopting multi-faceted approaches towards raising employment rates of people with disabilities. This has been given an impetus by the adoption of the UN Convention on the Rights of Persons with Disabilities (2006) under its Article 27. Participating states are now committed to safeguard and promote the realisation of the right to work of people with disabilities.

For many countries, measures designed to make work pay are an element of their overall disability employment strategies. The World Report on Disability (WHO, 2011), underlined the importance of making sure it pays to work. The OECD also acknowledges the importance of improving financial incentives to work as a component of a more comprehensive employment strategy.⁸

Furthermore, achievement of the European Union's 2010 employment strategy (of having 75% of adults aged 20-64 in employment by 2020) will require increasing the employment rate of both unemployed and economically inactive people, including people with disabilities. In line with this strategy, the European Disability Strategy 2010-2020 includes actions to address the employment gap between people with disabilities and others.

In Ireland successive governments have affirmed their commitment to the achievement of equality for persons with a disability, and the National Disability Strategy sets out a programme of coordinated actions to support the equal participation of people with disabilities in Irish society. This programme is underpinned by the Disability Act 2005 (and other legislation), and the services and actions in pursuit of the strategy span a range of government departments, statutory bodies and service providers in the

8 OECD (2015) *Employment Outlook*, Ch. 3

voluntary and statutory sectors. However, notwithstanding what has been achieved since the publication of the Disability Act in 2005, people with disabilities in Ireland are only half as likely to be in employment as others of working age.⁹ Without policy action, there is little reason to expect this rate of employment to improve.

In October 2015 the commitment to improving the employment opportunities for people with a disability was addressed by government in the publication of the Comprehensive Employment Strategy for People with Disabilities launched by An Taoiseach, Enda Kenny T.D. This Comprehensive Employment Strategy (CES) sets out a ten-year approach to ensuring that people with disabilities, who are able to and want to work, are supported and enabled to do so. It is built on a 'social model' understanding of disability, that recognises the interplay between social, environmental and personal factors that can either support or hinder people with disabilities in obtaining and sustaining work.¹⁰ At its core is the acknowledgement that there is much that public policy can do to enhance the supports for, and address the barriers to, higher rates of employment for people with disabilities.

The CES provides for the establishment of an interdepartmental group, under independent chairmanship, on making work pay for persons with a disability, with the task to:

“...look at the complex interactions between the benefit system, including the Medical Card, the additional costs of work associated with a disability, and the net income gains in employment, with a view to devising workable solutions to difficulties identified.”

The specific focus on making work pay should be seen in the wider context of Irish social policy which seeks to sustain the inclusion, participation and self-determination of people with a disability. Access to and participation in employment clearly contributes to these wider goals; employment not only enhances income security, for people with disabilities it also broadens their social networks and supports. Furthermore, work can also be an important factor in recovery, in particular for people with mental health issues. In addition to the wider community benefits, increased employment of people with disabilities contributes to economic growth and reduces welfare spending.

9 In Ireland, the rate of employment among persons with a disability remains low (33%) relative to the working age (20-64 yrs) population (66%). Source: CSO Census of Population 2011.

10 The strategy recognises explicitly that public policy is now based on a social as distinct from a medical model of disability and entails a shift away from segregated disability services 'towards the provision of individualised supports to remove barriers to participation in society.' Watson, D, Banks, J. and Lyons, S. (2015) Educational and Employment Experiences of People with a Disability in Ireland. Dublin: NDA

This Report presents the analysis, findings and recommendations of the Make Work Pay Group, hereafter referred to as 'the Group'. The remainder of this chapter sets out the context for the work of the Group (Section 1.2), the approach it has adopted (Section 1.3) and the content of the remaining five chapters (Section 1.4).

1.2 Making Work Pay and the Comprehensive Employment Strategy for People with Disabilities

The context for the Group's work is the Comprehensive Employment Strategy (CES). The CES states that Ireland requires a cross-government approach that brings together actions by different departments and State agencies in a concerted effort to address the barriers and challenges that impact on employment of people with disabilities, and aims to address the under-representation of people with disabilities in the labour force.

The CES sets out six Strategic Priorities, with associated actions, which are to: (1) Build skills, capacity and independence; (2) Provide bridges and support in to work; (3) Make work pay; (4) Promote job retention and re-entry to work; (5) Provide coordinated and seamless support; and (6) Engage with employers. Strategic Priority 3 (Make Work Pay) provides for the establishment of an interdepartmental group, under independent chairmanship, on making work pay for persons with a disability; this is the Make Work Pay Group. The actions under the CES build on a series of measures in relation to employment for people with disabilities which are already in place, and include:

- Employment equality legislation outlawing discrimination on grounds of disability, and providing for 'reasonable accommodation' by employers to enable those who can to work
- Supports to private sector employers in respect of the costs of reasonable accommodations
- Legal provisions and a statutory target for employment of people with disabilities in the public sector
- Supports to education and training of people with disabilities
- Employment subsidy scheme
- EmployAbility supported employment programme operated by the Department of Social Protection, and other supported employment initiatives operated by the HSE and individual disability service providers

The CES sets the context for the Group's work, which is to address specifically the issue of how the system of current financial and other supports can be improved to assist people with disabilities who wish to work. The Group does not address the wider issues related to employment being covered by actions in the other CES priority areas nor other aspects of the general social protection system. At the same time the Group recognises the increased focus of the current welfare system on labour market activation.

The Group is also aware of the evolving fiscal context in which it is operating. So, for example, Budget 2017, published in October 2016, announced improvements in the income supports for people with disabilities which will come into effect during 2017. See Box 1.1. As a major part of the Group's analysis was completed before these announcements, they are not included. However, in the view of the Group, the developments do not materially alter its findings or recommendations.

1.1 Budget 2017

As part of the Budget 2017 a number of changes have been made to the disability and illness schemes. The weekly rates of Invalidity Pension, Disability Allowance, Blind Pension, Illness Benefit, and Disablement Pension were increased by €5. The value of the increase for a qualified adult for each of these schemes was also increased by €5 per week.

Invalidity Pension eligibility will be extended to the self-employed from December 2017 and for Treatment Benefits, such as Dental, Optical and Hearing, from March 2017.

Funding of €2 million will be provided for Projects which provide pre-activation supports for people with disabilities in 2017.

There was also a €5 increase in the maximum rate of Carer's Benefit and Carer's Allowance weekly payment. Furthermore, from January 2017, Carer's Allowance to continue to be paid for a period of 12 weeks when the person being cared for moves permanently into residential care/nursing home.

The Christmas bonus for Invalidity Pension, Blind Pension, Disability Allowance, Carer's Allowance, Domiciliary Care Allowance, Guardian's payments was increased from 75% to 85% of the primary rate.

The Medical Card was extended to all children in respect of whom a Domiciliary Care Allowance (DCA) payment is made.

1.3 Focus and Approach of the Make Work Pay Group

This Interdepartmental Group was established in early 2016 with Professor Frances Ruane as Chair, to consider the issues and to make recommendations to Government by the end of 2016. The Group's Terms of Reference and its Membership are set out in Appendix 1 and 2. Three independent members were also appointed to the group and chaired its subcommittees.

At the outset, the Group discussed and agreed a set of core guiding policy principles, in the context of the wider policy goals in relation to poverty, social inclusion and equality. The Group recognised that overall social policy, and in particular policy in relation to persons with disabilities, is grounded on commitments to reduce poverty and deprivation, and support inclusion, participation and self-determination of people with disabilities. Consequently, any recommendations proposed by the Group must be consistent with the officially articulated and widely accepted policy goals in these areas. These guiding principles are summarised in Section 1.3.1.

The Group was committed to an open evidence-based approach to its work and the methodology it adopted is set out in Section 1.3.2.

1.3.1 Guiding principles

The Group's work reflects an adherence to the broad policy goals in relation to disability. In particular, the Group's analysis and recommendations for change, with a view to enhancing employment participation for people with disabilities, are based on five guiding principles in relation to the system of supports. The system should be (i) client focused and (as far as practicable) (ii) simple and transparent. It should be (iii) fair and (iv) promote early intervention. It should also be (v) cost-effective and efficient, both in terms of income support, and in facilitating people with disabilities to achieve their employment ambitions. We consider each of these briefly.

i. **Client-focused**

The OECD review on *Sickness, Disability and Work* stresses the diversity of the population of people with disabilities, and the need to structure employment-related reforms to the capacities and contexts of individual persons with disabilities.¹¹ In examining different options for reform within its Terms of Reference, the Group considered it essential that any revised system should cater for the diversity of individuals' circumstances and needs, and facilitate

¹¹ OECD (2010) *Breaking the Barriers*, Paris

access to the services and supports that people with disabilities require, particularly with regard to fulfilling employment ambitions.

The Group recognised the challenge of being client-focused given the diversity of disabilities within the population. These include diversity of employment experiences¹², range of impairments and multiple impairments,¹³ wide-ranging earning capacities¹⁴, differences in support requirements to be able to work, and costs of managing disability¹⁵. The Group saw this diversity as requiring a range of supports to meet the needs of those wishing to work.

ii. **Simple and Transparent**

Responding to the different dimensions and degrees of people's needs means that there is not a one-size-fits-all system of state supports. This in turn leads to an unavoidable degree of complexity, which can make it harder for people to calculate whether it pays to take or keep a job. This can result in a form of 'employment trap' as people cannot assess the overall financial implications of taking up employment or increasing hours at work.

Where possible, the income and related supports affecting people with a disability should be simplified, and individuals with disabilities and their families should have access to accurate and authoritative information on their financial situation and other entitlements in different work and welfare scenarios, provided in a form that is user friendly. For example, an unavoidable complication is that moving from welfare into employment can affect not only the individual's income and entitlements, but also those of partners or carers.

The rules around entitlement to a Medical Card, one of the key supports valued by people with disabilities, are particularly complex. In addition, many of the different schemes and benefits are based on different definitions of disability, or different definitions of income to one another, with some secondary benefits applying to the individual and others to the family unit. All of these features make the system particularly difficult to navigate for individuals. The challenge

12 People with long histories of employment and those who have never had a job. See Department of Social Protection Report on Disability Allowance Survey 2015 <https://www.welfare.ie/en/downloads/DSPReportonDisabilityAllowanceSurvey2015.pdf>

13 Recent research by the ESRI and the OECD have drawn attention to the prevalence of mental health conditions in the working-age population, and to the extent to which people with other disabling conditions also experience mental health difficulties. See Watson and Maître (2014). Emotional, psychological and mental health disability, and see OECD (2012) Sick on the Job? Myths and Realities about Mental Health and Work: Paris; OECD. OECD (2015), Fit Mind, Fit Job: From Evidence to Practice in Mental Health and Work, OECD Publishing, Paris.

14 These can reflect levels of education, skills and experience, as well as health status, stamina, or degree of functional impairment

15 Personal circumstances include family status, ongoing health needs, and access to transport

is to examine scope for reform, simplification and rationalisation, without undermining the potential of the system of supports in place for people with disabilities to be tailored to support individuals who wish to work.

iii. **Fair**

Fairness is a core principle but it does not mean a one-size-fits-all approach. Diversity in the population requires difference in treatment but these differences should have a clear rationale based on underlying differences in needs, and that people in similar circumstances should be treated similarly. In the current system, there is a clear legal basis for entitlements to social welfare payments or tax allowances, which ensures similarity of treatment of those meeting the qualifying conditions. However, at present access to other supports may be rationed by resource availability which undermines fairness.¹⁶

In all social benefit systems there can be an inherent tension between poverty alleviation considerations, and provision of incentives to work. Any improvement in incentives to work should not be at the expense of benefits to those who have limited or no capacity to work, to ensure the system is fair to both workers with disabilities and to those who are unable to work. The system should also be fair as between the treatment of people with disabilities and others, recognising the specific challenges that many people with disabilities face.

iv. **Promote Early Intervention**

The CES takes an early intervention approach, with Strategic Priority 1 focused on building capacities and skills, Strategy Priority 2 on providing bridges and supports into work, and Strategic Priority 4 on job retention and re-entry into work for those who acquire a disability in the course of adult life. The strategic focus of the CES is on minimising and preventing joblessness arising in the first instance. This is informed by strong evidence, both internationally and from Ireland, that shows very little inflow into employment once non-participation has been established for any length of time (see Chapter 3).

Given that evidence, the Group believes that the system of supports to people with disabilities should strongly favour early intervention, particularly in the case of younger people, those at the point of transitioning from formal education or training to work life, and those who have recently acquired a disability. The financial incentives at these key decision points in a person's life

16 For example, waiting lists for different services and supports (therapy, home adjustments) are not identical across Ireland.

should be structured so as to facilitate taking one's first job, remaining in work, or early return to work after onset of a disability.

v. **Cost-effective and efficient**

The interface between the system of benefits and supports for people with disabilities, and their incomes in employment, should be designed to be as efficient and cost-effective as possible, consistent with the goals of promoting social inclusion and poverty reduction. The system should ensure positive incentives to work. The interplay between the level of earnings, additional taxes and social contributions paid, and progressive withdrawal of certain benefits when someone is at work should not incentivise individuals who can and want to stay outside the labour market. There is a trade-off between the merits of a gradual tapering of benefits withdrawal, and the cost of awarding partial benefits to those further up the income scale. How the system functions and is financed should not hinder maintenance of aggregate employment or new job creation.

1.3.2 Methodology

Having identified its guiding policy principles, the Group identified the approach it would adopt to analysis of the current system of supports and how they might be improved. There were seven key elements to this:

1. Careful articulation of the present system of income and non-income supports for people with a disability in Ireland to allow comparison with those in other OECD countries.
2. Estimation of the numbers of people currently availing of the main disability income support schemes in Ireland and the profiles of these individuals.
3. Review of what is available in OECD countries to support individuals with a disability in relation to their participation in the workforce.
4. Review of the latest international literature in relation to the response of people with a disability to employment incentives and the factors that mediate these responses.
5. Review of the employment experiences and attitudes of people with a disability who are currently on the largest disability income support scheme (Disability Allowance)

6. Collection and analysis of the views of the key stakeholders involved in the disability sector in relation to the employment of people with disabilities.
7. Detailed analysis of the financial experiences of representative categories of individuals within the disability sector, based on the details set out under (1.) above and the numbers identified under (2.).

Chapters 2-5 summarise the analysis and the findings in relation to each area of analysis. Chapter 6 then draws these together to inform the direction and recommendations proposed by the Group.

1.4. Layout of the Report

Chapter 2 of the Report sets out in detail the main income supports provided by the Department of Social Protection in January 2016, together with statistics on the number of individuals on the main income support schemes available to people with disabilities in the same month. It also provides summary details on the non-income supports which are provided by other government departments and agencies. Chapter 3 summarises the main supports currently provided for individuals with disabilities across a range of OECD countries, and notes differences and similarities between them and those currently available in Ireland. It also reviews the international research in relation to how people with disabilities respond to financial incentives to take up employment, and the non-financial factors that influence those decisions.

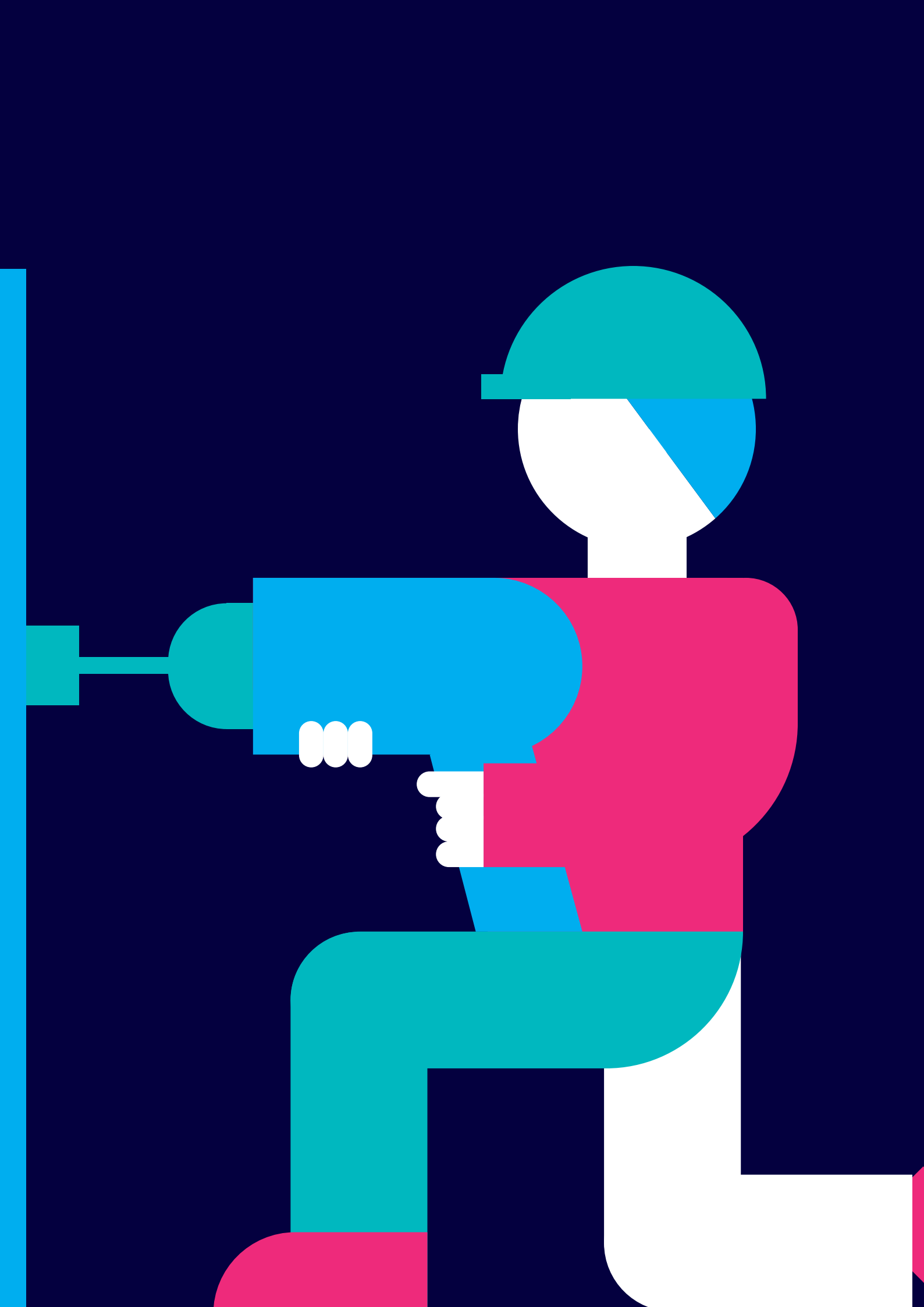
Chapter 4 reviews research evidence on people with disabilities and employment in Ireland over the past decade, and then summarises the findings of a large survey by the Department of Social Protection of people receiving the Disability Allowance in Ireland in 2015, in relation to their employment experiences and aspirations. This chapter also summarises the findings of the Group's consultation process with stakeholders, in relation to the financial barriers for people with disabilities who are considering taking up or returning to work. Finally, it identifies the key themes emerging from the research evidence, the survey and the consultation process.

Chapter 5 presents the results of a detailed analysis of financial incentives to work for significant groups of the disability population currently in receipt of income supports and key non-income supports, such as the Medical Card. The case studies of payment types and family types together represent over 80% of all disability payment recipients. The final section draws out the policy implications for the analysis.

Chapter 6 presents the key findings of the Report and the recommendations of the Group.

Finally, the Appendix section contains the Terms of Reference (Appendix 1) and membership of the Group (Appendix 2), Summary of Schemes / Rates of Payments (Appendix 3), Details of the Make Work Pay Consultation (Appendix 4), Summary by Anthony McCashin of the Working Paper of Eric Doyle “An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes” (Appendix 5), The Department of Social Protection paper: Ready Reckoner for People with Disabilities (Appendix 6), and the Bibliography.

Two associated papers are published separately: “An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes” Irish Government Economic and Evaluation Service (IGEES), January 2017, Eric Doyle, Statistics and Business Intelligence Unit, Department of Social Protection, and “Making Work Pay for People with Disabilities - A Review of the International Evidence”, January 2017, Eithne Fitzgerald, Make Work Pay Group member, Chair of the Group’s Research Sub-group.



2

Chapter Two

People with Disabilities: Income and Related Support and Recipients' Profile

- Describes the main income supports for people with disabilities and profiles the recipients
- **It outlines:**
 - Health supports including the Medical Card;
 - Supports for people with disabilities to participate in the workforce;
 - Other supports including transport, carers and home modifications

2.1 Introduction

A range of income supports, secondary benefits, tax credits and concessions, grant schemes, and direct services support people with disabilities and their carers. These schemes are operated by various Government Departments and agencies, including the Department of Social Protection, the Health Service Executive (HSE), The Revenue Commissioners and local authorities.

Specific income supports from the Department of Social Protection for people with disabilities include: Disability Allowance, Illness Benefit, Invalidity Pension, Partial Capacity Benefit, Blind Pension, and benefits under the Occupational Injuries Benefit Scheme. Usually, social welfare benefit and assistance payments consist of a personal payment for the person with a disability, and extra amounts may apply for an adult dependant and/or dependent children. Appendix 3 details the main provisions and rates. As this Report was finalised in December 2016, the rates cited throughout are the rates in place at that time.

The data below¹⁷ give the number (rounded) and profile of recipients of the main social welfare disability schemes as of January 2016¹⁸. The data come from a more detailed analysis in the Department of Social Protection/Irish Government Economic and Evaluation Service paper 'An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes' prepared as input for the Group's work. The paper is available on www.welfare.ie.

17 The disability and illness schemes' expenditure estimates quoted are sourced from Part IV Estimates for Public Services 2016 (see:<http://www.budget.gov.ie/Budgets/2016/Documents/Part%20IV%20Estimates%20for%20Public%20Services%202016.pdf>)

18 See Box 1.1 Chapter 1 for Budget 2017 changes to Illness and Disability rates.

2.1 Recipients of social welfare illness and disability schemes, January 2016

Scheme	Recipient population	% of recipient population	Estimated spend 2016 €000	% overall spend
Disability Allowance	125,000	47.8%	1,300,000	49.1%
Illness Benefit	75,000	28.6%	597,000	22.5%
Invalidity Pension	57,000	21.8%	638,000	24.1%
Partial Capacity Benefit	1,600	0.6%	11,000	0.4%
Blind Pension	1,300	0.5%	14,000	0.5%
Occupational Injuries Benefits	1,800	0.7%	90,000	3.4%
All disability/illness schemes	261,700	100%	2,650,000	100%

2.2 The Main Income Supports for People with Disabilities

The supports from the Department of Social Protection are in the main delivered through the Intreo Service, which is a single point of contact for all employment and income supports. Designed to provide a more streamlined approach, the Intreo Service offers practical, tailored employment services and supports for jobseekers and employers. The nationwide EmployAbility Service provides an employment support service for people with disabilities, and a recruitment advice service for the business community.

2.2.1 Disability Allowance (DA)

Disability Allowance (DA): Is the largest of the income support schemes for people with disabilities, accounting for c.48% of all recipients. It is a long-term weekly social assistance payment for people aged 16-65, with eligibility based on a means test and not connected to any social insurance contributions. The person must have an injury, disease or physical or mental disability that has continued, or may be expected to continue, for at least one year, and, as a result of this disability, be substantially restricted in undertaking work that would otherwise be suitable for a person of his/her age, experience and qualifications.

Rates: The maximum weekly personal rate is €188.00, with rates of €124.80 per qualified adult and €29.80 per qualified child dependant. Disability Allowance carries an entitlement to secondary benefits including a Free Travel Pass, winter Fuel Allowance and Household Benefits Package.

Work and Disability Allowance: People in receipt of Disability Allowance can work while in receipt of the allowance and certain earnings disregards¹⁹ apply; specifically, the first €120.00 of weekly earnings and 50% of earnings between €120 and €350 from employment or self-employment of a rehabilitative nature are disregarded in the means test. Earnings in excess of this amount are assessed as income, and entitlement to Disability Allowance is reduced accordingly. Secondary benefits are not affected by a recipient taking up rehabilitative work, as long as partial Disability Allowance payment is retained. See Appendix 3.

Recipient numbers and trend: There were approximately 125,000 recipients of Disability Allowance in January 2016. Projected expenditure in 2016 is estimated at almost €1.3 billion. The numbers on the scheme have increased by almost 50% over the last ten years. This is in part explained by demographic changes; while the corresponding increase in the population aged 16-64 was in the region of 6%, there was a significant increase (23%) in the older working age population (i.e. those aged 45-64). In comparison the population aged 15-44 years decreased slightly in the same period (-1%). This age profile is reflected in the age profile of DA recipients. See Tables 2.2 and 2.3.

Duration: The majority of recipients are long term, with just over one third of recipients on the payment for less than five years.

19 A share of earnings from work are excluded when calculating eligibility for Disability Allowance.

2.2 Duration in years – Disability Allowance, January 2016

Duration in years	%
0-5	37%
5-10	25%
10-15	19%
Over 15	19%
All Durations	100%

Gender and Age Profile: Some 60% of recipients were male, and over half were aged 45 or over.

2.3 Age Profile, January 2016

Age group	%
16-25	12%
25-34	15%
35-44	18%
45-54	25%
Over 55-66	30%
All age groups	100%

Family status: Some 75% of recipients were single, and 80% of recipients were not claiming for dependants; the remaining 20% were claiming adult and/or child dependant allowances.

Employment and Earnings: Some 15% of the 2016 Disability Allowance population had experienced a spell of employment between 2010 and 2015, and 9% had been employed while in receipt of a Disability Allowance payment. The average annual earnings for those who were in employment during that period were approximately €10,000. Of those who were also in receipt of Disability Allowance, the average earnings was about €6,400 or approximately €120 a week. This corresponds closely to the level of the earnings disregard for permitted rehabilitative employment, i.e. €120 per week.

2.2.2 Illness Benefit (IB)

Illness Benefit (IB): Is paid to c. 29% of Illness and Disability recipients, and is a short term payment to people under 66, who are unable to work because of illness. Illness Benefit is not means tested and eligibility is based on social insurance contributions (PRSI). It is a taxable source of income and is exempt from PRSI and Universal Social Charge (USC).

Rates: Illness Benefit is paid for a maximum of 2 years²⁰, at a maximum rate of €188 per week, graduated according to earnings in the relevant tax year.

2.4 Illness Benefit – Weekly payment for claims commenced in 2009 or after

Average Weekly Earnings	Rate	Qualified Adult
	€	€
€300 or more	188.00	124.80
€220-€299.99	147.30	80.90
€150-€219.99	121.40	80.90
Less than €150	84.50	80.90

Qualified Child rates are €29.80 (full rate) and €14.90 (half rate)²¹

Work and Illness Benefit: People who are in receipt of Illness Benefit for at least 6 months can work while in receipt of benefit by applying for Partial Capacity Benefit (PCB). On approval, they can take up, or return to, work, while retaining a portion of their Illness Benefit - see 2.2.4.

Recipient numbers and trend: Illness Benefit recipient numbers fluctuate due to the short term nature of the payment. As of January 2016 approximately 55,500 people were in receipt of Illness Benefit. Expenditure of €596 million for 2015 showed a decline of €943 million (over 36%) on 2010 expenditure, explained in part by changes

²⁰ A two-year maximum limit on duration on IB was introduced in 2009 for new entrants only. Prior to this, individuals could remain on IB indefinitely as long as they met the medical and social insurance conditionality.

²¹ Half-rate increase per qualified child may apply where a spouse/partner has an income of between €310 and €400 per week; this does not apply to Disability Allowance. If the person with a disability and their spouse/partner are both in receipt of a social welfare payment they may each get a half-rate for each child.

in conditionality and introduction of a limit of two years to duration of new IB claims.

Duration and Incapacity profile: This scheme caters for people with short-term episodes of illness, as well as those whose condition may be of longer duration. People whose condition is long-term may qualify to switch to Invalidity Pension (which is at a higher rate and has better secondary benefits) after a year. About one third of current recipients entered the scheme prior to the introduction of a two-year time limit for new entrants, while about two thirds entered since that restriction.

Gender and Age Profile: In contrast to the profile of Disability Allowance recipients, 65% of recipients were female, with this gender balance consistent across all age groups.

The age distribution, when compared to Disability Allowance, was more strongly tilted towards older age groups.

2.5 Illness Benefit – Age Profile of Recipients, January 2016

Age group	%
Under 25	1%
25-34	13%
35-44	22%
45-54	27%
55-66	37%
All age groups	100%

Family status: Again in contrast to the Disability Allowance population, some 70% of recipients of Illness Benefit were married/in a civil partnership or cohabiting, with the remainder single. The majority, about 80%, were not claiming for dependants, with c. 10% claiming for an adult dependant, and about 15% claiming for child dependants.

2.2.3 Invalidity Pension (IP)

Invalidity Pension (IP): Accounts for c.22% of illness and disability recipients. It is a weekly payment to people who cannot work because of a long-term illness or disability, and who are covered by social insurance contributions. It is not means tested. To qualify a person must have been incapable of work for at least 12 months, and be likely to be incapable of work for at least another 12 months, or be permanently incapable of work.

Rate: The maximum weekly rate is €193.50, with additional rates for qualified adult/child. The maximum personal rate and the qualified adult rate are higher than corresponding rates for Disability Allowance and Illness Benefit. This benefit is taxable, and carries entitlement to a Free Travel Pass.

2.6 Weekly Rate of Invalidity Pension, 2016

Invalidity Pension	Weekly Rate
	€
Aged under 66	193.50
Qualified Adult	138.10
Qualified Child	29.80 (full rate) 14.90 (half rate)

Work and Invalidity Pension: like Illness Benefit, persons in receipt of Invalidity Pension for can work and continue to receive a payment by applying for Partial Capacity Benefit (PCB). There is no requirement that the work be for rehabilitative or therapeutic purposes, or to be on Invalidity Pension for a period prior to applying for PCB. On approval, the person can take up, or return to, work, and retain a portion of their Invalidity Pension. See 2.1.4.

Recipient numbers and trend: As of January 2016 there were approximately 57,000 recipients of Invalidity Pension. Recipient numbers have steadily increased from 48,800 in 2011 to the current level. Total expenditure in 2015 was approximately €649 million, to over 55,000 recipients. This figure has grown (with some annual fluctuations) from €548 million in 2005 to €708 million in 2013, before dropping back to the current level of expenditure.

Duration: Recipients of Invalidity Pension are generally long term, with an average duration of 8 years.

2.7 Duration – Invalidity Pension, January 2016

Duration in years	%
0-5	45%
5-10	22%
10-15	23%
Over 20	10%
All durations	100%

Note: Duration estimates related to population on the IP register in January 2016

Gender and age profile: Like Illness Benefit, over half of recipients are female. Those aged 55 years or older constitute about two thirds of all recipients.

2.8 Age Profile – IP recipients, January 2016

Age	%
Under 35	1.3%
35-44	8.9%
45-54	23.4%
55-66	66.4%

Family status: About 70% of recipients are single. Some 75% are not claiming for dependants, with about 12% claiming for child dependants only, 10% for an adult dependant only, and about 3% for an adult and at least one child dependant. This profile is more similar to the population on Disability Allowance than on Illness Benefit.

2.2.4 Partial Capacity Benefit (PCB)

Partial Capacity Benefit (PCB): This scheme was introduced in 2012, and replaces previous earnings disregards for people on Illness Benefit or Invalidity Pension. It accounts for 0.6% of all Illness and Disability recipients, and allows people who had been in receipt of Illness Benefit (for a minimum of 6 months) or Invalidity Pension to return to work or self-employment, and continue to receive a payment from the Department of Social Protection.

Participation on the PCB scheme is voluntary and the person may return to Illness Benefit or Invalidity Pension if, for example, their employment ceases or if they find that they cannot continue to work. The person can also keep Free Travel and/or the Household Benefits Package, but these are means tested after the first 2 years.

Rates: Partial Capacity Benefit may apply if capacity for work is reduced by the person's medical condition, where the restriction on capacity for work is assessed as moderate (50% benefit retained), severe (75% retained), or profound (100% retained). Payments for qualified adults and children continue to be paid at the same rate as applied when the person was on Illness Benefit or Invalidity Pension.

2.9 Maximum rates of Partial Capacity Benefit 2016

Medical Assessment	% of personal rate	Where Illness Benefit was paid at €188	Where Invalidity Pension was paid at €193.50
Moderate	50	€94	€96.75
Severe	75	€141	€145.13
Profound	100	€188	€193.50

Recipient numbers and trend: the number of recipients has increased steadily since inception of the scheme, from about 700 in 2012 to about 1,600 at the end of 2015.

Duration and incapacity profile: The scheme is in place for only 4 years and accordingly this is the longest duration on the scheme. There are no major differences in duration between those with different levels of incapacity, and the pattern of incapacity is fairly consistent across the different age groups.

2.10 Duration – Partial Capacity Benefit, January 2016

Duration in years	%
Under 1	33%
1 to 2	22%
2 to 3	25%
3 to 4	20%
All durations	100%

2.11 Incapacity Profile – Partial Capacity Benefit, January 2016

Degree of incapacity/Proportion of previous payment (IB/IP) retained	% of claimants
Moderate – 50%	53%
Severe – 75%	7%
Profound- 100%	40%
Total	100%

Gender and age profile: Recipients are almost two thirds female (63%), with this proportion replicated across all age groups. This is similar to the profile of Illness Benefit and Invalidity Pension recipients, the schemes from which recipients of PCB come. Those aged 45 or older account for 68% of recipients, with those aged 35 or under accounting for less than 7%, and a quarter (25%) of recipients aged 35-44.

Family status: Similar to the Illness Benefit population, over two thirds of recipients are married, in a civil partnership or cohabiting. The majority (about 80%) are not claiming for dependants, with 5% claiming for an adult dependant only, and the remainder claiming for adult and child dependants.

2.2.5 Blind Pension

Blind Pension/Blind Welfare Allowance: The Blind Pension is a long-term payment, for people who are blind or have low vision. An eye test from an ophthalmic surgeon is required to verify the visual impairment. This is a means tested, taxable source of income. It carries entitlement to a Free Travel Pass/Companion Pass, Household Benefits Package and Fuel Allowance. There are approximately 1,300 recipients, accounting for c. 0.5% of all Illness and Disability Recipients.

Rate: The maximum weekly personal rate is €188, with increases for qualified adult and child dependants.

Work and Blind Pension: Certain earnings disregards apply for work, both rehabilitative and non-rehabilitative. Disregards for rehabilitative work are similar to Disability Allowance²². For work that is not rehabilitative, disregards apply against annual earnings of: €400, plus €265 for a qualified adult, and €133 of per qualified child.

The Blind Welfare Allowance is an additional means tested payment from the HSE for people in receipt of a social welfare Blind Pension. See Appendix 3.

In addition there is an annual **Blind Tax Credit** of €1,650, and a Guide Dog Tax Credit of €825 a year.

2.2.6 Occupational Injuries Benefit Scheme

The Occupational Injuries Benefit Scheme is for people injured or incapacitated by an accident at work or while travelling directly to or from work, or who have contracted a disease as a result of the type of work they do. It accounts for 0.7% of illness and disability recipients; the benefits available are:

- **Injury Benefit** for employees who are unfit for work due to a work-related accident or disease. It is a short term payment for up to 26 weeks. The maximum personal rate is €188 per week, with increases for qualified adult and child dependants.
- **Disablement Benefit** is paid where there is a loss of physical or mental faculty after a work-related accident, or a prescribed disease contracted at work. The person does not have to be unfit for work. The maximum personal rate is €219 per week. A lump sum may be payable up to a maximum of €15,320.

²² The first €120 earned, and 50% of earnings between €120 and €350, is not assessed in the means test.

- **Incapacity Supplement** is an increase to disablement pension paid where a person is permanently incapable of work as a result of an occupational accident/disease and does not qualify for another social welfare benefit such as illness benefit, invalidity pension or Disability Allowance. The maximum personal rate is €188 per week (under 66) and €204.30 (over 66), with increases for qualified adult and child dependants.
- **Constant Attendance Allowance** is paid where a person is seriously disabled due to a work-related accident or disease and needs help daily at home for a period of at least 6 months to attend to personal needs. The weekly rate is €205.

2.2.7 General Income Support Schemes (which may apply to people with disabilities)

Supplementary Welfare Allowance (SWA): This is a weekly means tested allowance from the Department of Social Protection, giving financial support to people who are deemed not have enough income to meet their needs and those of their families. Where weekly income is below the Supplementary Welfare Allowance rate for the family size, a payment may be made to bring income up to the appropriate Supplementary Welfare Allowance rate. Where a person is unable to work due to illness, but does not qualify for any other payment, he/she may receive Supplementary Welfare Allowance. The maximum personal rate is €188 a week, which is not taxable. People with an illness or disability who do not qualify under one of the other illness/disability schemes may receive weekly Supplementary Welfare Allowance instead.

The scheme also provides for possible supplements to SWA or another welfare payment. A Rent Supplement may be paid to a person on a weekly social welfare payment who is in private rented accommodation. Exceptional Needs Payments may be made to assist with someone with unusually high heating expenses or dietary requirements due to ill-health or disability.

Family Income Supplement (FIS): This weekly tax-free payment gives extra financial support to people on low pay, and is available to employees with dependant children; it is not available to the self-employed.

The average weekly family income must be below a certain amount for the family size, and the payment is 60% of the difference between the average weekly family income and the income limit which applies to the family. See Appendix 3.

Income from FIS is not taken into account in the means assessment for a Medical Card, and receipt of FIS may qualify the recipient for the Back to School Clothing and Footwear Allowance.

FIS can be claimed with Disability Allowance, but not with Partial Capacity Benefit.

Rehabilitation Training Allowance: This scheme provides for payment by the HSE of an allowance of €31.80 a week for people with disabilities attending a Rehabilitation Training programme; this is normally paid in addition to a Disability Allowance payment.

Rehabilitative training is a programme provided by HSE-funded disability services, mainly for school-leavers, which focuses on the development of an individual's life skills, social skills and basic work skills with the objective of enhancing the trainee's quality of life and general work capacity.

2.3 Health Supports

2.3.1 The Medical Card/GP Visit Card

The Medical Card is administered by the Health Service Executive (HSE²³). It provides for health services including free GP visits, free prescribed drugs and medicines (prescription charges apply), aids, appliances and assistive technology, as well as counselling in the primary care service, public health nursing, social work services, and community care services (including physiotherapy, occupation therapy, speech therapy). The scheme also covers in-patient public hospital services, out-patient services and medical appliances, certain dental, optical and aural services as well as maternity/infant care services. The GP Visit Card allows attendance at a participating family doctor for free.

The dependent spouse/partner/children are usually covered for the same range of health services as the holder of a Medical Card/GP visit card. Medical Card eligibility is generally based on an assessment of means²⁴, and provisions apply for award of discretionary Medical Cards if a person's circumstances would result in hardship without one²⁵.

Additional benefits may also be associated with a Medical Card, including a reduced rate of Universal Social Charge (USC) and PRSI, and education related schemes including school transport, book and exam related assistance.

²³ <https://www.hse.ie/eng/services/list/1/schemes>

²⁴ <https://www.hse.ie/eng/services/list/1/schemes/mc/about/Amieligible/> and see Appendix 3 at A3.3

²⁵ See Appendix 3 at A3.3

2.3.2 Medical Card retention on taking up work

People who have been in receipt of certain benefits or allowances (including Illness Benefit, Invalidity Pension, Disability Allowance, and Blind Pension) for a continuous period of 12 months or more are entitled to retain their Medical Card (without means test) for 3 years on taking up full-time employment from the date on which the employment commenced. Where such a person takes up part-time employment, she/he will retain their Medical Card for a period of three years from the date her/his income exceeds the relevant means test threshold.

Adult and child dependants of a person covered by the retention will also be granted a Medical Card. At the end of the 3 year period, the card-holder is assessed under the normal rules of the Medical Card scheme. Where the person's income is above the relevant limit they will be considered for a discretionary Medical Card.

2.3.3 Health Related Schemes that may apply to people with disabilities

Long Term Illness Scheme: This scheme allows people suffering from prescribed conditions or disabilities²⁶ to get free drugs, medicines and medical and surgical appliances for the treatment of that condition (which could also include assistive technology such as a wheelchair).

Drugs Payment Scheme: Under the Drugs Payment Scheme, an individual or family in Ireland only has to pay a set maximum amount (currently €144) each month for approved prescribed drugs, medicines and certain appliances for use by that person or his/her family in that month.

Value Added Tax (VAT) refunds on aids and appliances: VAT of up to 23% paid on certain aids and appliances for use by disabled persons may be reclaimed via the Revenue Commissioners; however VAT may not be reclaimed on services for people with disabilities, such as rented aids and appliances.

Tax relief on medical expenses: People may claim unreimbursed medical expenses for tax purposes, and relief is applied at the 20% rate of tax. The definition of medical expenses includes certain assistive technology, such as wheelchairs, hearing aids, and computer equipment where the person has communication impairment. People with special diets because of a disability may also be able to make a claim under this heading.

²⁶ The medical conditions that qualify under the Long Term Illness Scheme are: Intellectual disability, Mental illness (for people under 16 only), Diabetes insipidus, Diabetes mellitus, Haemophilia, Cerebral palsy, Phenylketonuria, Epilepsy, Cystic fibrosis, Multiple sclerosis, Spina bifida, Muscular dystrophies, Hydrocephalus, Parkinsonism, Acute leukaemia, Conditions arising from use of Thalidomide.

2.4 Supports for People with Disabilities to participate in the workforce

The Department of Social Protection operates a number of specific schemes to promote employment of people with disabilities. Some of these schemes directly assist people with disabilities, while others support their employers.

The EmployAbility Service: This is a nationwide employment and recruitment service to assist people with disabilities to secure and maintain a job in the open labour market. A range of supports, including career planning, job sourcing and job matching, on-the-job support and coaching, and follow-up support are provided to employers and people with disabilities through job coaches. Expenditure in 2016 on this scheme was approximately €9.6 million.

The Wage Subsidy Scheme: This scheme provides financial incentives to employers to employ disabled people who work more than 20 hours per week. Subsidies may be paid to the employer to compensate for perceived productivity shortfall, additional supervisory, management and other work based costs. Expenditure on the scheme in 2016 was forecast at €21.5 million.

Reasonable Accommodation Fund: This comprises the Workplace Equipment and Adaptation Grant, the Personal Reader Grant, the Job Interview Interpreter Grant and the Employee Retention Grant. Expenditure in 2015 was c. €75,000.

Workplace Equipment and Adaptation Grant: A maximum grant of €6,350 is available towards the cost of adaptations to premises or equipment, to upgrade adapted equipment funded previously, or training in the use of the grant-aided equipment. Expenditure in 2015 was €58,000.

Job Interview Interpreter Grant: This scheme is for jobseekers who have hearing or speech impairments and who are attending job interviews with private sector employers. Funding is available to have a sign language interpreter or other interpreter attend the interviews, and to help during the induction period when the person starts work with a private sector employer. Expenditure in 2015 was €4,000.

Employee Retention Grant Scheme: This scheme assists employers to retain employees who acquire an illness, condition or impairment which impacts on their ability to carry out their job. It provides funding to identify accommodation and/or training to enable the employee to remain in his/her current position or re-train the employee so that he/she can take up another position within the company. The scheme was not taken up in 2015.

Disability Awareness Training Support Scheme: This scheme provides funding so that private sector employers can provide Disability Awareness Training for staff who work with a colleague who has a disability to provide understanding and awareness of the issues surrounding disability. Expenditure in 2015 was in the region of €13,000.

2.5 Other supports which may apply to people with disabilities

2.5.1 Transport Supports:²⁷

Transport Supports which may apply to people with disabilities include:

The Free Travel Pass: People with disabilities aged under 66 who are in receipt of Disability Allowance, Blind Pension, Carer's Allowance and Invalidity Pension may qualify for the Free Travel Pass/Companion Pass. This allows free travel (with some exceptions) on all State public transport (bus, rail and Dublin's LUAS service), as well as on a limited number of services operated by private bus transport companies.

Mobility Allowance Scheme and Motorised Transport Grant: These schemes, which provided for cash payments to people with certain types of disabilities to support them with the costs of their transport and mobility needs, were closed to new entrants in 2013. The Group has engaged with the Department of Health with regard to plans for a new transport support scheme.

Disabled Drivers and Passengers Reliefs – VAT, VRT, Motor Tax and Fuel Grant:

This scheme provides for reliefs from VAT, VRT and motor tax and for a fuel grant, applies to certain drivers or passengers with a permanent and severe level of mobility disability. The Scheme is administered by the Revenue Commissioners (www.revenue.ie).

Toll Charges: Specially adapted vehicles driven by disabled persons are exempt from road tolls.

²⁷ The Comprehensive Employment Strategy for People with Disabilities contains an intent to 'Continue to develop accessible transport' within 'Strategic Priority 2: Provide bridges and supports into work', and work is ongoing in that area. The Make Work Pay Group have reviewed the main transport related schemes which support people with disabilities, and recommendations which would support people with disabilities who are interested in work are made in Chapter 6.

2.5.2 Supports for Carers

The Department of Social Protection may pay a Carer's Benefit or a Carer's Allowance to someone caring for a person who has an illness or disability.²⁸ In the case of a person under 16, a Domiciliary Care Allowance may be payable, at a rate of €309.50 per month. In addition there is an annual Carer's Support Grant of €1,700.

Certain tax reliefs may be available for those caring for someone with a disability including Home care tax relief for the cost of employing a carer (the cost of a carer may be claimed in full, up to a maximum of €75,000 a year); incapacitated child credit of €3,300, where the child (of any age) has had their condition diagnosed before adulthood; and the dependent relative's tax credit of €70 a year.

2.5.3 Home modifications

The Housing Adaptation Grant for People with a Disability and the Mobility Aids Grant Scheme are administered by local authorities. These provide financial help for alterations or minor works to the home to make accommodation suitable for a person with a disability. Applications are prioritised based on medical need, and means testing applies. Grant amounts are subject to the funding of the relevant local authority.

VAT refunds on building work: VAT refunds may be available on works carried out on homes to adapt them to make them more accessible for disabled persons.

2.6 Summary

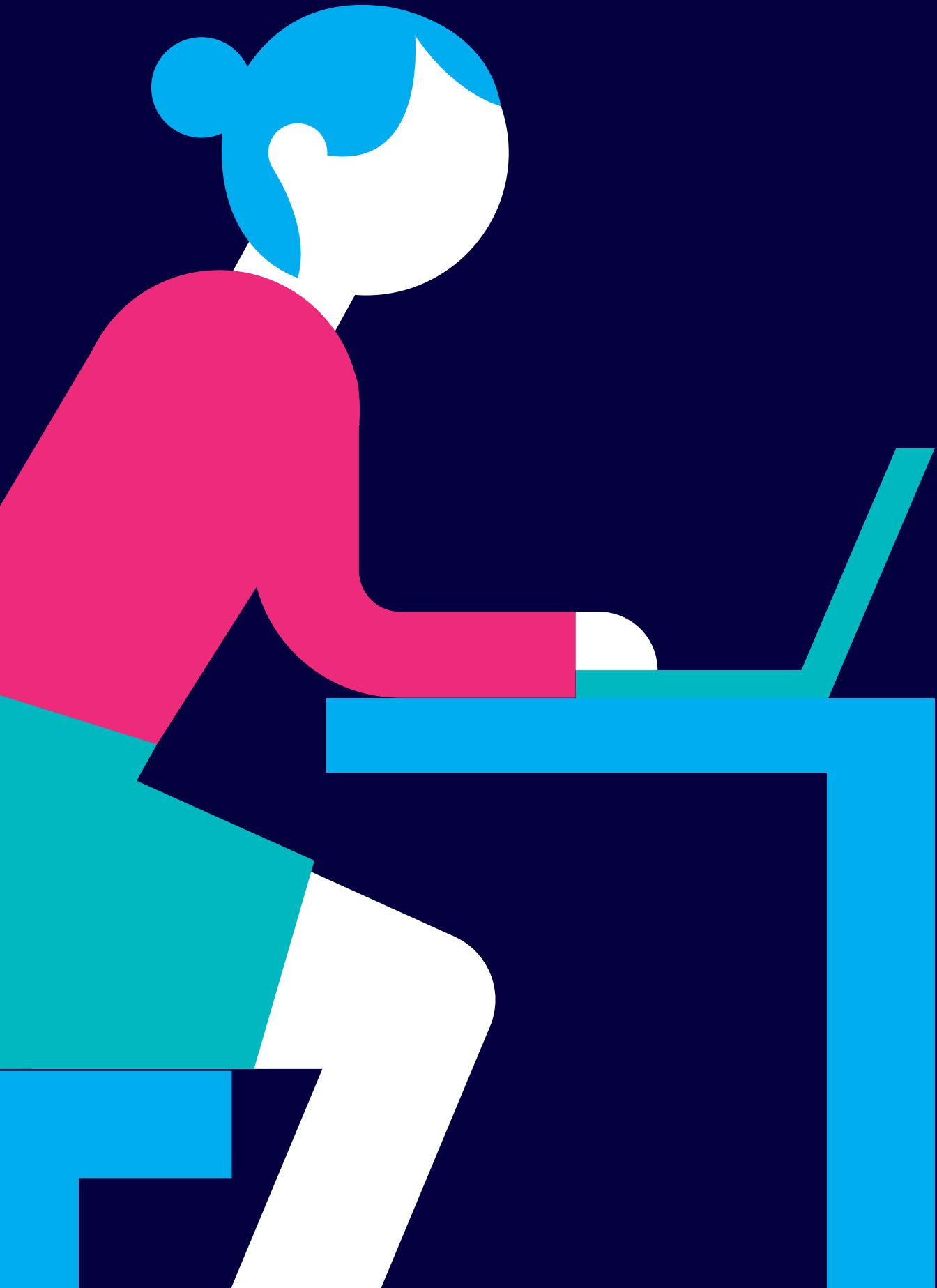
This chapter has outlined the main income supports for people with disabilities, and profiled the recipients of those supports. There is a range of other supports available to people with disabilities, some of which are related to work and some are not.

While there are six main income support schemes, three account for over 97% of all illness and disability claimant recipients. Just under half of all such recipients are on the means tested Disability Allowance scheme, and once they enter this scheme, most stay on it indefinitely. About a quarter of such recipients are on the other long-term scheme, Invalidity Pension, which is based on the person's social insurance record. About 30% are on Illness Benefit, a social insurance scheme, which functions both as short-term sick pay cover, as well as catering for people whose conditions are of longer duration.

²⁸ See rates in Appendix 3 at A3.2

Irrespective of marital status, about 75-80% of recipients across each of the schemes do not claim for any dependants. Across all the schemes, about 15% claim for child dependants. Those on Disability Allowance and Invalidity Pension are predominantly single, while around two thirds of those on Illness Benefit or Partial Capacity Benefit are married or have a partner.

The composition of those in receipt of the key schemes provided the basis for the selection of representative case studies and informed the analysis contained in Chapter 5.



3

Chapter Three

Review of International Evidence on People with Disabilities and the Workplace

- Reviews the international research in this area and assesses the impact of work-related incentives for people with disabilities
- **Identifies key findings:**
 - There is no stand-out approach internationally to making work pay for people with disabilities
 - Withdrawal of health entitlements on getting work is unusual
 - Tackling financial disincentives is necessary but not sufficient
 - Early intervention is critical to prevent long-term joblessness for people with disabilities

3.1 Overview and Context

Measures designed to make work pay are for many countries an element of their overall disability employment strategies. The World Report on Disability (WHO, 2011)²⁹ underlined the importance of making sure it pays to work. The EU Disability Strategy 2010-2020 under its actions on Employment emphasised particular attention to young people with disabilities in their transition from education to employment. It also pledged to support national efforts to address disability benefit traps that discourage people with disabilities from entering the labour market.

The Organisation for Economic Cooperation and Development (OECD) acknowledges the importance of improving financial incentives to work as a component of a more comprehensive employment strategy.³⁰ It also argues that improvement of such work incentives should not be seen in isolation but rather as one component of a comprehensive strategy to help the transition from welfare to work.³¹

The OECD has commented on the importance of balancing the pursuit of incentives to work with providing adequate social protection.³² It notes that while the primary purpose of disability payments is to prevent poverty risks for people with disabilities, governments should avoid creating poverty traps.³³ Governments have increasingly introduced in-work benefits, in order to address disincentives without harming the degree of social protection. Such measures have included introduction of tax credits for people with disabilities in employment, disability pensions payable to people with

29 OECD (2011) World Health Organisation & World Bank. *World Report on disability*. Geneva, Switzerland: World Health organisation.

30 OECD (2015) *Employment Outlook*, Ch. 3. This refers to the balancing of anti-poverty objectives with incentives to work as the 'income adequacy/work incentives dilemma'

31 OECD *Employment Outlook 2005*, Chapter 3

32 OECD (1994) *Jobs Strategy*. Paris: OECD

33 *Sickness Disability and Work*, vol 3– report for Denmark, Finland, Ireland, and Netherlands (2008) p. 160

partial incapacity to work, and increases in the amount of earnings allowed while maintaining entitlement to disability payments.

In analysing countries' benefit provisions, the OECD defines two separate dimensions: compensation and integration.³⁴ Compensation refers to the generosity of the benefit system, and integration refers to the system's focus on pathways to work. Indicators for each are scored on a scale from 0 to 5, with a maximum score for a country of 50.³⁵ Table 3.1 shows how Ireland compares with the OECD average.

3.1 Ireland and the OECD: Measures of Compensation and Integration 2007

	Compensation	Integration
OECD average	25.8	24.9
Ireland	26	17

Source: OECD Sickness Disability and Work - Breaking the Barriers, pp.99-102

This shows that Ireland's score in 2007 on compensation, or generosity of the benefit system was at the OECD average, while in terms of the focus on integration or employment, Ireland was significantly below the OECD average. The gap between the compensation and integration scores was the fourth widest of 28 OECD countries, marking the relatively weak focus on employment in the Irish system.³⁶

These findings point to Ireland's need to improve its performance on the 'integration' metric. In that context, this Chapter reviews some of the key measures in place in other advanced economies to 'make work pay' for people with disabilities (Section 3.2). It examines the evidence from the international literature on what impact improvements in incentives to work have on employment of people with disabilities (Sections 3.3 and 3.4), and presents some conclusions (Section 3.5). An associated paper, 'Making Work Pay for People with Disabilities - A Review of the International

³⁴ Breaking the Barriers, pp. 77-102. Compensation is measured by factors such as the benefit level; benefit duration; degree of incapacity required for full benefit; and monitoring of sickness or disability. Integration is captured by factors like the timing of rehabilitation interventions (early or late); benefit sanctions; the scale of work incentives (e.g., options to combine work and benefit receipt); the scale of supported employment programmes; and the quality and coverage of anti-discrimination legislation.

³⁵ The full list of components and the scores for all countries on the two dimensions are given in the annexes to this chapter.

³⁶ From 2000 to 2007, Ireland's integration score rose from 13 to 17, and with the introduction of measures like Partial Capacity Benefit, and the opening of the Intreo service to people with disabilities, is likely to have improved again somewhat in the period from 2007 to 2016 with respect to people with disabilities.

Evidence', January 2017, Eithne Fitzgerald (Make Work Pay Group member and Chair of the Group's Research Sub-group), is published separately on www.welfare.ie.

3.2 Measures in other jurisdictions to 'make work pay'

This section summarises measures in place in other countries that are broadly at a comparable stage of economic development to Ireland, to help ensure that work pays for people with disabilities.³⁷ These measures are listed under three headings: monetary supports, non-monetary supports, and right to return to benefits if employment does not work out.

3.2.1 Monetary Supports

- **Partial disability benefits for people assessed as having a partial capacity to work**

Enabling people on disability welfare payments to combine benefit receipt and earnings is the most common form of financial incentive to work; for example, many countries offer partial disability pensions to those with partial capacity to work, and Ireland's Partial Capacity Benefit scheme falls into this category.³⁸ Many European countries assess the extent of reduced capacity to work in terms of the ratio between post-disability onset earnings potential, and some measure of typical earnings prior to onset of disability.

- **Earnings disregards**

Virtually all OECD countries reviewed disregard at least a minimum level of earnings while still enabling people qualify for disability payments. Many countries, however, only disregard such earnings for those on partial disability pensions, and they limit access to a full-rate disability pension to those without any earnings at all. In some countries the amount of earnings disregarded is expressed in terms of a proportion of average earnings, or a proportion of the individual's prior earnings; these are not readily comparable in cash terms across different countries. For those countries which express their earnings

³⁷ More detail on individual measures is given in the accompanying technical paper on international developments which is published on the Department of Social Protection's website along with this Report.

³⁸ This section references schemes in Ireland that are similar to those found in other jurisdictions – further details of such provisions in Ireland are set out in Chapter 2.

disregard as a cash amount, the value ranges from about €72 a week in Norway to about €175 in Finland and Iceland.³⁹ Ireland's Disability Allowance disregards the first €120 a week of income with a tapered rate thereafter.

- **Tax credits on earned income for people with disabilities**

Some countries (e.g. Canada, US, UK) offer earned income tax credits to low-income individuals or families generally. The UK and Canada both offer higher earned income tax credits to people with a disability.⁴⁰ In the UK the Disability Supplement to the Working Tax Credit may be worth €5,700 a year, depending on the severity of impairment. In Canada the supplementary credit is worth about €300 extra a year.

- **Transitional payments**

Some countries (including Poland and Norway) offer time-limited supports to people with a disability who take a job, to help the transition process, or offer specific benefits during a rehabilitation or retraining period. Ireland's 3-year retention of the Medical Card for long-term social welfare claimants taking up employment falls into this category.

- **Financial assistance with costs of disability**

Direct cash assistance towards the cost of disability is relatively unusual, with only New Zealand, the UK and Sweden having measures in this area. The New Zealand payment is worth up to €37 a week, while the Swedish payment is between €37 and €63 a week. The UK payment has two strands, a transport element and a care element with tiered rates which depend on the degree of impairment. The combined rates are worth from €27 - €174 a week.⁴¹ Ireland's Carer Support Grant of €1,700 a year (worth about €33 a week) is the closest equivalent. Many countries offer enhanced tax allowances to people with disabilities or certain kinds of disability, or provide for tax relief or tax refunds on purchases of disability aids or other necessary expenses occasioned by a disability. Ireland's tax refunds on assistive technologies or equipment, and the Blind Person's Tax Credit, fall into this category.

³⁹ It is easier to compare minimum thresholds of earnings disregards across jurisdictions, and more complicated when there are differences in how a taper operates above such a threshold.

⁴⁰ Tax credits, for people with taxable incomes, reduce the amount of tax paid by the amount of the credit.

⁴¹ It should be noted the combined value of the weekly UK basic disability payment and the maximum Personal Independence Payment, with the exception of payments for the terminally ill, is less than or equal to Ireland's Disability Allowance rate.

3.2.2 Non-Monetary Supports

- **Health care entitlements**

Generally speaking, in jurisdictions other than the US, there is no diminution in entitlements of people with disabilities to medical care if they are in work. In Australia, people with disabilities who return to work retain previous entitlements for a year. The UK's National Health Service is free at the point of use for all citizens. Many European countries and Canada provide health care via social health insurance, which covers both the employed population and those on disability payments.⁴² However, in the US, access to free healthcare is provided in the US through Medicare or Medicaid for those on a disability payment, and there are no equivalent entitlements for those at work, which is seen as a key disincentive to work.⁴³ In Ireland, the income limits for Medical Card entitlement mean that only those with low levels of income from employment are likely to qualify as of right for a full Medical Card. Among developed countries, therefore, Ireland and the US are unusual in the extent to which people must forfeit entitlements to free medical care on taking up work.

- **Assistive technology**

In many countries, responsibility for providing personal assistive technology is shared between the health service and municipalities. In the UK there is no means test for assistive technology provided via the NHS; however, individual councils may operate a means test. In the Netherlands, assistive technology is provided free of charge; however, there may be co-payments required in certain circumstances. Neither Denmark, Norway, Italy nor Germany appear to operate means tests for provision of assistive technology.⁴⁴ In Ireland, loss of a Medical Card on taking a job can mean loss of eligibility for disability aids free of charge, if earnings exceed a certain low threshold.

- **Transport supports**

Many countries offer assistance with transport costs for people with disabilities which can take the form of free public transport, assistance

42 While there are some user charges, these are nominal in scale. See Missoc (2014) Cost-sharing for health and long-term care benefits in kind. For example, out of pocket contributions amount to 7% of total health care financing in France and 10% in the UK, compared to 17% in Ireland. See also OECD Health at a glance 2015, Chart 9.8.

43 See e.g. Olney (2007) Caught in a social safety net: Perspectives of Social Security disability programs on employment. *Journal of Applied Rehabilitation Counseling*, Vol 38(2), 2007, 5-13

44 WRC (2012) Research on the provision of assistive technology. Dublin: NDA

with buying an adapted vehicle, a cash allowance towards the extra cost of journeys for people with disabilities, or, in Australia, subsidised taxi journeys. Ireland's schemes in this area include Free Travel and the Disabled Drivers and Passengers Scheme.

3.2.3 Right to return to benefits

Some countries including Canada, the US, Denmark, Finland, Norway, and Sweden formally offer a right to return to disability payments for a period if a job does not work out. In general, the person must have stopped working (or have had their work significantly reduced) because of the same disability for which they were receiving benefits. Payment is reinstated quickly without having to make a full application.

3.2.4 How Ireland compares

Ireland shares many of the most common forms of support found internationally – partial disability pensions, the disregard of a minimum level of earnings, tax reliefs for certain costs of disability, and assistance with transport. A small number of countries have 'cost of disability' type payments – Ireland's Carer's Support Grant, which is paid to Carers, is the closest equivalent.

Ireland and the US appear to be unusual in the possibility of loss of entitlement to medical care if a person's income rises on taking up employment. Having a Medical Card is particularly important for people with disabilities given their higher than expected use of health services. The Medical Card has a high financial and security value, and is also a passport to eligibility for assistive technology. Ireland also appears somewhat out of line with international experience in tying a key form of travel support, the Free Travel scheme, to receipt of a disability-related payment.

Ireland, unlike some jurisdictions, does not have a formal right of return to a disability payment if a job does not work out; however, the Department of Social Protection endeavours to streamline early return to payment in those circumstances.

3.3 Response to incentives to work

The response of unemployed people or lone parents to positive incentives to work has been more widely studied than that of people with disabilities, and show mixed evidence on the scale of response.⁴⁵ This section summarises the findings of international research literature on how people with disabilities respond to improved financial incentives.

3.3.1 The scale of response is generally positive but small

Analysis by the OECD found a statistically significant relationship between numbers on disability payments and work incentives, with better incentives to work being associated with fewer individuals on such payments.⁴⁶

A Norwegian study analysed the effect of introducing a tapered disregard of earnings for certain disability pension recipients, to encourage return to work. The findings showed those eligible for the concession increased their return to work by 8.5 percentage points, compared to an increase of 3.4 percentage points for those who were ineligible for the concession. There was increased return to work by those aged under 50. The incentive led to a small increase in disposable income of those who benefited, and a reduction in the cost of the programme.⁴⁷ A further Norwegian study found that people on a temporary disability payment scheme were less responsive to financial incentives than unemployed claimants.⁴⁸

A Swiss policy experiment, which offered significant cash bonuses to move fully or partially off disability welfare payments, attracted only 0.5% take up. Only 20 out of 4,000 who were made this offer actually accepted.⁴⁹

45 Bargain (2008) reported that the UK's Earned Income Tax Credit had raised employment of single parents by 7 percentage points; there were positive employment but small employment effects from incentives whose value ranged from €95 to €125 a month; and the French Earned Income Tax Credit worth €50 a month had no employment impact. Michalopoulos (2005) suggested the employment bounce from improving incentives may be temporary. See Bargain (2008) 'Making work pay – assistance to low-paid workers in Europe (Belgium, France, Netherlands, UK) – a research note for the EU'; Michalopoulos (2005) 'Does Making Work Pay Still Pay? An Update on the Effects of Four Earnings Supplement Programs on Employment, Earnings, and Income'

46 OECD (2010) *Sickness, Disability and Work – Breaking the Barriers*, Table 3.2

47 Kostøl and Mogstad (2014) "How Financial Incentives Induce Disability Insurance Recipients to Return to Work." *American Economic Review* 104(2): 624-55

48 Fevang, Hardoy and Røed (2013). Getting disabled workers back to work – how important are economic incentives? IZA Discussion paper 7137

49 Bütler et al (2014) Financial work incentives for disability benefit recipients – lessons from a randomised field experiment. IZA working paper DP 8715. Two scales of bonus were tested - €8,000 or €16,000 for those who reduced the scale of their welfare payment by a quarter, and €32,000 or €64,000 for those who exited welfare altogether for five years

3.3.2 People with disabilities respond to incentives to work but don't move off benefits

The evidence is that improved incentives to work encourage people with disabilities to combine work and welfare, but not to leave the benefit system. Internationally, outflow rates from disability payments are small, and differences in the ratio of income on welfare to potential income in a job do not appear to affect outflows. The failure of the Swiss policy experiment cited above suggests that the certainty of a welfare income has a strong hold, even with a substantial one-off financial inducement to reduce dependence on welfare.

In Canada, introducing an earnings disregard worth about €2,600 a year terms did not affect the probability of entering or leaving disability benefits, but increased employment of those who stayed on benefit.⁵⁰

A US randomised experiment with disability pensioners which raised the effective earnings threshold by introducing an additional taper found that the proportion at work did not increase any more for those who got this concession than those who did not. Those who got the concession increased their earnings, e.g. by working more hours, but kept within the new earnings threshold.⁵¹ In Australia, the introduction of a Working Credit improved employment participation for those on benefits, but for those on unemployment or family welfare payments it had ambiguous – or possibly zero – effects on exits from the welfare system.⁵²

3.3.3 People with disabilities are reluctant to take risks

The fear of potentially being worse off if a job does not work out is a major inhibiting factor for people with disabilities taking up employment.

Respondents to a UK study emphasised the importance of maintaining income security and adequacy. Barriers to taking up employment included the risk of losing incapacity benefits altogether, the transition period in moving off incapacity benefits onto earnings, feeling unable to afford the costs of going to work, being unable to sustain paid work, and not understanding the benefits and tax credits systems. New measures to incentivise work only made a difference where they succeeded in removing or allaying such fears.⁵³

50 Campolieti and Riddell (2011) Disability policy and the labour market: evidence from a natural experiment in Canada 1998-2006. *Journal of Public Economics*

51 Weathers and Hemmeter (2011). The impact of changing financial work incentives on the earnings of social security disability insurance (SSDI) beneficiaries. *Journal of Policy Analysis and Management*, 30(4), 708-728.

52 Wilkins and Leigh (2012). Effects of Temporary In-Work Benefits for Welfare Recipients: Examination of the Australian Working Credit Programme. *Fiscal Studies* vol. 33, no. 3, pp. 335-369

53 Corden and Sainsbury (2001). Incapacity Benefits and Work Incentives. (UK) Department of Social Security Research Report no. 141

3.3.4 Potential loss of health benefits affects employment rates

Concern around loss of health benefits is emphasised in findings for the US, where medical benefits can be lost on taking up work. Findings show people with disabilities who wanted to work said they needed either a full-time job with medical benefits; a part-time job where they could retain welfare entitlements; or a full-time job with enough income to afford medical benefits.⁵⁴ There is quantitative evidence for US disability pensioners that potential loss of access to Medicare/Medicaid affected possible employment, and conversely that increasing access to other health insurance increased the likelihood of earnings.⁵⁵ Another study found that those who had Medicare at the time of being awarded a Social Security Disability Insurance Pension were less likely to achieve return-to-work milestones.⁵⁶

3.4 Who responds to incentives to work?

People with disabilities are not a homogeneous group – they vary by age, education, work experience, earning power, type of impairment, and where they live. As the evidence shows, all of these factors influence which people with disabilities are likely to respond to positive incentives to work.

3.4.1 Earning capacity a key factor in whether it pays to work

Work is less likely to pay for those whose earning capacity is more limited – those with more severe degrees of impairment or with lower levels of education. The degree of work experience is also important.

Data for the US found that moderate work limitation reduces the observed wage rate by 6 percentage points, and severe work limitation by 18 percentage points. It is those with higher than average incomes who are in a job despite their limitations on working.⁵⁷ Those with less severe impairments are also more likely to work.⁵⁸ The

54 Olney (2007) Caught in a social safety net: Perspectives of Social Security disability programs on employment. *Journal of Applied Rehabilitation Counseling*, Vol 38(2), 2007, 5-13

55 Coe and Rupp (2013) Does access to health insurance influence work effort among disability cash benefit recipients? US Social Security Administration

56 Ben-Shalom and Mamun (2015). Return-to-work outcomes among social security disability insurance program beneficiaries. *Journal of Disability Policy Studies* 26 (2), 100-110

57 Low and Pistaferri (2015) Disability Insurance and the Dynamics of the Incentive Insurance Trade-Off *American Economic Review*. Vol. 105 No. 10 October 2015. pp 2986-3209

58 Von Wachter, Song and Manchester (2011) Trends in Employment and Earnings of Allowed and Rejected Applicants to the Social Security Disability Insurance Program. *American Economic Review* vol 101 no 7 3308-29

type of impairment is also an influence.⁵⁹ US and Norwegian studies confirm that responsiveness to work incentives is related to higher levels of education.⁶⁰ One US study showed people aged 35 plus with low levels of education are 2.5 times more likely than those with third level education to go on a disability insurance payment.⁶¹ The level of work experience is also a factor.

3.4.2 Younger workers are more likely to respond to incentives

Several studies show that younger people with disabilities are more likely to respond to work incentives.⁶² A Norwegian study showed the over 50s did not respond at all to introduction of an earnings taper.⁶³

3.4.3 The state of the local labour market is important

A number of studies confirm that employment of people with disabilities varies significantly with the state of the local labour market. This factor affects responses to incentives to make work pay.⁶⁴

3.4.4 Early intervention is critical

There is considerable evidence underlining the importance of early intervention to prevent joblessness occurring in the first place, and to support the return to work for those who have acquired a disability.⁶⁵ Conversely, once absence from employment has been prolonged, the probability of someone with a disability taking up employment is very low.⁶⁶ A World Bank study concluded that outflow rates from disability benefit

59 Ben-Shalom and Mamun (2015) op cit.

60 Ben-Shalom and Mamun (2015) op. cit; Von Wachter, Song and Manchester (2011) op. cit; Kostøl and Mogstad (2014) How Financial Incentives induce disability insurance recipients to return to work. *American Economic Review* 104(2): 624-55

61 Low and Pistaferri (2015) op. cit.

62 For example, see Ben-Shalom and Mamun (2015); Kostøl and Mogstad, 2014; Von Wachter, Song and Manchester (2011)

63 Kostøl and Mogstad (2014) op. cit.

64 For example, see Kostøl and Mogstad (2014); Ryan (2012) Do Residual Benefits Induce Disability Support Pension Leavers to Return to Income Support? Government of Australia, Dept of FAHCSIA, Social Policy Research Paper 46; Fevang Hardoy and Røed (2013) Getting disabled workers back to work – how important are economic incentives? IZA Discussion paper 7137; Lindsay and Houston (2013) Fit for work? Representations and explanations of the benefits 'crisis' in the UK and beyond, in Lindsay and Houston (eds) *Disability Benefits, Welfare Reform and Employment Policy*. Basingstoke: Palgrave Macmillan

65 For example, see Wynne and McAnaney (2004). *Employment and disability: Back to Work Strategies*. Eurofound

66 See, for example, Franche, R.L., Cullen, K., Clarke, J., Irvin, E., Sinclair, S. & Frank, J. (2005) 'Workplace-Based Return-To-Work Interventions: A Systematic Review of the Quantitative Literature', *Journal of Occupational Rehabilitation*, 15 (4), pp. 607-631; Mont, Daniel (2004) *Disability Employment Policy*. Washington: World Bank,

programmes are of the order of 1% across the developed world, independent of factors such as the level of benefits, or the focus on vocational rehabilitation and return to work.⁶⁷ Incentives that start too late are unlikely to be effective inducements.⁶⁸

3.4.5 Expiry of benefits doesn't change behaviour

In Australia, those who leave Disability Support Pension to take up work retain certain secondary benefits for 12 months. Ryan (2012) examined whether there was a spike in return to welfare just before the 12 month point. The findings were that two thirds of those who return to the Disability Pension do so within six months, and there was no spike discernible at the 12 month point.⁶⁹

3.4.6 Incentives only make a difference if known and understood

If people cannot readily work out whether it pays to work, or don't know of specific incentive measures, the incentive to work is unlikely to have any positive outcome on employment. UK studies have shown how failure to communicate with people with disabilities about new incentives undermined their effectiveness.⁷⁰ The UK's Valuing Employment Now strategy for people with intellectual disabilities saw it as a key element to ensure people had accurate information about how much they would take home if they were in a job. In the US, Kregel (2012) has demonstrated that information provision is associated with positive employment results.⁷¹

3.4.7 Summary of international evidence

People with disabilities who are in work tend to be younger, more well-educated, and with a lower degree of impairment. Those who respond to changed incentives to work also tend to be younger, better educated, and have lower degrees of impairment. They have more recent work experience, and they live in areas of lower unemployment.

Social Protection Discussion Paper Series; Wynne and McAnaney (2004) op. cit.

67 Mont (2004) Disability and Employment Issues. World Bank, Social Protection Discussion Paper Series 413.

68 Koning and Lindeboom (2015) Rise and fall of disability insurance enrolment in Netherlands. *J Economic Perspectives*

69 See Ryan (2012) op cit

70 See, for example, Corden and Nice, 2006 on the pilot Return to Work Credits. Bambra, Whitehead, & Hamilton (2005) Does 'welfare-to-work' work? A systematic review of the effectiveness of the UK's welfare-to-work programmes for people with a disability or chronic illness. *Social Science & Medicine*, Volume 60, Issue 9, pp. 1905–1918
Corden and Nice (2006) Pathways to Work from Incapacity Benefits: A study of experience and use of Return to Work Credit. Department for Work and Pensions Research Report, vol. 353

71 Kregel (2012) Work Incentives Planning and Assistance Programme. *Journal of Vocational Rehabilitation* 36, 3-12.

The scale of response to positive incentives to work is generally low, and people with disabilities are more likely to increase work effort where they can remain on a welfare payment, than to leave welfare altogether.

3.5 Conclusions

This section summarises the key messages coming from the international review of evidence that are particularly relevant to Ireland.

3.5.1 No stand-out approach internationally

Most countries at Ireland's stage of economic development have measures to support and encourage people with disabilities to work. The most common ones are partial disability pensions for people with a partial capacity to work, the disregard of a minimum level of earnings, and tax reliefs for certain costs of disability. Ireland has broadly similar provisions.⁷² It is less common for countries to give dedicated earned income tax relief for people with disabilities, or to provide cash payments towards costs of disability.

There is no stand-out approach to making work pay for people with disabilities that has succeeded in raising labour force participation. Indeed, a review of active labour market programmes in countries which had placed different emphases on activation has concluded that measures to activate recipients of long-term sickness/disability benefits have had little impact.⁷³

3.5.2 Withdrawal of health entitlements on getting work is unusual

As people with disabilities on average experience poorer health than others, access to health care is a critical issue. In international terms, Ireland (along with the US) is unusual in that taking a job can jeopardise access to health services. Evidence from the US is that fear of losing health benefits inhibits people with disabilities from taking up work, and as Chapter 4 shows, this is also a critical issue voiced by people with disabilities in Ireland.

⁷² See also paragraph 3.1 above for how Ireland compares with the OECD average in terms of the systems focus on pathways to work

⁷³ Martin J (2014) Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on their Effectiveness. IZA Policy paper no. 84, p. 27 <http://ftp.iza.org/pp84.pdf>. This review covered Australia, Finland, Ireland, Japan, Norway, Switzerland and the UK, and concluded that the different approaches had all had negligible impact on employment levels of people with disabilities.

3.5.3 There is reluctance to leave the social safety net

Fear of potential losses if a job does not work out is a potent factor. The international evidence suggests that when incentives to work are introduced for people with disabilities, the main result is to encourage people on benefits to take up limited employment or work more hours while remaining on their benefits. Very few exit the benefit system.

Sweden and Canada provide for easy return to benefits if a job does not work out. In Ireland, while the Department of Social Protection tries to streamline return to payment in such circumstances, there is no formal automatic right of return.

3.5.4 Those most likely to respond to incentives to work are young, and better educated

Overall, the international research evidence shows that the people with a disability most likely to be in work are those who are younger, have higher levels of education (and thus earning power), have not been absent on disability payments for long, and have less severe disabilities. Irish findings on employment of people with disabilities confirm similar factors.⁷⁴

The evidence is that those people with disabilities who are most likely to respond to any improved incentives to work have similar traits. They are those who are better-educated, younger, with lower degrees of impairment, more recently in work, and living in areas where jobs are more plentiful. Economic incentives for individuals have minimal results in raising employment of poorly educated or older people with disabilities, or those who have been absent from the workforce for a significant period.

3.5.5 Early intervention is critical to prevent long-term joblessness

Several studies point out the importance of early intervention to prevent joblessness occurring in the first place, and the very low rate of return to work of those who have been absent for a significant period.

3.5.6 Tackling disincentives is necessary but not sufficient

Tackling disincentives to work is a necessary part of the jigsaw of measures required to raise employment levels of people with disabilities and stem the flow to joblessness.

74 Watson, Banks and Lyons (2015) Education and employment experiences of people with a disability in Ireland: Evidence from the National Disability Survey. Dublin: ESRI and NDA.

However, the international evidence suggests that the scale of impact of any measures in this area, taken in isolation, is likely to be modest. To achieve success, disincentives to work need to be addressed as part of a wider suite of measures to address the complex factors that result in lower employment rates. It is one element of the suite of actions required, as set out in the Comprehensive Employment Strategy for People with Disabilities.



4

Chapter Four

The Irish Evidence on People with Disabilities and the Workplace

Sets out:

- A summary of the evidence considered by the Group in relation to the experience of people with disabilities in employment-related situations

Provides:

- A summary of national research (undertaken by the National Disability Authority and others) prior to 2016
- A summary of the findings of the Department of Social Protection Disability Allowance Survey undertaken in 2015
- A summary of the Key Findings of the consultation process with stakeholders on Making Work Pay conducted by the Group
- A synthesis of the key research and consultation findings and the key themes emerging

4.1 Introduction

This Chapter presents the Irish evidence on people with disabilities and the workplace, drawn from both statistical data sources and from the lived experience of people with disabilities. Section 4.2 reviews earlier Irish research on people with disabilities and employment, which has been undertaken primarily by or for the National Disability Authority. Section 4.3 sets out the key findings of a major survey of Disability Allowance recipients undertaken by the Department of Social Protection in 2015, with a view to identifying the supports they require, and the barriers to work they perceive. Section 4.4 presents the findings of the consultation exercise conducted by the Group, which included a consultative forum and a call for submissions. It sets out what respondents identify in 2016 as the key financial and related disincentives to work. Finally, Section 4.5 identifies the key themes emerging from the evidence reviewed.

4.2 Summary of earlier national research

This section sets out the findings of Irish research on people with disabilities and employment. It includes research based on data from the Central Statistics Office (CSO) National Disability Survey, 2006.⁷⁵ This survey, conducted before the onset of the recession, has a wealth of information documenting the factors affecting employment of people with disabilities, and the employment challenges that were in place for them even in a booming labour market. It also has important information on access to transport, and transport use, which is a key issue

⁷⁵ It also draws on previous research including *Consultation by Workway (2003)*, *Consultation during development of the Comprehensive Employment Strategy for People with Disabilities (2013)* and *Consultation on National Disability Strategy Inclusion Plan (2015)*

affecting access to employment. The key findings emerging from this research are set out in the following subsections.

4.2.1 People with disabilities are only half as likely to be in work as others

People with disabilities are only half as likely to be in work as their non-disabled peers. The rate of employment among persons with a disability remains low (33%) relative to the working age (aged 20 to 64) population (66%)⁷⁶ as a whole. The limited evidence available suggests that during the boom years, total employment of people with disability or long-standing illness remained static, but the employment rate fell as the underlying population grew.⁷⁷

4.2.2 People with disabilities are half as likely to enter employment, twice as likely to exit

A recent ESRI study has looked at transitions into and out of work by people with disabilities over the period 2010-15.⁷⁸ This research shows that, on average, about 2% of jobless people with a disability moved into employment in the following quarter. When demographic differences between disabled and non-disabled people were adjusted using statistical techniques, the research showed that the employment entry rate for people with disabilities was only half that of non-disabled people.

Only a small proportion of jobless people with disabilities had recent work experience, a factor that is significantly linked to future employment chances. Only 4% of jobless people with disabilities had been in employment in the previous year, while 27% had never worked. The study showed that when the Irish job market improved from 2013 onwards, entry rates into employment picked up for non-disabled people, but remained static for people with disabilities.

This ESRI study also showed the chances of exiting employment were twice as high for someone with a disability compared to a non-disabled person, after adjusting for differences in age and other demographic characteristics. The likelihood of job exit rose with severity of impairment. Younger people with disabilities were more likely than their peers to exit a job, while part-timers with a disability were relatively more likely to remain at work.

⁷⁶ 2011 Census

⁷⁷ Quarterly National Household Survey, special modules on disability and employment Q2 2002, Q1 2004, showed an estimated 109,000 persons with a long-standing illness or disability at work, however the percentage of those of working age in employment fell from 40% in 2002 to 37% in 2004.

⁷⁸ Watson, Lawless and Maître (2016 - forthcoming) Employment Transitions and Disability. ESRI/NDA

4.2.3 Health issues impact on the employment rates of people with disabilities

People with disabilities on average experience significantly poorer health than the working age population as a whole,⁷⁹ and a considerable proportion of people with disabilities have stamina difficulties. The proportion experiencing significant difficulties in these areas rises with age. These factors clearly impact on people's capacity to work, especially as they grow older.

4.2.4 Those more likely to be in work are younger and better educated

Those relatively more likely to hold a job are under 45, have better education (particularly third level), have light or moderate levels of difficulty, and enjoy better health and greater stamina. They are also likely to be married men and living in the Dublin area. People with hearing, vision or learning disabilities (e.g. dyslexia) are more likely to hold a job than those with other conditions⁸⁰. Conversely over 45s, those with Junior Cert or less, those with severe or total difficulty in everyday activities, those in fair or poor health, or with restricted stamina, and people with mental health difficulties, were less likely to be in work.

4.2.5 Those not in work are more likely to be restricted in type/amount of work and earnings capacity

Figures from a special module of the Quarterly National Household Survey in 2002 on disability and employment showed that 62% of non-employed people with disabilities of working age were severely restricted in the amount of work they could do, and a further 17% were restricted to some degree. About half of people with disabilities who were in a job faced restrictions on the amount of work they could do. Not surprisingly, people with disabilities are much more likely than other workers to be working part-time (Greve, 2009; Watson et al., 2013). Those outside the workforce are more likely than those currently in work to have their earnings capacity limited by both lower levels of education and skills, and by a restriction on the amount of work they can do or the hours they can work.

79 About half of middle-aged people with a disability describe their health as 'fair, bad or very bad', compared to 11% of non-disabled people in this age group (Sources: National Disability Survey 2006, Vol 2, Table 10.3a; and EU SILC 2013, as quoted in Health in Ireland 2015, Key Trends, Table 2.1. As the two data sources use different age groupings, those aged 35-44 is the only readily directly comparable age grouping)

80 Watson, D., Banks, J., Lyons, S, 2015. Educational and employment experience of people with a disability in Ireland: An Analysis of the National Disability Survey. s.l.:National Disability Authority and Economic and Social Research Institute; Table 3.1

4.2.6 Many factors affect interest in a job and hours worked

Perceived financial barriers or disincentives to work can affect whether people move into employment, stay in employment, or the number of hours they work. The evidence suggests that, to date, only a minority of people with disabilities in employment are looking for additional hours of work. A recent study by the ESRI suggests that of the 31% of people with disabilities in a job over the period 2010-15, the majority (25%) were satisfied with their current hours of work, and a minority (6%) were looking for additional hours.⁸¹ The National Disability Survey 2006 asked adults of working age with a disability if they would be interested in taking up work if the circumstances were right. Overall, 37% said yes, with a majority of under-35s expressing an interest in work. Those experiencing higher degrees of difficulty in everyday activities, and those with intellectual disabilities were less likely to be interested in work, as were people without a previous history of employment. Ill-health and disability are major factors in why people with disabilities are not working. For example, ill-health (75%) and difficulty in doing the job (11%) were cited as the main reasons why people with disabilities left work. Other factors that affect employment rates were also explored in the National Disability Survey. When those at work, those looking for a job, and those expressing an interest in work were asked what features could assist in getting a job, they indicated flexible work arrangements, modified work tasks, and a wage subsidy most frequently⁸².

Of those not interested in work (63%), 7% cited loss of supports, and 5% cited loss of current income as factors (respondents could pick more than one answer). This biggest single reason given was a perception of a lack of suitable jobs (14%).⁸³

4.2.7 People with disabilities see access to and use of transport as an issue

Overall, the data⁸⁴ suggest that people with disabilities, and particularly those in rural areas, rely to the greatest extent on lifts in private cars to get around. In urban areas, by contrast, there is a high degree of use of public transport, which makes the Free Travel Pass a valuable support. Specialist disability transport is also important for about one in seven people with a disability. This is mainly transport provided by the HSE or HSE-funded service providers, although there are also individual services like Vantastic and ACTS which provide specialised door-to-door transport in the Dublin area.

81 Watson, Lawless and Maître (2016 - forthcoming) *Employment Transitions and Disability*. ESRI/NDA, fig. 2.4

82 The perceived requirement for a wage subsidy is likely to be related to a reduced capacity to earn. A wage subsidy was more frequently selected where people had a low level of education, a high level of difficulty in everyday activities, required assistive technologies or other assistance, or required modified work tasks

83 National Disability Survey 2006, Vol. 2 Table 7.20, 7.21.

84 Including the NDA's analysis of the National Disability Survey's data on geography and transport use, <http://nda.ie/Publications/Transport/Transport-Publications/Transport-and-disability-by-geographical-area1.html>

Although significant investment has been made in making mainstream public transport accessible to people with disabilities⁸⁵, in particular urban buses and intercity trains, there remains a group of individuals with disabilities who may continue to require specialist transport, for example those using very large motorised wheelchairs which do not fit on standard buses.

4.2.8 People with disabilities see the Medical Card as vitally important

Over the last two decades, people with disabilities and their representative organisations have been formally consulted on a number of occasions on issues relating to employment, and specifically about what factors make it financially worthwhile to work, or otherwise. A strong common thread running through all this feedback is that the Medical Card is viewed as a vital support, and the potential forfeit of the Medical Card if someone takes a job or increases his/her working hours is a real and consistent concern. These findings are reinforced in the Disability Allowance Survey and the consultation undertaken by the Make Work Pay group (see Section 4.4).

4.2.9 Risk of poverty is higher for people with disabilities

Research has shown a high degree of overlap between households headed by someone with a disability who is out of work and the risk of poverty. EU-SILC data (2014) records the differentials in the risk of poverty, deprivation and consistent poverty shown in Table 4.1 below.

4.1 Poverty Measures for persons in 'Disabled' Households and All Households, 2014

Poverty Measure	'Disabled' Households	All Households
At risk of poverty	22.8	16.3
Deprivation	51.3	29.0
Consistent Poverty	13.2	8.0

Source: Central Statistics Office EU-SILC, 2014

⁸⁵ Strand 2 of the Comprehensive Employment Strategy deals with Transport, and mandates actions including the continuing development of accessible transport.

The 'at-risk-of-poverty rate' is defined as 60% of median (per capita equivalent) disposable income. In 2014, this threshold was €10,786 or €207 weekly, which is above the basic rate of Disability Allowance and of other basic-rate disability payments for a single person.⁸⁶ The measures are significantly higher for persons in households headed by those 'not at work due to illness or incapacity'. This brings into focus the likely financial vulnerability of those for whom Disability Allowance or other disability payment is their sole income, and underlines how important it is that the benefit system can offer income security, and can enhance the capacity of recipients to supplement their incomes through employment and other means.

4.3 Findings of Survey of Disability Allowance recipients, 2015

In October 2015, the Department of Social Protection conducted a confidential survey⁸⁷ of a random sample of Disability Allowance (DA) recipients, in the context of the Government's Comprehensive Employment Strategy for People with Disabilities. Just over 12,000 people were surveyed by post. A response rate of 27% (3,198) was achieved, and the analysis showed that respondents were broadly representative of the underlying claimant population.⁸⁸

The survey's 13 questions explored DA recipients' experience and ambitions in four key areas:

1. Education level and ambitions
2. Work experience and ambitions
3. Supports which would be helpful to achieve employment ambitions
4. Barriers to achieving employment ambitions.

The survey also explored recipients' self-declared health status. The key findings of the Survey which are available on <http://www.welfare.ie/en/downloads/DSPReportonDisabilityAllowanceSurvey2015.pdf>, are as follows:

1. **Education Level And Ambitions**

The level of education of those surveyed was low, with only a minority of recipients reporting educational attainment beyond junior secondary education (Junior/Inter/Group Certificate) or special school. Of those

⁸⁶ See EU-SILC for details.

⁸⁷ Prospective respondents were assured that individual responses to the survey could not be used for any administrative, operational, or control purposes by the Department of Social Protection, or any other body, and could not affect their current or future Social Welfare claims.

⁸⁸ This is considered to be a very satisfactory response rate for a postal survey.

surveyed 56% said they would be interested or a little interested in education or training, while 44% were not interested.

2. **Work Experience And Ambitions**

Some 10% of DA recipients are currently working under the earnings disregard scheme (detailed in Chapter 2). Over 80% of those working full-time and of those working part-time said that work was going well or very well for them. For both full and part-time workers, only 3% reported that work was going badly or very badly. Of those who completed this question, 35% expressed an interest in working part-time, while 8% expressed an interest in full-time employment, under the right conditions.

3. **Supports Which Would Be Helpful In Achieving Employment Ambitions**

Respondents were asked what supports are important in helping them achieve their employment ambitions and goals. 'My Medical Card' was the most often mentioned support (cited by 64% of respondents), with 'My family' in second place (mentioned by 59% of respondents). Other supports mentioned included "keeping other social welfare benefits", "a supportive work environment" and "access to transport".

4. **Barriers To Achieving Employment Ambitions**

Some 75% of respondents mentioned their level of disability as a barrier to achieving their goals. This was cited twice as often as the next most mentioned barriers, which were fear of losing Medical Card (38%) fear of losing social welfare benefit entitlements (36%), and time spent managing health (34%). Some 50% of respondents who ranked health issues that affect them reported mental health issues, with 49% reporting mobility issues.

The recent survey findings are consistent with the earlier results outlined in Section 4.3 (based on the CSO's statistical data) in relation to low levels of education, health issues and impairment as barriers to work; and a higher proportion expressing a preference for part-time as against full-time work. The findings highlight people's concerns about potential loss of the Medical Card and social welfare benefits on taking up work, the importance of transport, and of a supportive work environment.

4.4 Formal consultation undertaken by Make Work Pay group (2016)

The Group undertook a consultation process consisting of a written survey and a round table forum with stakeholders. The Group met with stakeholders and engaged in a round table discussion forum hosted by the National Disability Authority. The Minister for Disabilities attended the forum, and participants were mainly from representative bodies of people with disabilities which are part of the Department of Social Protection Disability Consultative Forum, and the Department of Justice Disability Stakeholders Group. They brought a broad view of financial and related barriers to work to the Group.

There were 19 submissions received, and the questionnaire, list of attendees of the forum, and list of written submissions together with a fuller summary of the responses are presented at Appendix 4. Full written submissions may be accessed on the website of the Department of Social Protection www.welfare.ie.

Key Findings from the consultation process are grouped under the following headings:

1. **Financial in-work supports and financial barriers**

The current Disability Allowance earnings disregard⁸⁹ is relatively well understood and is important or very important to most respondents. However, respondents reported working over the €120 limit does not pay where a Medical Card may be lost, as €120 is also the HSE Medical Card earnings disregard limit. Where the partner of the person on Disability Allowance is on a Department of Social Protection means tested scheme, the partner's payment can be affected by the person with disability taking up work.

A key theme from the consultation was that Medical Card retention is crucial for people with disabilities, and potential loss due to increased earnings from work was a significant barrier to employment. Respondents felt eligibility should be based on factors other than purely means, such as disability or health status.

Loss of secondary benefits, including Free Travel, is seen as a financial disincentive, and can prevent transition to work. There can be implications also for family/wider household income, e.g., where there is a potential for loss of carer payment and the carer is part of the same household.

Regarding Partial Capacity Benefit, respondents reported reluctance to engage with the scheme due to fears of loss of eligibility for payment,

⁸⁹ Earnings from rehabilitative employment below €120 do not affect payment of Disability Allowance, 50% earnings from €120-€350 are not taken into account in the Disability Allowance means test.

and also potential for loss of income where they could not earn enough to make up the benefit portion foregone.

2. **Length of time out of workforce**

Consultees reported that perceived difficulty managing without social protection payments/Medical Card is amplified if a person hadn't been able to work for a long time and had a disability which was likely to be lifelong.

There was particular concern about return to work after a long period on a payment. If the job did not subsequently work out, obtaining a payment again and fitting back into a category for payment following employment was perceived as difficult. Where people with disabilities have worked but then have to return to a payment, the feeling is that applying for a payment called 'Disability' or 'Invalidity' that says 'I am unable to work' is dispiriting.

Respondents suggested that there would be value in the provision of an online calculator for Department of Social Protection payments and related benefits to help people to see where they would stand financially. Retention of payment for a time when the person returns to work would also help, i.e., so the person doesn't worry about getting back on payment if they do not continue to be in employment.

In-work support is also seen as important, more so the longer a person is away from the workplace. This included keyworker support (to assist with applying for benefits, with sourcing training, and with building the person's confidence), and mentoring in the workplace. Where Personal Assistant support is deemed necessary in the home, it should also be available in work.

3. **Communication**

In relation to Sources of Information, consultees identified the Citizens Information Centre and the Citizens Information website as important resources used by people with disabilities, along with information from representative groups for people with disabilities, and from family and friends.

The current Department of Social Protection website and INTREO system was not ranked as highly, generally getting a 'rarely' or 'sometimes' rating. Media (TV/Radio/Newspapers) and other were similarly less frequently ranked as sources of information for people with disabilities. Consultees noted that, when seeking information relating to taking up work, people with disabilities worry about asking for information from the Department of Social Protection, and can be apprehensive of losing benefits, or triggering a review of their circumstances. The system is seen as bureaucratic, with a lack of certainty.

4. **Experience of people with disabilities who are working**

The clear feedback was that people with disabilities want to work. Where they have previously worked, it is a huge part of their identity and by and large they strive to resume work. Education, along with support of family and friends and representative organisations, is key to this.

An individualised approach to, and personalised supports for, people with disabilities seeking work, and in work, is vital. Access to Assistive Technology, aids and appliances and decoupling of these supports from the means tested Medical Card would mean people with disabilities in work could continue to receive them. They also suggested that a good Employee Assistance Programme, including counselling, is important.

5. **Potential role of the Intreo Centres in meeting the needs of people with disabilities**

Respondents signalled the need for a shift in culture, which can be initiated through Intreo Centres.

Continued development of an inclusive, welcoming service would be needed, with an individualised approach by named case workers and job coaches. Intreo Centres could act as a knowledge broker for employment related services, supports and opportunities that are in the locality, e.g. local EmployAbility/education/jobs clubs/local employment service/training/job opportunities. Improved, accessible communication would be key, as would promotion of services via disability organisations.

For many people with disabilities, having family/friends accompany them to an Intreo Centre is important; this should be facilitated only where it is the wish of the person with the disability, who must remain the primary focus of the interview.

Full submissions to the Make Work Pay consultation are available on www.welfare.ie

4.5 Key findings and themes from the research, survey analysis and consultation process

This Chapter has brought together different strands of evidence for Ireland from statistical sources and from consultations in relation to people with disabilities. People with disabilities are half as likely to be at work as their peers without a disability. While ill-health and significant disability are factors, along with the older age profile and poorer levels of education than the population at large, there nevertheless remains significant interest among people with disabilities in getting work, if the supports and circumstances were right. As those who are not working tend to face greater restrictions on the type or amount of work they can do, any increased employment generated by measures under the Comprehensive Employment Strategy for people with disabilities is likely to be predominantly part-time.

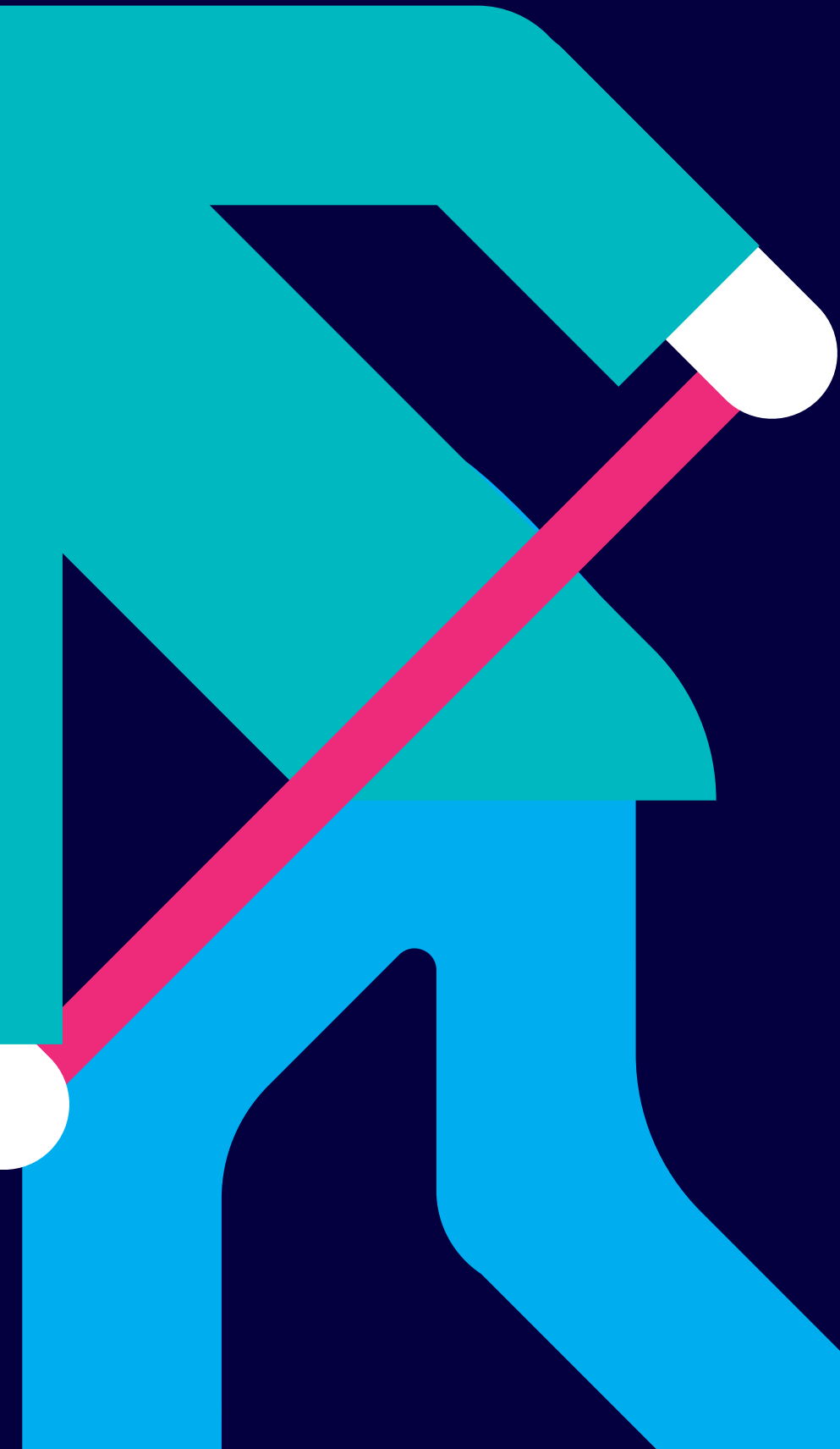
A strongly consistent response from the consultation process and earlier research is the importance attached to the Medical Card; its potential loss is regarded as a significant deterrent to work. Other common themes include fear of loss of income support, and the need for flexibility and restoration of payment should the job subsequently not work out.

The need to keep secondary benefits, and costs associated with including transport to work also recur through the consultations. While the Free Travel scheme may have limited practical value to people living in rural areas, who largely travel by private car, it is important for those in urban areas who are significant users of public transport.

A recurring theme in the consultation process was the importance of accessible information and of support of families to people with disabilities who have employment ambitions.

Taking into account the research findings in this and previous chapters, and feedback from consultations on the key financial and related barriers to work from this chapter, this Report now moves on to present analysis of the key income and non-income supports for people with disabilities.

Chapter 5 examines the financial impact on six significant groups of recipients of Disability Allowance and other disability-related payments when they take up employment or increase their incomes through greater employment participation.



5

Chapter Five

The Financial Implications of Employment for Recipients of Disability-Related Payments

- Gives an overview of the financial impact on recipients of disability-related income supports of taking up work, or increasing their employment participation
- Finds, based on an analysis of representative case studies, that:
 - There are certain financial barriers to work for people with disabilities
 - Because the system is complex and net income is hard to calculate, people with disabilities may tend to avoid perceived risks to their current benefits and income from taking up work
 - There may be justification for a fundamental review of the benefits system for people with disabilities

5.1 Introduction

This Chapter gives an overview of the financial impact on recipients of Disability Allowance and other disability-related benefits of taking up employment or increasing their incomes through greater employment participation. The approach taken is to examine the financial outcomes of employment for particular representative groups of recipients of illness and disability related income supports. The underlying question for the Group is whether the net financial outcomes of employment means it pays to work or otherwise. This can happen because the interaction between primary benefits, secondary benefits, taxation, and so on, may generate unintended net changes in recipients' and households' incomes, and thereby affect employment incentives.

The Department of Social Protection on behalf of the Group undertook a comprehensive technical analysis of these issues in a Working Paper, 'An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes' which is published alongside this Report. This paper is summarised in Appendix 5, together with commentary. The Working Paper offers a detailed examination of a broad range of case studies of hypothetical recipients, covering different scenarios in terms of payment type, family circumstances, and other earnings. The scenarios were chosen to be representative of the range of circumstances across the different schemes and family types. Almost half of all recipients are on Disability Allowance, and in turn about 80% of these are without dependants, making this the most frequently occurring scenario. In terms of family types, almost 80% of disability payment recipients, across all schemes, do not claim for either adult or child dependants, while families claiming for one child account for a further 7% of disability recipients. The Group is satisfied that, taken together, the scenarios analysed in the Working Paper cover the range of family and benefit circumstances for the vast majority of disability payment recipients.

This Chapter highlights key examples of the cases covered in detail in the Working Paper and Appendix 5; they illustrate the outcome of interactions between the benefit system, the individual's earnings, the income of any partner, and taxation and other deductions.

A feature of Ireland's welfare system generally, not one unique to the disability schemes, is that additional payments are made for financially dependent partners and for children. The size of any such additions depends on the level of the partner's income. Up to an earnings threshold, the partner's income does not affect entitlements. Thereafter, as a partner's earnings rise, additional payment for family members is at a partial rate, and eventually it ceases altogether as the partner's earnings rises above an upper threshold. While means tested schemes like Disability Allowance, and insurance-based schemes like Illness Benefit and Invalidity Pension, adopt different formulas to calculate how a partner's income affects an individual's own entitlements, the effects are similar.

The Chapter is structured as follows. Section 5.2 outlines the design of the technical analysis. Section 5.3 reports the results of the analysis for the means tested Disability Allowance (DA) scheme. Three sets of recipients are discussed – a single DA recipient, a couple with one child (where one partner is a DA recipient, and his/her partner is either working part-time at the national minimum wage or is in receipt of a Jobseeker's Allowance), and a young person who is moving on from education, who has a parent who is receiving a Carer's Allowance. Section 5.4 summarises the findings of the three insurance related schemes: Illness Benefit (IB), Invalidity Pension (IP), and Partial Capacity Benefit (PCB). Finally, Section 5.5 gives an overview of the key findings, and their implications for policy.

5.2 Case Studies and summary measures used

Based on the statistical profile of people on disability welfare payments set out in Chapter 2, representative hypothetical cases were chosen for analysis. Two standard concepts were used to summarise the financial outcomes of being in employment versus being on welfare payments.

The first is the **Replacement Rate (RR)** which measures the ratio between income while on benefits, and income in employment, or the degree to which benefits replace alternative income. It is calculated as follows:

$$RR = \text{net income from benefits, divided by net income when in employment} \times 100$$

An RR of 50% means that the disability payment is half of the net income from employment; in other words, net income in a job would amount to twice the income on welfare. While individuals would also incur costs of going to work, such as travel costs or childcare, these vary from one person's situation to another and hence are not factored into the reference cases. Clearly, the lower the replacement ratio, the larger the net financial benefit from taking up work.

The second concept is the Withdrawal Rate (WR) which measures the effective proportion of any additional earnings that a person would retain, when losses of welfare benefits, and any taxes or deductions are factored in. It is designed to answer the questions

- i. 'how much better off will I be?'
and
- ii. 'how much of any extra earnings would I effectively lose, through lower benefits or deductions from wages?'⁹⁰

The percentage Withdrawal Rate is calculated as:

$$WR = [1 - (\text{the change in Net Income, divided by the change in Earnings})] \times 100$$

For example, a person on Disability Allowance who works a few hours a week could face a partial withdrawal of benefit, and some deductions from pay, if he/she has increased earnings from employment. A Withdrawal Rate of 80% would mean that for every €10 extra in earnings, a person would forego €8 in lower benefits and higher deductions. In other words, extra earnings of €10 would bring just €2 extra.

Payments such as Illness Benefit are conditional on the recipient not being in employment. In these cases, people may focus mainly on the replacement rate, which compares the ratio of their income on benefit, to potential income when working. The Disability Allowance and Partial Capacity Benefit schemes allow recipients to combine work and receipt of social welfare. In these cases, individuals may be more focused on how much of any extra income they could keep. For them the Withdrawal Rate is likely to be the more important indicator once they are already working part-time.

These two concepts allow us to explore the net benefits of earnings from work. To make the calculations two further factors need to be taken into account, namely, the wage the person would expect to get in employment and any secondary benefits the individual with a disability might receive.

90 Deductions such as tax, PRSI or Universal Social Charge

Wage assumptions

The examples used in the case studies calculate potential earnings based on the national minimum wage prevailing in 2016. This reference wage is used because the Department of Social Protection's analysis shows that those who were working while on Disability Allowance were, typically, earning around this rate. Consequently, people whose potential earnings are above the minimum wage would enjoy a greater positive margin between their incomes on welfare and their incomes in employment than in the examples shown. Thus the analysis here can be interpreted as showing the minimum net benefits that someone would obtain from working. Throughout the analysis, examples shown for full-time work assume 40 hours per week at the hourly National Minimum Wage rate, and for part-time work, 20 hours per week.

Secondary benefit assumptions

Calculated Replacement Rates and Withdrawal Rates vary according to whether estimates of the indirect 'value' of secondary benefits are included or not. In this analysis, the following secondary benefits were included: the household benefit package, the fuel allowance, and where applicable, the living alone allowance. Their cash value was computed by the Department of Social Protection as €34 per week, or €43 per week if the person would be eligible for a Living Alone Allowance. The analysis focuses on standard benefits only, and does not factor in items like Free Travel or the effect of potential loss of eligibility for free disability aids, which can vary from one person to another. While the calculations do not incorporate any presumed 'average' value of a Medical Card, the interaction between incomes in work and continued eligibility for a full or GP-only card is discussed, and set in the context of the income levels at which eligibility for a Medical Card is lost.

Some people with disabilities may face higher 'going to work' costs than the population at large, for example if they need costly special transport. This should be borne in mind in considering what constitutes a 'low' replacement rate. Economists generally use a rule of thumb that replacement rates over 70% may not provide a big enough margin between benefit income and net income in a job, and consequently there may be a disincentive to work. However, while high Replacement Rates or Withdrawal Rates may suggest disincentives to work, there are other complex factors at play for individuals that may affect how they perceive the opportunities and net benefits or risks of employment. Consequently, the rates must be viewed in the wider context of evidence about attitudes to employment, experiences of work and the benefit system, as well as the non-financial barriers to work participation, as outlined in earlier chapters.

5.3 Disability Allowance

This is the largest disability payment scheme, accounting for just under half of all disability payment recipients. The case studies presented here cover a person with no dependants (80% of all DA recipients); a couple with one child; and young school-leavers. More scenarios and more detailed analyses are in Appendix 5 and the Department's Working Paper. The first case study is presented in some detail, to illustrate the kind of analysis being summarised here for other benefit and family types, and because it is the single most common benefit and family type combination.

5.3.1 Disability Allowance – Person with no Dependants

This particular case study represents about 38% of the overall population of people with disabilities who receive a weekly disability-related social welfare payment. The standard weekly rate of payment in 2016 for a single person on Disability Allowance is €188. They may earn up to €120 per week and continue to receive a full-rate payment. Above that level, additional earnings mean a reduction in DA on a sliding scale, up to total earnings of €423 (net) per week⁹¹. In addition, the person could be entitled to a range of secondary social welfare benefits, including Free Travel, as long as they receive any level of Disability Allowance. They would also be entitled to a full Medical Card if earnings from employment were below €120 per week.

Combined income from welfare and earnings, and replacement rates

Table 5.1 illustrates combined income from benefits and net earnings, showing how DA declines as earnings increase. Two earnings scenarios are shown, a part-time worker and a full-time worker.

91 As of December 2016.

5.1 DA and weekly Income from Work, Single Person (excludes value of secondary benefits)

	Gross Earnings	Net Earnings	DA Rate	Combined Income (before sec. benefits)	Replacement rate	RR with cash value of secondary benefits
	€	€	€	€	%	%
No Earnings	-	0	188.00	188.00	-	-
Exempt	120.00	120.00	188.00	308.00	61%	66%
PT NMW	183.00	183.00	158.00	341.00	55%	60%
FT NMW	366.00	344.93	65.50	410.47	46%	51%

Source: Department of Social Protection

NMW – National minimum wage; PT – part-time; FT – full-time

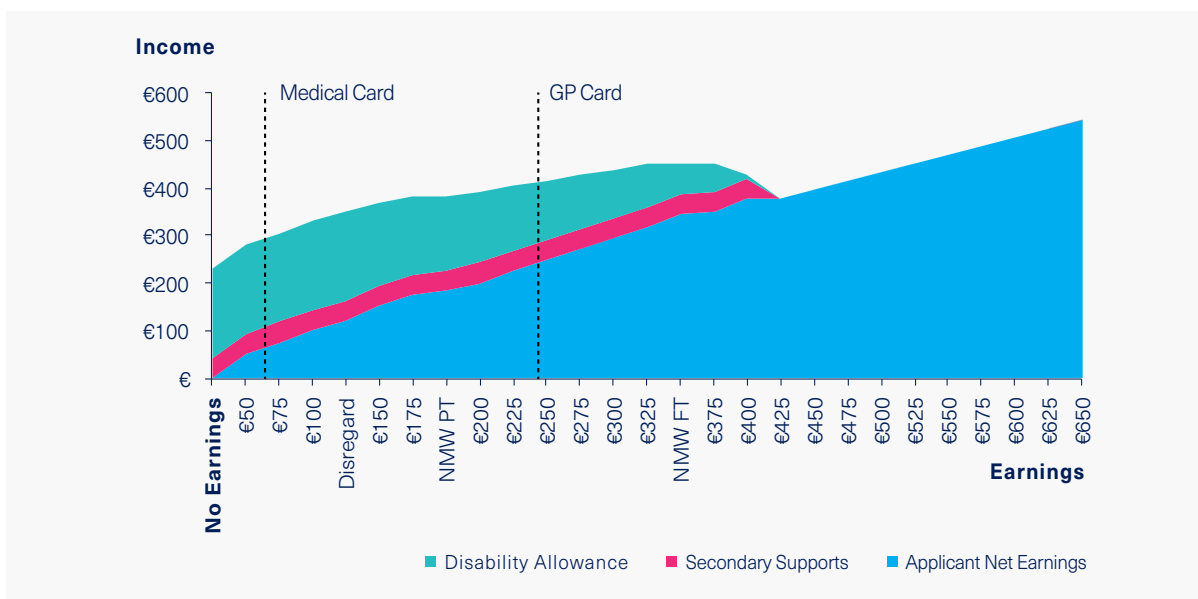
The replacement rate – income from the basic welfare payment, as a proportion of combined income if in employment – is 55% for a part-time worker. If the cash value of secondary benefits is added to both income on welfare and income in work, that replacement rate rises to 60%.

The critical question is whether it is financially worthwhile for recipients to work. In terms of cash income, Figure 5.1 illustrates that total income rises as earnings rise, up to the point of final withdrawal of Disability Allowance at an income of €423 per week. At that point, there is an abrupt loss of associated secondary social welfare benefits worth €43 per week, equivalent to a 10% drop in income.⁹²

Figure 5.1 also shows how the composition of income changes as earnings increase, with earnings accounting for more and DA for gradually less. So, for example, the part-time worker would get 41% of overall net income from earnings, and 48% from DA, while DA would only comprise 14% of total income of the full-time worker.

⁹² Note that there is no similar sharp fall in the core DA entitlement over the range of earning to the full national minimum wage because of the tapered structure of the DA means test.

5.1 Income by source, Single DA recipient, € weekly



Low earnings cut-off for Medical Card

However, Medical Card eligibility is also a key consideration, particularly for people with disabilities. Figure 5.1 also shows the relevant income cut-off points for the full Medical Card and for the GP card, and that loss of the Medical Card occurs at a very low earnings level. Critically for DA recipients, the Medical Card earnings disregard limit is €120 per week, which coincides with the earnings level at which tapered withdrawal of DA begins.⁹³

Withdrawal rates

How much do Disability Allowance recipients gain from increased earnings? Table 5.2 shows the withdrawal rates, or the proportion of additional earnings forfeited, at different possible transitions.

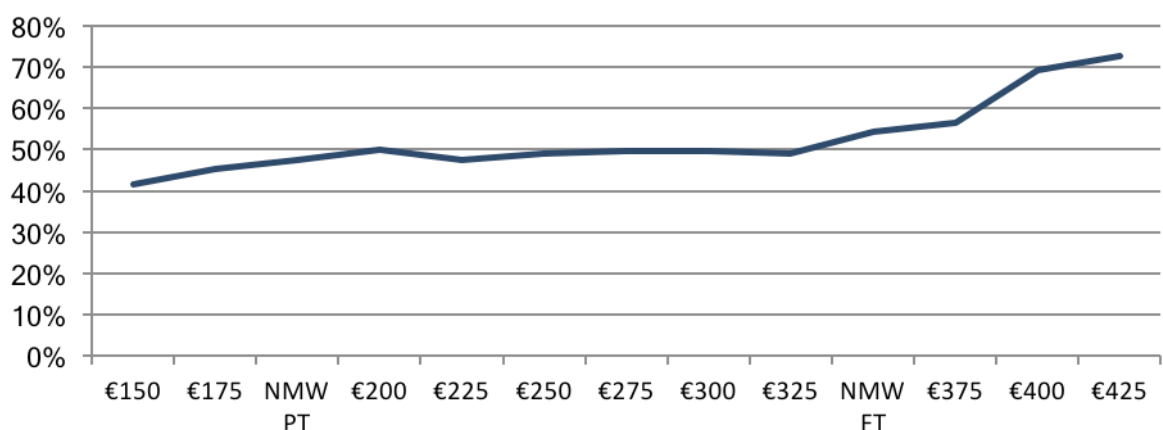
⁹³ Like others returning from welfare to work, people who have been on a particular disability payment continuously for a year retain entitlement to a Medical Card, irrespective of income, for a further three years

5.2 Withdrawal Rates %, Single DA Recipient, earning Minimum Wage

Range	WR
	%
No earnings to full disregard (€120)	0
No earnings to Part-time	16
No earnings to Full-time	39
Full disregard to Part-time	48
Part-time to Full-time	62

At low levels of earnings, withdrawal rates are low. They are at zero below €120 per week, and average 16% in the interval from no earnings to a part-time (20 hour week at minimum wage) job. However, the percentage withdrawal rate rises steadily; for example, it is 62% of additional earnings for a move from part-time to full-time work. The pattern of withdrawal rates over a range of earnings is illustrated in diagrammatic form in Figure 5.2.

5.2 DA Single, No Dependants – Withdrawal Rate, % over different income ranges



Source: Department of Social Protection

People on Disability Allowance who are also working (about 10% of all DA recipients) have earnings that average just about €120 per week, according to analysis by the Department of Social Protection presented in the Working Paper. This suggests that people who combine DA with work rarely go above this key threshold, to where they would lose both Medical Card entitlement and their DA would begin to taper off as earnings rise.

5.3.2 Disability Allowance - Couples

This section briefly summarises the analysis in relation to where the DA recipient is part of a couple, and where the other partner is either a welfare recipient (getting Job Seeker's Allowance) or has income from part-time employment at the minimum wage. The couple is assumed to have one child. These are numerically less significant than the single DA recipient, but they demonstrate the complexity that arises because the income of a DA recipient with a partner is affected by the benefit income of the partner, and hence there is an interplay between recipients' and partners' incomes. This feature is common to other social welfare schemes in Ireland, reflecting the additional allowances for dependent family members, and the concept of joint means testing that underpins social assistance schemes.

Additional welfare payments in respect of family members have the effect of raising replacement rates – the ratio between incomes on benefit and incomes in work - at any given earnings level. For a single person on Disability Allowance, the replacement rate in full-time work is 46%. It is 76% for a couple with one child where the partner has no income, and higher again if that couple have more dependent children.

In the case where the partner is also on a welfare payment, if a Disability Allowance recipient takes up work it can affect the partner's entitlements to social welfare and to a Medical Card. One case study (Appendix 5) examined a couple with one child, consisting of an individual on Disability Allowance with a partner on Jobseeker's Allowance (JA). If the DA recipient earns €120, the partner's JA would fall from €203 to €185.

In the case where the partner earns €183 per week part-time, the DA recipient receives a personal rate, and partial qualified adult and child allowances in respect of the spouse and child. The case study examined the withdrawal rate where the DA recipient takes up employment, and begins progressively to forfeit some DA at higher earnings levels, while the spouse remains in part-time work.

As Table 5.3 illustrates, the pattern of withdrawal rates of total family income is similar across the different case studies, with withdrawal rates low at first, and then gradually ascending at higher earnings levels. Based on the calculations in Appendix 5, Table 5.3 also shows that withdrawal rates are lowest in the couple/spouse

earning part-time scenario than in the single person scenario, and finally are highest overall in scenario with the couple/one spouse on JA.

5.3 Disability Allowance Case Studies, Withdrawal Rates and Family Circumstances

Earnings Bands	Withdrawal Rates %		
	Single	Couple, one child, spouse on JA	Couple, one child, spouse on PT NMW
Zero to disregard	0	15	0
Zero to Part-time	16	28	18
Zero to Full-time	39	45	37
Exemption (€120) to Part-time	48	54	43
Part-time to Full-time	62	61	57

PT – part-time; JA – Jobseeker’s Allowance; NMW – National minimum wage

5.3.3 Disability Allowance - Young People and the Transition to Employment

Financial incentives facing young people at the point of transition from education to adult life merit particular attention, a point well established in the international literature. This is because decisions made at this point have long-term consequences – a young person on Disability Allowance who feels financially discouraged from entering the labour market could potentially be entering a lifetime out of work.

Many young people with disabilities live in the parental home and receive practical, social and emotional support in this wider family context. This has two important implications. First, a decision about a young, disabled person’s entry into work may be a family decision made in the light of all the relevant circumstances affecting the disabled person and the family. Second, the income of other household members can be affected if a disabled young person enters employment. In particular, where a parent receives a Carer’s Allowance, total household income could be affected adversely, as a Carer’s payment may be withdrawn where a young disabled person enters employment and is no longer deemed to require full-time care and attention.

Our analysis explored the income profile of a household where the young DA recipient has just come of working age and the applicant's parent is in receipt of a Carer's Allowance.⁹⁴ As this scenario concerns young entrants to the labour force, the analysis used national minimum wage rates for under 18s (€6.41 an hour) and for the first year of employment aged 18 (€7.32 hourly).

5.4 Household Weekly Income - Young DA Recipient + Parent on Carer's Allowance, €weekly

	No Earnings	Under18 NMW	Over18 NMW
	€	€	€
DA	188.00	120.50	103.00
Earnings	-	256.40	292.80
Parent's CA	204.00	-	-
Secondary Supports	33.66	33.66	33.66
Carer's Support Grant	33.69	-	-
Total Income	459.35	410.56	429.46
Withdrawal rate %	-	119	110

As Table 5.4 shows, the net family income **declines** if the young person moves from DA to full-time work. The withdrawal rates in relation to net family income here are over 100%. The loss of the Carer's payment (and the associated Carer's Support Grant) would exceed the gain in family income from the young person with a disability becoming an earner.

While over time the young person may have the potential to increase their earnings, and the parent may in time re-enter the workforce, the immediate financial position may pose strong disincentives for the young person to enter employment in the first instance. The scale of such disincentives is specific to the disability and care payments system, and does not arise to any similar degree for other school leavers at this transition point. This appears to be an unintended consequence of design of the current system.

⁹⁴ While it is not possible to estimate the proportion of school leavers on DA in this category, about half to two thirds of recipients of Domiciliary Care Allowance, payable in respect of under 16s with a significant disability, are on a carer's payment.

It is noted that young people with disabilities may qualify for Disability Allowance from age 16, an age at which young people generally would be in school. Some may transition from Domiciliary Care Allowance (DCA), a monthly, non-means-tested payment to a parent in respect of a child aged under 16 with a severe disability, who requires ongoing care and attention. While DCA is paid to the parent, and DA to the young person, the effect of graduation from one to the other is that total family income rises by approximately €118 per week.

5.4 Insurance-based payments

The main insurance-based payments for people with disabilities are Illness Benefit, Invalidity Pension, and Partial Capacity Benefit. Illness Benefit (29%) and Invalidity Pension (22%) together cover about a half of the disability recipient population, and 1% are on a Partial Capacity Benefit.

To qualify for any of these three schemes, the person must have had a minimum social insurance contribution and work record. Many of the recipients will have acquired their disability in the course of working life. Compared with DA recipients, there is a wider spectrum of potential hourly earnings, reflecting previous occupation and experience. The examples, as before, have been calculated for both recipients and their partners using the national minimum wage rate, with part-time work taken as 20 hours per week, and full-time at 40 hours.

It is a fundamental condition of qualifying for Illness Benefit and Invalidity Pension that the person is not working. However, people who have been six months on either scheme may apply to transfer to Partial Capacity Benefit where they can receive an appropriate fraction of their previous payment, depending on the degree of assessed incapacity, and have their earnings in addition.

While the primary recipient is not means tested, the earnings of a spouse may affect the level of any additional payments received for a partner or children. Unlike Disability Allowance recipients who are primarily single, a majority of Illness Benefit recipients have partners or children. However, most do not get qualified adult or child additions, which suggests that partners typically have significant earnings. Those on Invalidity Pension, like those on Disability Allowance, are mainly single (70%).

5.4.1 Illness Benefit and Invalidity Pension⁹⁵

Illness Benefit has a wide range of different possible payment rates, starting from €84.50 per week, which reflect previous earnings. Appendix 5 has worked examples of different possible payment rates. The maximum personal rate, as with Disability Allowance, is €188 per week, whereas the standard **Invalidity Pension rate** is slightly higher for both individuals (€193.50) and the qualified adult addition (€138.10). The analysis across different family types, therefore, gives very similar results for Illness Benefit and Invalidity Pension, with slightly higher replacement rates for the more generous Invalidity Pension scheme. Replacement rates are significantly lower on reduced-rate Illness Benefit rates.

For single people – about a third of all on Illness Benefit and about two thirds of those on Invalidity Pension – social welfare income, including secondary benefits, amounts to about two thirds of potential full-time earnings at the minimum wage. Family status significantly affects the degree to which it pays to work. Replacement rates are close to 100% for couple households with a child, irrespective of whether the partner is earning or not. Replacement rates are slightly higher where the partner is in part-time work compared to other earnings scenarios.

As with Disability Allowance, replacement rates are higher where there are dependent spouses or children than for someone without dependants, and are close to 100% for couples when the value of secondary benefits are taken into account, irrespective of a partner's earning status. The full rate of Invalidity Pension for a couple (no earnings) and one child is set above what a person could earn working full-time at the National Minimum Wage.

The total benefit payable declines sharply as a partner's earnings increase, up to the point where no qualified adult or qualified child allowances are payable; it then stabilises at the personal rate. This can give rise to complex interactions between the disability recipient's employment decisions and the earnings of a partner. The withdrawal rate in relation to a partner's earnings is zero where a partner earns below €100 per week; it can rise to about three quarters if a partner moves from part-time to full-time work at the national minimum wage, and it falls thereafter as a partner's income rises beyond the national minimum wage rate.

⁹⁵ The full analysis of these cases is set out in Appendix 5 with further details in the Working Paper.

5.4.2 Partial Capacity Benefit

Partial Capacity Benefit (PCB) is an insurance-based scheme introduced to enable people combine work and receipt of benefits. All recipients have previously been on Illness Benefit or Invalidity Pension. The current number of recipients is very small – 1,600 – and over 70% of current claimants do not claim for dependants. PCB recipients are free to work, and receive a graduated benefit based on their degree of incapacity (moderate, severe or profound), and on the level of the previous benefit they received, i.e. Illness Benefit or Invalidity Pension. Personal rates are set at half (moderate incapacity), three quarters (severe incapacity) or 100% (profound incapacity) of the preceding benefit scheme. Qualified adult and child allowances are those that applied to their original payment (they do not vary with assessed capacity), and are marginally higher for those who have previously been on Invalidity Pension.

The analysis in Appendix 5 shows that when income on Partial Capacity Benefit is compared with income on the preceding (Illness Benefit or Invalidity Pension) scheme, there is a distinct financial benefit, at all levels of incapacity, to switching to Partial Capacity Benefit; furthermore, the calculated Withdrawal Rates are low, where the person on Partial Capacity Benefit works enough hours to replace the payment foregone in order to work.

As with other insurance schemes, payments for a qualified spouse/child decline and then stop as a spouse's earnings increase. The effect on replacement rates is similar.

5.5 Summary and Policy Implications

The findings from this examination of recipients' incomes should be viewed in the light of the international research, the findings of the DA recipient survey and the submissions and feedback received from stakeholders. Taken together, these raise the following policy observations.

5.5.1 Disability Allowance is not generally a barrier to employment

In relation to Disability Allowance, the most important scheme in terms of recipient numbers, it is not clear that the payment constitutes a general barrier to taking up work. The 'headline' finding is that for a single person, DA is 55% (46%) of the net PT (FT) minimum wage, and over a range of modest earnings it allows recipients to retain an allowance and supplement their allowance with income from work. Equally, the combination of the evidence of the DA survey, the analysis by the Department of Social

Protection of claimant earnings records (in the background Working Paper) and the feedback from stakeholders, suggests that the DA means test may induce recipients to earn incomes up to about the level of the €120 threshold. This results, perhaps, in recipients feeling constrained into accepting only low paid work (or limited hours).

This raises questions about the design of the means test. In principle, the disregard of €120 could be increased; or the taper of 50% above the threshold could be adjusted; or the outright loss of secondary benefits once the DA is withdrawn could be modified; or a variety of other adjustments to the means test could be introduced. However, it is not clear that such adjustments – in the absence of wider policy change – would significantly enhance employment participation. Such changes might be desirable on other grounds such as simplification, or a need to keep the earnings disregards in line with inflation.

Critically, as the review of international experience showed, the evidence is that recalibration of tax-benefit systems designed to increase employment participation do not – in isolation – yield significant increases.

5.5.2 Significant financial barriers to work face school leavers previously on DCA

The analysis undertaken for the Report showed that there are particular financial barriers to employment facing young people and their families at the point of entering the workforce. Barriers on this scale do not arise for any other category of school leavers. These barriers are an unintended consequence of the current system's design. Young people with disabilities may receive a personal welfare payment while still in school, with DA (uniquely) payable from age 16. The possible interplay between a parent's entitlement to a Carer's Allowance and whether their child is in employment can adversely impact on total family income. The earnings of a young person in his/her first job are unlikely to be sufficient to compensate for the loss of other entitlements. Given the recognised importance of this key transition,⁹⁶ any financial disincentives in place at this crucial decision point could be of long-term significance. There is, therefore, merit in considering a redesign of the welfare system for young people with disabilities, to reduce barriers to employment while addressing support needs.

⁹⁶ The EU Disability Strategy has emphasised the importance of transitions from education to employment. Furthermore, international evidence shows that employment policy has had little impact in respect of people with disabilities for whom being out of work had become established – the best chance of success lies in encouraging new generations of school leavers or those who acquire a disability in adult life to be in work.

5.5.3 The Medical Card really matters in the decision to take up employment

The detailed assessment of the means tests and entitlements to non-cash, secondary benefits, shows that the loss of the Medical Card (on grounds of means) occurs at relatively low levels of earnings (in the range above €120 for a single recipient) and may combine with tapered reductions in DA to create uncertainty and strong disincentives. The potential effects of the combination of the DA and Medical Card means tests should be considered in the light of the DA survey and feedback from stakeholders. Many DA recipients have chronic, recurrent, or intermittent conditions and understandably attribute significant value to the security of the Medical Card. Notwithstanding the current provisions for Medical Card retention for three years on taking up work after a year on social welfare, recipients perceive the combination of means tests as a threat to that security, given the enduring nature of their disability. The overview of other countries' provisions should also be recalled: Ireland is exceptional in adhering to a model of health care entitlements that reduces core entitlements for people with disabilities as incomes rise above a modest threshold. The OECD's Report (2015) *Breaking the Barriers: A Synthesis of Findings Across OECD Countries* argued that health and other entitlements related to a person's disability should not be affected by benefit or labour market status.

A reform of the Medical Card means test is central to any policy change focused on reducing perceived barriers to employment for people with disabilities.

5.5.4 Payments for family members increase replacement ratios

Throughout the cases analysed in more detail in the Working Paper and presented in Appendix 5, one feature of the overall benefit system that affects all welfare payments, including those related to disability, is the role of qualified allowances for adults and children. These generate higher replacement rates, make the system more complex, and affect the incomes and choices of recipients' partners as well as recipients themselves. This underlying feature of the benefits system, will, by definition, impart higher welfare/net earnings figures for recipients in receipt of these allowances relative to recipients with no dependants. The complexity of these interactions for employment choices made within families suggests that there should be specialist information assistance available for couples who want to explore how employment choices for either partner would affect total family income. This could be offered by specialist case workers, who have training and expertise in assisting people with such calculations, either in the Department of Social Protection's Information service, in Intreo Centers, or by the Citizen's Information Service.

5.5.5 The overall system is highly complex

The details given in the analysis of benefits, the description of current arrangements and the dependency-based character of the benefit system all reveal the striking complexity of the system and the variation across schemes. For example, earnings disregards vary between JA and DA; the value of qualified allowances differs by scheme, the treatment of spouses' incomes is different for Invalidity Pension, and so on. This complexity reflects the incremental way in which the benefit system for persons with a disability has built up over time, with adjustments to the system to meet very specific and varied circumstances. However, this level of complexity imposes costs on recipients and can result in quite complex 'packages' of income for recipients and their families. Combined with the sheer difficulty recipients have in interpreting rules and entitlements, this may tend to create the cautious, risk-avoiding behaviour recorded in the feedback from stakeholders to the Group. The international evidence is that prospective or perceived losses (of a Medical Card or benefit income, for example) strongly influence choices even where people would actually be better off.

5.5.6 User-friendly information is needed

The complexity of the current benefit system requires the Department of Social Protection and other Departments to develop sophisticated systems of information dissemination; one example of a development required is the availability of a 'ready-reckoner' to allow recipients (and prospective recipients) to access key rules about benefits and to assess the implications of employment-related choices. More widely, the complexity of the system suggests that the Intreo Service should be considered as a key mechanism for imparting information to people with a disability using this service.

5.5.7 A fundamental review merits consideration

The issues arising from the analysis in this Chapter, and the Report more generally, suggest that the scope to increase employment within the existing system may be limited and that there may be a rationale for a more fundamental, long-term review of the benefits system for persons with a disability. Such a review would require a detailed examination of how a restructured benefit system, in place of DA, would more fully achieve key objectives such as: early intervention, simplicity, acceptable replacement rates. This kind of review lies beyond the scope of the present Report.

Chapter 6 sets out the 24 recommendations of the Make Work Pay Interdepartmental Group.



6

Chapter Six

Findings and Recommendations

Sets out the main findings and the recommendations of the Make Work Pay Interdepartmental Group. These are grouped, under four broad headings:

- Reconfiguring the system of payments and supports to ensure that work pays.
- Promoting early intervention
- Communicating effectively that work pays
- Future-proofing

6.1 Introduction

This Chapter summarises the Group's findings, draws out the key conclusions, and sets out the recommendations, which are based on the issues identified throughout the Report.

The Group took a cross-government approach to address the financial and related barriers to employment for people with disabilities. Consequently, the implementation of the recommendations which follow will require coordinated action by various Government Departments and State Agencies. The Group acknowledges that responsibility for detailed implementation of the recommendations will fall within the competence of individual Departments and Agencies.

Section 6.2 summarises the principal findings. Section 6.3 explains how the recommendations in response to these findings are set out under four headings, which are presented in Sections 6.4-6.7. Section 6.8 outlines some of the cost implications of the recommendations made and Section 6.9 presents some concluding comments.

6.2 Summary of principal findings

The principal findings emerging from the previous chapters are:

- **There is significant interest in work among people with disabilities**
People with disabilities are half as likely to be at work as their peers without a disability. While ill-health and significant disability are factors, there nevertheless remains significant interest among people with disabilities in getting work if the supports and circumstances are right. Most of those not at work would be likely to choose part-time work, given the health and stamina issues often related to disability.

- There is no ‘stand-out’ approach internationally**

There is no stand-out approach to making work pay for people with disabilities. Ireland’s provisions in this area are generally in line with those in other developed countries, except that our withdrawal of health entitlements for people with disabilities above very modest earnings is unusual. The impact of incentives to work is modest; and, conversely, financial disincentives constitute just one of a range of barriers to raising employment of people with disabilities.
- The system facilitates people with disabilities to combine work and welfare**

Disability Allowance recipients account for nearly half of all those who get disability related social protection payments. This scheme allows recipients to engage in “rehabilitative” work. Some entitlement to Disability Allowance is retained up to earnings of €423 a week. Up to 10% of all Disability Allowance recipients combine work and welfare. Illness Benefit and Invalidity Pension account for almost all others on a social protection disability payment. Recipients of the Illness Benefit and Invalidity Pension schemes can apply to switch to Partial Capacity Benefit to combine earnings with a proportion of their previous social protection payment.
- Work for most disability recipients pays better than social protection payments**

Almost 80% of social protection recipients, across all disability schemes, do not claim for dependants. With an important exception (school-leavers, see below), in financial terms, a single person on the minimum wage would be financially better-off working, if secondary benefits are not counted. However, people with dependent partners and children generally need to earn substantially more than the minimum wage to offset any loss of qualified adult and child additions to their welfare payment.
- School-leavers are an important exception**

An important exception, however, is young people living with parents or guardians who are in receipt of Carers Allowance. Overall family income could actually fall if a young person on Disability Allowance takes a job, depending on what they earn.
- Retention of the Medical Card is critical**

The loss of the Medical Card at very low earnings (€120 a week) is the biggest single concern for people with disabilities who are considering

taking up or returning to work. Loss of Medical Card can affect eligibility for required disability aids or assistive technologies.

- **Loss of secondary benefits is a key issue**

Loss of secondary benefits affects whether it pays to work. The loss of Free Travel, the Household Benefits Package, and the Living Alone Allowance, for those eligible, are important considerations for people with disabilities.

- **People are reluctant to leave the security of the social protection safety net**

In line with international findings, people with disabilities are reluctant to leave the security of the social welfare safety net. Continuity and security of access to key supports, including the Medical Card, and services, are very important for people living with a disability. The evidence shows that people on Disability Allowance, who work, typically have average earnings around €120 a week; this is precisely the point at which long-term entitlement to a Medical Card would be withdrawn, and where tapered reduction of Disability Allowance begins.

- **Perceived disincentives, not only actual ones, affect behaviour**

The international evidence is that when people think they would not be better off in a job, it is that perception and not the actual position which affects their behaviour. The system of social welfare and other supports for people with disabilities is complex, making it hard for individuals to calculate if they would be better off in work or not.

- **Transport to work**

Suitable, affordable transport to get to work which is available to people with disabilities is an important consideration.

- **Early intervention is critical**

International experience shows that once people with a disability become long-term jobless, only a tiny minority ever take up employment. Therefore, early intervention is critical to support initial employment or early return to work before joblessness becomes established. Critical points are when young people with disabilities leave education, or when an adult experiences onset of a disability in the course of working life.

6.3 Approach to recommendations

The Group's principal concern was to ensure that people with disabilities could be assured that they would be at least as well off if they were working than if they were not, and that their support needs could be met.

Accordingly, the Group proposes 24 recommendations, which are set out under four broad headings:

- **Reconfiguring the system of payments and supports to ensure that work pays:**

This set of recommendations is focused on specific changes to reduce current financial barriers, and specifically includes a significant recommendation on Medical Card eligibility. This set also includes some proposals designed to give people the confidence to try employment, without risking losing entitlement to benefits in the event that things do not work out in a particular job.

- **Promoting early intervention:**

These recommendations reflect the importance of keeping strong connections between people with disabilities who wish to work and the labour market. They support the broader policy objectives and actions under the Comprehensive Employment Strategy for People with Disabilities, and are seen by the Group as critical to raising employment rates among people with disabilities.

- **Communicating effectively that work pays:**

The third set of recommendations are designed to ensure that people have access to clear authoritative and user-friendly information that allows them work out their income and benefits situation if they were in employment. The Report acknowledges the critical role the Department of Social Protection's Intreo Service will play in working with people with disabilities at the local level.

- **Future-proofing:**

This set of recommendations identifies future actions to ensure that the reforms introduced on foot of this Report are subject to a review process to determine whether they are achieving their aims and are still relevant and fit for purpose.

In the case of each recommendation, the responsible bodies (Departments/ Agencies) are identified and the associated timeframes for proposals and implementations are set out.

In proposing these sets of recommendations, the Group recognises that, while these changes would be necessary to support more people with disabilities to become employed, they will not be sufficient in themselves to raise employment levels significantly. The evidence from other jurisdictions is that improving work incentives generally has a modest effect on overall employment levels of people with disabilities, and it is those already closest to the labour market – younger people, those with better levels of education, those with recent work experience – who are most likely to respond.

Raising employment of people with disabilities is a long-term project, and requires a wide-ranging suite of measures, as set out in the Comprehensive Employment Strategy for People with Disabilities, to address the many different factors and barriers involved.

6.4 Reconfiguring the system of payments and supports to ensure that work pays

6.4.1 Access to supports

For people with disabilities and their families, an overriding consideration is that they will continue to be able to get the supports they need to live with and manage their disabling condition. Where there is any significant uncertainty in that regard, people will tend to err on the side of caution, even if that means forgoing employment opportunities that could potentially raise their incomes and could bring other benefits of social inclusion and personal development. The Medical Card is the most important support in this respect, as it gives access not only to free medical care and prescription drugs, but is also a passport to therapy supports and the provision of prescribed disability aids such as wheelchairs.

6.4.2 Medical Card

In Ireland Medical Card eligibility is based on assessment of means (see Chapter 2, and Appendix 3 at 2.3). Whilst the Group acknowledges the concerns of stakeholders in relation to eligibility for Medical Cards, the findings of the 2014 report of the Expert Panel on Medical Need for Medical Card Eligibility (“Keane Report”) include that income should be retained as the main criteria for eligibility; this Report states that “it is neither feasible nor desirable to list conditions in

priority order for Medical Card eligibility. A listing approach risks inequity by diagnosis and a further fragmentation of services”.

The Group’s proposals do not go down the diagnosis route, but suggest some modification of the general income criteria for award of a card where somebody is/has been in receipt of a long-term disability payment.

In International terms, Ireland is unusual among developed countries in that eligibility for free medical care and assistive technology is withdrawn from people with disabilities at a low income threshold. In the US, where similar circumstances apply, the evidence is that potential loss of medical benefits inhibits people with disabilities from working. In Ireland, there is evidence that potential loss of the Medical Card has a similar impact. For people on Disability Allowance, the potential loss of the Medical Card above the €120 earnings point is a key factor in making this the de facto earnings ceiling. This happens despite the fact that under social welfare rules, people could earn up to €423 a week, and still retain a Disability Allowance, albeit at a reduced rate. Successive consultation exercises over the last fifteen years with people with disabilities and their stakeholder groups have confirmed that the loss of the Medical Card is seen as the key barrier to increased employment. The Medical Card is retained for an initial three years after taking up or resuming work, when the person has been on a relevant welfare payment for a continuous period of a year. This temporary period does not appear to offer people with a life-long disability sufficient reassurance that they can continue to afford to meet their medical, therapeutic and assistive technology needs.

The possibility for people with disabilities to retain the Medical Card for three years after they return to work is in line with similar return-to-work provisions for long-term unemployed or lone parents. The Group values the 3-year retention provision, but considers additional measures are necessary, both to encourage return to work, and to extend eligibility for Medical Card support to those with long-term disabling conditions who have modest earnings. The higher income thresholds applying to those aged 70 or over could be seen as offering a precedent for a concession on those lines.

At present people on Disability Allowance, whose sole income is comprised of that payment and up to €120 a week in earnings from rehabilitative employment, continue to qualify on income grounds for a Medical Card. A significant proportion of Invalidity Pension recipients are also likely to hold a Medical Card on income grounds; this would include, for example, those who have no supplementary income from an occupational pension or sick pay scheme, and who have no spousal income.

People on long-term disability payments tend to remain on such payment for life, or until they qualify for a State Pension on reaching age 66, and accordingly retain their Medical Card for life. Relaxing the earning conditions under which people with

disabilities retain their Medical Cards should, therefore, have a negligible impact on the cost of the Medical Card scheme, as those who could potentially benefit from the change would otherwise have retained their Medical Card for life.

The current rules for full or partial disregard of earnings for Disability Allowance, and linked rules for the Medical Card scheme, require the individual to provide evidence, such as a doctor's letter, that the work is 'rehabilitative'. No equivalent condition is applied to those combining welfare and work on the Partial Capacity Benefit scheme. The Group recognises that employment brings personal and social benefit, and that an additional requirement to prove it is 'rehabilitative' is unnecessary. Furthermore, the extra step involved, if it entails delays, could put at risk whether a job remains on offer to an individual with a disability.

Many of the essential disability aids/assistive technology prescribed (such as wheelchairs or hearing aids) are expensive items for anyone who would have to buy them at intervals from their own pocket. This includes those who do not have a Medical Card, are not in the Long-term Illness Scheme or are not supported under another arrangement. The Group recognises that the costs of renewing such equipment at regular intervals can be a deterrent to people either to take up a job or remain in work.

Recommendations:

1. Raise the Medical Card earnings disregard from its current level of €120 per week for people on Disability Allowance or on Partial Capacity Benefit associated with Invalidity Pension. This reflects the Group's view that this is the single most significant barrier for people with disabilities, and that the disregard should be increased substantially. *Responsible Department/Agency: Department of Health/HSE*

- Recommended time frame for proposals: Q4 2017
- Recommended time frame for implementation: Q4 2018

2. a. Dispense with the requirement that work be of a 'rehabilitative nature' for Medical Card earnings disregard purposes. *Responsible Department/Agency: Department of Health/HSE*

- Recommended implementation time frame: By Q4 2017

- b. Dispense with the requirement that work be of a 'rehabilitative nature' for the Disability Allowance earnings disregard. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2017

3. Develop and bring forward proposals to address access to or affordability of necessary aids/ appliances/ assistive technology required for everyday living for those people with disabilities whose entry, retention or return to work could be jeopardised by being unable to afford these items, given the level of employment income, and whose needs are not met by other schemes of assistance. *Responsible Departments/Agencies: Department of Justice and Equality, with support from the National Disability Authority, and in collaboration with Department of Health, HSE, Department of Social Protection*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Q4 2018

6.4.3 Transport costs and availability

Strategic Priority 2 of the **Comprehensive Employment Strategy** notes that significant progress has been made under the **National Disability Strategy** in developing accessible public transport. However, successive consultations have consistently highlighted the issue of additional costs for people with disabilities associated with transport to work. The absence of appropriate and affordable transport can be a barrier for people with disabilities in accessing job opportunities, training or activation programmes.

6.4.3.1 Free Travel

For anyone looking at employment options, the cost of getting to work is something that has to be factored in when considering whether it pays to take a job. The potential loss of the Free Travel concession is an additional financial consideration for people on long-term disability payments like Disability Allowance and Invalidity Pension⁹⁷.

⁹⁷ Free Travel may be lost where a person's earnings exceed the maximum threshold for Disability Allowance, or when means tested after two years on Partial Capacity Benefit associated with Invalidity Pension.

The Group therefore sees merit in allowing entitlement to Free Travel to continue for a limited period while a person is becoming established in a job.

Recommendation:

4. Allow people on a long-term disability payment who move off the payment to get a job to retain entitlement to the Free Travel Pass for a period of three years, similar to the current entitlement to retain a Medical Card. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q1 2018

6.4.3.3 Transport availability

In addition to costs, for some people with disabilities, there is also a question of the availability of suitable transport. While significant progress has been made on making public transport services accessible to people with disabilities, many homes are not on public transport routes, and some people cannot reach public transport even if available. These people need door to door transport.⁹⁸ About 15% of people with a disability are users of specialist disability transport. In general, such transport is only made available to bring people to school or to a disability service or day programme, and is not available to those wanting to travel to work.

A number of different agencies are involved in the area of transport provision or subsidy for people with disabilities. The Department of Transport Tourism and Sport has overall responsibility for transport policy, including the accessibility of public transport services and infrastructure. Other Departments, including the Department of Health, the Department of Social Protection and the Revenue Commissioners, operate various supports, while the Department of Justice and Equality has a coordinating role in relation to Government policy on disability. The different schemes of provision and subsidy generally operate in isolation from one another, and do not necessarily offer a coherent system of available and affordable transport to people with disabilities trying to access employment.

⁹⁸ In the National Disability Survey, 17% of respondents interested in work cited accessible transport as something they would require in order to work.

Recommendation:

5. Undertake a review of transport supports encompassing all Government funded transport and mobility schemes for people with disabilities, to enhance the options for transport to work or employment supports for people with disabilities, and to make proposals for development of a coordinated plan for such provision. This Plan should have regard to making the most efficient use of all available transport resources. *Responsible Departments/Agencies: Department of Justice and Equality, in partnership with the Department of Transport, Tourism and Sport, and with support of the National Disability Authority, Department of Health, HSE, Department of Social Protection, Pobal, Department of Finance, Revenue, Department of Public Expenditure and Reform*

- Recommended initiation date: Q2 2017
- Recommended time frame for proposals: Q4 2017

6.4.3.2 Department of Health Transport Support Scheme

People who cannot readily use mainstream transport options, whether because of a mobility impairment, a cognitive difficulty or a severe vision impairment, may face significantly above average costs to get to work; for example, cost is notably higher if a taxi is the only feasible option. Unless they meet the conditions for the Disabled Drivers and Passengers Scheme, there is currently no assistance with such exceptional costs.

The former Motorised Transport Grant scheme had a particular focus on supporting people with disabilities to buy or adapt a car for work purposes. This scheme has been terminated. The former Mobility Allowance Scheme, which offered means tested monthly financial assistance towards transport costs, is also closed to new entrants. The Department of Health is developing a new Transport Support Scheme.

Recommendation:

6. The Transport Support Scheme currently being developed by the Department of Health should seek to avoid creating financial barriers for people with disabilities who will be eligible under that scheme and who wish to access employment supports or further their employment ambitions. *Responsible Department/Agency: Department of Health, HSE*

- Recommended implementation time frame: By Q4 2017

6.4.4 Fast-track benefit reinstatement where a job does not work out

The Group heard evidence that there is a significant degree of fear among people with disabilities about what could happen if they leave the security of a welfare payment (and the associated secondary benefits) to take a job, and it does not work out. For example, the job may not prove sustainable because it is a poor fit given the nature of the individual's disability or stamina levels, or because of a health relapse. Disability organisations underlined the lengthy process and paperwork involved for individuals to qualify for benefits in the first instance, and their fears about the difficulty of requalifying for these benefits if they found themselves out of work once more. This anxiety was in particular emphasised by mental health groups. Other countries, such as Canada, Sweden and the US, have provided 'fast-track' mechanisms to requalify for payments for an interim period after taking up work.

While the Department of Social Protection and the Health Service Executive make every effort to expedite requalification for social welfare payments and for Medical Cards respectively, the Group acknowledged that these fears constitute a real issue for people with disabilities. The Group therefore recommends that the mechanisms for reinstatement of benefits be formally reviewed. It also recommends that there be a clear and proactive information strategy to communicate to individuals on Disability Allowance or Partial Capacity Benefit the procedures and the speed at which benefits would be restored.

Recommendations:

7. a. Put in place and promote a system for fast-track reinstatement of Disability Allowance, Illness Benefit or Invalidity Pension to people with disabilities who have returned to work, and have subsequently had to leave their job within one year. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q1 2018

- b. Put in place and promote a system for fast-track reinstatement of the Medical Card for people with disabilities who have lost it on return to work, and have subsequently had to leave their job within one year. *Responsible Department/Agency: Department of Health, HSE*

- Recommended implementation time frame: By Q1 2018

6.4.5 Address fears of being disqualified for benefits on seeking work

The Group heard evidence that people with disabilities fear that enquiries about employment could trigger a reassessment of their current entitlement to a disability payment.

Consultation with stakeholders suggested that some people with a disability are reluctant to enquire, in the first instance, about supports available to access employment and accordingly do not pursue employment and training opportunities. This is something the Group believes can be addressed, without changing the rules of any scheme, through adoption of standard operating procedures for dealing with queries of these kinds.

Recommendation:

8. Establish a formal protocol in the Department of Social Protection/Intreo service that an enquiry from a person on a long-term disability payment about taking up or returning to work will not result in a review of their current entitlements. Communicate this message through all appropriate channels and face-to-face with disability claimants. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: Q4 2017

6.5 Promoting Early Intervention

The success of any measures designed to ensure, as far as possible, that it pays people with disabilities to work, and that it is known to pay to work, depends on the interplay of the returns from employment for the individual with other factors that affect the decision to work.

A key finding of the national and international literature is that once joblessness has been established for any length, only a tiny fraction of people with disabilities ever

return to the workforce. Those who respond to better incentives to work tend to be those who have more recent work experience, or are younger. This reinforces the importance of early intervention. It is critical at the key turning points when a person may enter or re-enter the workforce, or otherwise, that work pays, and is seen to pay.

The Group's proposals in this section are intended to strengthen and deepen the Comprehensive Employment Strategy for People with Disabilities.

6.5.1 Early intervention and young people

The Group acknowledges that income support for young adults with a disability can play an important role in supporting them to engage in education and training, and to meet any additional costs they may face, compared to their peers, because of their disability.

Under the present system, young people can qualify for a Disability Allowance from the age of 16, at a rate of €188 a week, on the basis that they have a significantly diminished capacity to work. This assessment is made at an age when the young person has not completed his or her education or any period of post-school education or training. Once made, this assessment of incapacity to work is almost never reversed. The Group believes it is inappropriate to make any definitive determination of a young person's degree of employability before they have completed their schooling and their post-school education or training. The early labelling around 'incapacity to work', sets a scene where young Disability Allowance claimants are discouraged from attempting employment, and may be embarking on a lifetime of joblessness.

The Group accepts the arguments made by the Advisory Group on Tax and Social Welfare⁹⁹ that the minimum age for payment to the individual be raised to age 18, in line with normal completion of second level schooling, and the minimum age for other weekly payments.

The Group noted that these proposals have not been implemented, and acknowledged that there were/are a number of valid concerns that need to be addressed before any such change can be introduced. However, when considering the best interest of the young person, the Group holds the view that the award of disability allowance at age 16, before the young adult has had time to develop his or her full employment potential through education and training, does not support the young adult to achieve his or her employment ambitions. Moreover, as this Report clearly demonstrates, such an award at a young age will, in the vast majority of cases, lead these young adults to a lifetime outside the workforce. The Group is of the view that the State should proactively make

⁹⁹ Advisory Group on Tax and Social Welfare (2013) Second Report: Review of Budget 2012 Proposals Regarding Disability Allowance and Domiciliary Care Allowance. Dublin: Department of Social Protection

available the range of education, training and other supports to the young adult with disability at this critical point in their life, to enable them to fulfil their employment ambitions, similar to their peers.

However, the Group also recognises that the current system may create an expectation amongst parents, of even very young children, that disability allowance will be awarded at age 16. Considering the fact that this proposal has been made previously, the approach recommended for implementation will require wide consultation with disability advocacy groups and parents to ensure that the focus remains on achieving the best possible outcomes for the young people involved.

The Group considers that the focus between the ages of 18 and 22 years for young people with a disability should be on education, training and social inclusion, to enable the young person to participate in society according to their capacity, and to fulfil their employment ambitions.

Recommendation:

9. Reconfigure the Disability Allowance scheme for new entrants to give effect to the principle of early intervention, as follows:
 - a. Support for 16-18 year olds with significant support needs, which is currently paid by means of Disability Allowance, to be paid via Domiciliary Care Allowance up to 18 years of age;
 - b. Explore possibilities for the reform of the structure of the Disability Allowance for those between the ages of 18-22 to focus on participation in education, training and/or social inclusion according to individual capacity.
- Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2018

6.5.2 Return to work

Where return to work is delayed after onset of a disability, it becomes progressively less likely that the person will ever resume work. Furthermore, there is evidence for Ireland that after six months absence, a majority of private sector workers no longer had a job to which to return¹⁰⁰.

Recommendations:

10. Apply the principle of early intervention across all illness and disability schemes, adapting existing schemes where necessary to give effect to this principle. Where required, recalibrate the system of supports and benefits to facilitate early intervention for people with disabilities, who have the capacity for, and interest in, work. *Responsible Department: Department of Social Protection*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

11. Offer case officer support and other supports through the Intreo service at the earliest possible opportunity, and work with individuals with disabilities to develop a personal progression plan. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2018

Partial Capacity Benefit scheme

A review of the Partial Capacity Benefit scheme undertaken by the Department of Social Protection has highlighted features of the scheme that could be improved from an early intervention perspective. A point also raised with the Group was a reluctance of individuals to apply for Partial Capacity Benefit because of fears of being labelled as having a 'mild' level of incapacity, and forfeiting entitlement to their primary payment. The Group therefore recommends that the Department of Social Protection should move to implement as soon as possible the recommendations in the recent review of Partial Capacity Benefit.

¹⁰⁰ WRC (2008) *Acquired Disability and Employment*. Dublin: Department of Enterprise Trade and Employment

Recommendation:

12. Implement the recommendations of the Department of Social Protection's Report on the Review of the Partial Capacity Benefit Scheme which focus on capacity, early intervention and back to work planning, subject to Government approval. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q4 2018

6.6 Communicating Effectively that Work Pays

6.6.1 Develop a comprehensive communications strategy

The Group considers it essential that there be clear, user-friendly and authoritative information made available to people with disabilities that could illustrate what net income might be in a job. This Group believes that an excellent approach would be to build on the success of the on-line Ready Reckoner developed for Jobseekers.

The Group also recommends a pro-active communication strategy aimed at ensuring that information on how it pays to work would reach people with disabilities through the regular information channels they would use, and in ways they find accessible.

Recommendations:

13. Develop a basic ready reckoner to enable people with disabilities to calculate the likely net monetary value of taking up or going back to work. This would cover basic tax and welfare entitlements, and indicate whether the person would be eligible on income grounds for a Medical Card. *Responsible Department: Department of Social Protection*

- Recommended implementation time frame: By Q2 2018

14. Develop a proactive and ongoing strategy to communicate clear, simple, and accurate information in a user-friendly way on what benefits people with disabilities will keep if they are in employment. This strategy should include the following steps:
- Provide clear information on the website of the Department of Social Protection as the lead Department in this area, with cross-links to relevant information from other Departments (e.g. on Medical Card entitlement) and to www.citizensinformation.ie. Include information on fast-track return to benefits.
 - Develop dedicated information on www.citizensinformation.ie and on the microsite www.gettingbacktowork.ie around employment for people with disabilities and associated benefits that would be retained.
 - Provide for the information to be available in accessible formats as required, such as Easy to Read, and a signed video with subtitles.
 - Provide training for Citizens Information Centres in the operation of the Ready Reckoner, and how to build on this to provide a more personalised individual assessment of a wider range of benefits in more complex circumstances.
 - Ensure front-line staff in Intreo Offices are trained to know how to access the relevant information, how to operate the Ready Reckoner, and how to refer a client to the local Citizens Information Centre for assistance with a more detailed financial and benefits assessment of complex circumstances.
 - Agree formal referral paths from Intreo Offices to local Citizens Information Centres or the Citizens Information Phone Service. Develop information leaflets/messages targeted at people leaving long-term disability payments to enter a job.
 - Develop some simple clear messaging around 'It pays to work'.

Engage with the national disability organisations, including those representing individuals themselves and parent and sibling organisations, and with disability service providers, around where to get this information, and around how to communicate it to people with disabilities through their normal channels.

Responsible Department/Agencies: Department of Social Protection, Citizens Information Board, National Disability Authority

- Recommended implementation time frame: By Q1 2019

15. Extend inter-agency protocols, where relevant, to include referral of people with disabilities to authoritative sources of information and guidance on the financial and other aspects of employment. *Responsible Departments/ Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE, Department of Education and Skills, Education and Training Boards, Department of Housing, Planning, Community and Local Government, Local Authorities, Disability Service Providers*

- Recommended implementation time frame: By Q1 2019

6.6.2 Develop the Intreo Service's capacity to support people with disabilities to get jobs

The Department of Social Protection's nationwide Intreo service, along with Citizens Information Service and other State funded agencies, have roles in communicating the supports that are available for people with disabilities who wish to fulfil their employment ambitions. The Group acknowledges that the role of the DSP Intreo service has recently been extended to support individuals with disabilities who wish to work, and initial training to support that role has been delivered.

The Group heard evidence from stakeholder groups in the disability sector of some wariness concerning the Intreo Service's activation role in relation to supporting people with disabilities. The Group believes it will be important for Intreo Service to build confidence among people with disabilities, through excellent communications, the quality of its services, and through forging good links with other relevant bodies particularly at local level.

The Intreo Service has a pivotal role in supporting people with disabilities into jobs, but will need to work closely with others including EmployAbility companies, disability service providers, education providers and others. A shared commitment to supporting people's capacity to work should inform that endeavour.

The Group considered the following measures would help strengthen the capacity of the Intreo service.

Recommendation:

16. Develop and strengthen the capacity of the Department of Social Protection Intreo Service to support people with disabilities to get and maintain employment by:
- Designating Intreo as the first point of contact for people with disabilities interested in work. *Responsible Department: Department of Social Protection*
 - Developing the Intreo Service as a welcoming and supportive environment for people with disabilities, with a personalised approach to each case. *Responsible Department: Department of Social Protection*
 - Facilitating the attendance of a family member, friend or advocate to support the person with a disability throughout the engagement, if the person desires. *Responsible Department: Department of Social Protection*
 - Training Intreo Service Case officers and other front line staff to work with people with disabilities, to identify their needs, and support them to fulfil their employment ambitions, in accordance with their capacity. *Responsible Departments/Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE, Department of Education and Skills, Education and Training Boards, Department of Housing, Planning, Community and Local Government, Local Authorities*
 - Designating named case officers at Intreo Centres to support people with disabilities interested in taking up work. *Responsible Department: Department of Social Protection*
 - Provision by the Intreo Service of a continuum of support to the person with disability as they transition into work. *Responsible Departments/Agencies: Department of Social Protection (Lead), EmployAbility, Department of Education and Skills, Department of Health, HSE*
- Recommended implementation time frame: By Q1 2019

Recommendation:

17. Develop a suite of protocols with the range of State-funded Disability Service Providers to work in partnership with Intreo offices to advance common objectives, and support people with disabilities to fulfil their employment

ambitions, in accordance with their capacity. *Responsible Departments/Agencies: Department of Justice and Equality and the National Disability Authority to facilitate development of the protocols, working with the Department of Social Protection and The Citizens Information Board*

- Recommended implementation time frame: By Q1 2019

18. At local level, review and revise existing protocols and service level agreements with State service providers (including HSE offices, Education and Training Boards, EmployAbility, Local Enterprise Offices, Local Employment Services, Jobs Clubs, Community Resource Centres) to reflect the opportunities now available at Intreo Offices. *Responsible Departments/Agencies: Department of Social Protection, EmployAbility, Department of Health, Department of Education and Skills, Department of Housing, Planning, Community and Local Government, HSE, Local Authorities*

- Recommended implementation time frame: By Q1 2019

6.6.3 Help people to navigate complex information

The system of welfare payments and secondary benefits is a complex one, as is the tax, PRSI and USC system. There may also be interactions with the individual's personal or family circumstances, with a carer or spouse's income, and with differing costs associated with going out to work. People may qualify for a range of different secondary benefits, which could depend on their housing tenure, their health condition, or the specific form of disability. Different schemes use different definitions of household, different definitions of income, or different definitions of disability. All of this makes it difficult for individuals to calculate how they would fare financially in a job. This lack of clarity means that some people may believe, wrongly, that in their own circumstances it would not pay to work.

The social welfare system, across all schemes, makes additional payments in relation to financially dependent spouses and children. There can be complex interactions between decisions taken by one spouse to increase their earnings that can affect the net household income.

People with disabilities interact with many different public agencies and personnel in the course of their daily lives. An important practical principle is that there should be

'no wrong door' when they look for guidance or information in relation to employment, benefits or income – frontline staff they deal with should be able to redirect them to authoritative sources of advice and information, where they do not have that information themselves.

Recommendation 19 commends fast-track return to benefits. It is important that whatever arrangements are made in this respect are communicated effectively through frontline staff in Intreo offices and through the various channels set out in Recommendation 14 above. The aim is to give authoritative reassurance to people with disabilities that their benefit will be quickly restored if employment doesn't work out.

Recommendation:

19. Provide clear information on the procedures for fast-track return to benefits, any paperwork the individual must supply, and the target timescale for restoration of a person's benefits. Provide clear information on any interim arrangements (e.g. payment of Supplementary Welfare Allowance while awaiting award of the substantive payment). Communicate this information: on the Department of Social Protection and HSE websites; through Intreo case officers working with individuals; through direct communication with individuals exiting a welfare payment to take up work; through disability organisations; and through Citizens Information Centres. *Responsible Departments/Agencies: Department of Social Protection, Citizens Information Board, Department of Health, HSE*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

6.7 Future-Proofing

The Group's recommendations are designed to build on actions in the CES in relation to employment for people with disabilities, some of which are already in place. Support systems, be they medical care, assistive technology, transport, or the service of the Intreo Offices, must all align with the goal of supporting people to work where they so choose.

6.7.1 Minimise complexity and maintain incentives to work

It is important to ensure that, as other schemes and policies change, transparency is reinforced and positive incentives to work are maintained.

While some degree of complexity is unavoidable to address the diversity of disability and individual family circumstances, other layers of complexity owe more to historical development of schemes in isolation from one another. The Group considers that, when schemes are being reviewed or modified, the opportunity to simplify should be taken where that is practical and fair. Furthermore, the introduction of new schemes should not introduce any unnecessary further layers of complexity or any disincentives to work.

Recommendation:

20. Formally proof all new schemes or reforms at design stage to minimise complexity, and ensure that a person with a disability, who is interested in work, is supported and is not financially disadvantaged by taking up employment.
Responsible Departments/Agencies: Department of Social Protection, Department of Health, HSE, Department of Education and Skills, Department of Jobs, Enterprise and Innovation, Department of Transport, Tourism and Sport, Department of Housing, Planning, Community and Local Government, Local Authorities, Revenue

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

The Group is conscious that developments in the wider economy, such as inflation and increases in the minimum wage, can impact over time on the value of the Disability Allowance earnings disregard and hence impact on financial incentives to work.

The Group therefore recommends that the Department of Social Protection should review the earnings disregard at regular intervals, taking cognisance of developments in the wider economy.

Recommendation:

21. Review the Disability Allowance earnings disregards at regular intervals, taking into account developments in the wider economy. *Responsible Department: Department of Social Protection*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

6.7.2 Review at regular intervals

Any set of policies or proposals needs to be reviewed at periodic intervals to determine whether they are achieving their aims, and are still relevant and fit for purpose. The Committee established (under the Chairmanship of Fergus Finlay) to oversee implementation of the Comprehensive Employment Strategy for People with Disabilities, should, on an annual basis, review progress on implementation of the recommendations of this Report that are adopted by Government, and evaluate what outcomes are being achieved as a result.

The Group also advises that its work in reviewing income supports, secondary benefits and incentives to work for people with disabilities should be revisited every five years. To support these oversight and review processes, the Group advises that data collection and analysis capacity should continue to be strengthened in relevant Departments and Agencies.

Recommendations:

22. Every five years, conduct an evaluation of policies in relation to income and other supports for people with disabilities (including earnings disregards, Medical Cards) from an employment perspective. *Responsible Departments: Department of Social Protection, Department of Health*

- Recommended initiation date: Q2 2017
- Recommended implementation time frame: Continuous

23. Continue to strengthen data collection efforts and the research and evaluation capacity to inform policy making in this area. *Responsible Departments/ Agencies: Department of Social Protection, Department of Health, HSE, National Disability Authority, Department of Education and Skills*

- Recommended implementation time frame: Continuous

24. Incorporate an annual review of delivery of actions recommended in this Report and the outcomes achieved in the reviews of progress under the Comprehensive Employment Strategy for People with Disabilities 2015-2024. *Responsible Department: Department of Justice and Equality*

- Recommended initiation date: Q4 2017, and annually thereafter in accordance with the time frame in the Comprehensive Employment Strategy for People with Disabilities.

6.8 Costs

6.8.1 Introduction

This section discusses the cost of implementing the recommendations, together with a commentary on the potential net gains to the economy as a whole. Increasing the labour market participation and employment opportunities for people with a disability is important in terms of enhancing the quality of life for people with disability, their families and carers. However, as the OECD points out there are also potential gains for the wider economy.

“Higher employment [of people with disabilities]...lowers public spending on disability benefits; and it helps to secure labour supply and thereby raise the prospect of higher longer-term economic output. The latter is also important in consideration of rapid population ageing and the likely stagnation or fall in labour supply in most OECD countries in the coming decades. People with disability will be among the groups of the population that need to be mobilised for the workforce.”¹⁰¹

Categorisation of costs

The costs of implementing these recommendations can be categorised as follows:

i. **Cost neutral**

Certain recommendations attract no cost. Examples include dispensing with the requirement that work be of a rehabilitative nature for Medical Card disregard purposes, and formally proofing each new scheme to ensure complexity is minimised.

ii. **Administrative and Direct Costs**

The majority of recommendations in this Report attract administrative costs only. Reconfiguring systems and processes comes at a cost in terms of staff training and systems (including IT systems) design. However, a modern public service is required to be responsive – “[by]...Changing our culture, structure and processes so that we become more agile, flexible and responsive¹⁰².” Whilst it is not possible to quantify these administrative costs, it is proposed that these costs form part of the ongoing cost of providing a responsive service to the citizen.

¹⁰¹ OECD 2010

¹⁰² <http://www.per.gov.ie/en/civil-service-renewal/>

Direct costs such as the design and build of the ready reckoner, website redesign and communication campaigns are quantifiable and are estimated at < €1 m.

iii. **Programme Costs**

Some recommendations would attract specific programme costs. It is difficult to estimate such costs as no data exist as to the employment impact of measures such as these. It should also be noted that while implementation of specific measures may have a cost, it might be offset in whole or in part by savings in other programmes and increased income tax receipts. For example, considering the employment impact of implementing the Medical Card recommendations, research strongly suggests that the potential loss of the Medical Card is a significant barrier to employment. Accordingly, removing this barrier, as recommended, should result in increased labour market participation for people with disabilities. In the absence of any action, the individuals concerned are likely to retain a Medical Card for life. It should also be noted that many of the recommendations involve enhanced client engagement and support, particularly at Intreo Offices. This will carry administrative costs.

6.9 Conclusion

The Group considers the recommendations it has made have a role to play in enhancing employment and social inclusion opportunities for people with disabilities, taken in conjunction with the other measures which are in train under the Comprehensive Employment Strategy for People with Disabilities. Having reviewed in detail the current situation for people with disabilities, the Group is firmly of the view that a cross-government approach is essential for progress to be made and that coordinated action by the government departments, agencies and stakeholder bodies, is the key to giving people with disabilities who wish to work a prospect of engaging successfully in the labour market.

Consequently, the implementation of the recommendations which follow will require coordinated action by various Government Departments and State Agencies.





Appendix

A1

Appendix 1:
Terms of Reference

Terms of Reference

In respect of People with Disabilities with the capacity to work in the open labour market¹⁰³ this interdepartmental group will:

1. Examine the interaction between:
 - social welfare income supports (including secondary benefits),
 - the tax system, other supports (including the provision of Medical Cards)
 - net income from employmentwith a view to developing a ready reckoner to show how someone with a disability will fare financially if he/she takes a job.
2. Identify any significant disincentives for People with Disabilities to returning to work and make recommendations accordingly; including consideration of options around ensuring that People with Disabilities have
 - a streamlined way to resume their disability payment and other supports in the event that there is a deterioration in their condition or that they have to leave the job.
3. To review existing relevant research in this area including Departmental reviews and approaches in other jurisdictions.
4. To ensure options recommended are fully aligned with the “Pathways to Work” labour market activation agenda and the work already underway in

¹⁰³ With the capacity to work in the open labour market for a minimum of eight hours per week, or to earn €73 per week.

the Department of Social Protection on possible reforms of income support payments for People with Disabilities;

5. To consult with the Disability Stakeholder Group under the Comprehensive Employment Strategy oversight framework;
6. To present an interim report by Q3 2016 and a final report to Government by Q4 2016.

A2

Appendix 2: Plenary Group Members

A2. Plenary Group Members

Make Work Pay - For People with Disabilities Plenary Group Members	
Name	Department / Institution
Professor Frances Ruane - Chair	
Eithne Fitzgerald - Independent member	Policy & Practice Expert
Anthony McCashin - Independent member	Trinity College Dublin
Dr Micheál Collins - Independent member	University College Dublin
Frank Gallagher	Office of the Revenue Commissioners
Marie McGuirk	Office of the Revenue Commissioners
Colin Menton	Department of Public Expenditure & Reform
David Reilly	Department of Public Expenditure & Reform
Jessica Lawless	Department of Public Expenditure & Reform
Garrett O'Rorke*	Department of Public Expenditure & Reform
Niamh Callaghan*	Department of Public Expenditure & Reform
Ann McGrane	Department of Health
Marie Dempsey	Department of Health
Thomas Monks	Department of Health

Make Work Pay - For People with Disabilities Plenary Group Members	
Name	Department / Institution
Claire Collins	Department of Health
Paul Kealy	Department of Jobs, Enterprise and Innovation
Maria Ginnity	Department of Jobs, Enterprise and Innovation
Dr Aideen Hartney	National Disability Authority
Marion Wilkinson	National Disability Authority
Brian Kenny	Department of Housing, Planning, Community and Local Government
Geralyn Mc Garry	Citizens Information Board
Deaglán Ó Briain	Department of Justice & Equality
Caoimhín Ó Ciaruáin	Department of Transport, Tourism & Sport
Ethna Brogan	Department of Transport, Tourism & Sport
Margaret McCarthy	Department of Education & Skills
Teresa Leonard	Department of Social Protection
Eamonn Rossi	Department of Social Protection
Anita Kelly	Department of Social Protection
Ciaran Judge	Department of Social Protection
Eric Doyle	Department of Social Protection
Mary Harney - Secretary	Department of Social Protection

* substitute for Jessica Lawless

A3

Appendix 3:
Summary of Schemes/
Rates of Payments

A3 Summary of Schemes/Rates of Payments

Summary of Schemes for people with disabilities and Rates of payment.

A3.1 Details of the main schemes of cash assistance and tax reliefs in respect of people with disabilities

This Appendix sets out first, in tabular form, a summary description of the main schemes of cash assistance, grant aid and tax reliefs in respect of individuals with disabilities, together with rounded estimates of the numbers involved under each scheme, and estimates of the cash value of the payments to individuals. The table also documents whether individual schemes are means tested, or are formally linked to receipt of a social welfare payment. The estimates of numbers benefiting under the different schemes generally refer to 2015. For weekly disability-related social welfare payments, the recipient estimates relate to 2016.

The next section gives further details of the rates of disability-related social welfare payments for families of different sizes.

The third section summarises the detailed means limit rules for the Medical Card.

A3.1 Summary table

Scheme	Estimated no. of recipients, ill/disability category	Brief description	Estimated value	Value per week	Means tested?	Tied to welfare?
Social welfare						
Disability Allowance	125,000	Weekly means tested welfare payment	€188 a week	€188	Yes	Yes
Disability Allowance earnings disregard	c 12,000	Means disregard of €120 earnings a week and 50% of earnings between €120 and €350	€120 - €225	€120-€225	Yes	Yes
Illness Benefit	75,000	Weekly insurance-based payment covering short-term absence from work	€188 a week	€188 a week	No	Yes
Invalidity Pension	57,000	Insurance-based payment for long-term incapacity	€193.50 a week	€193.50	No	Yes
Partial Capacity Benefit	1,600	Supplementary welfare payment to persons in employment with a partial capacity to work	Ranges from €94-€188 a week depending on degree of assessed incapacity	€94-€188	No	Yes
Blind Welfare Allowance	n.a.	Means tested allowance on top of basic pension rate	€58.50 a week	€58.50	Yes	No
Supplementary Welfare Allowance, sick no benefits	4,000	People with an illness or disability who do not qualify under the main disability social welfare schemes may get weekly Supplementary Welfare Allowance	€188 a week		Yes	Yes
Occupational Injuries Benefits	Injury & interim benefits – 1,800; Incapacity benefits c 12,000	Weekly and supplementary payments in case of work-related injury or illness	Weekly payments are at €188 a week. Incapacity payment vary	€188	No	Yes

Scheme	Estimated no. of recipients, ill/disability category	Brief description	Estimated value	Value per week	Means tested?	Tied to welfare?
Carer's Support Payment	65,000 +	Annual grant (formerly Respite Care Grant) to carers	€1,700 a year	€32.70	No	No
Carer's Allowance	63,000	Means tested payment to a carer	€204 a week	€204	Yes	Yes
Carer's Benefit	1,800	Insurance-based payment to a carer	€205 a week	€205	No	Yes
Domiciliary Care Allowance	31,000	Payment to carer of disabled child under 16. Carer's allowance may be paid in addition	€309.50 a month	€71.40	No	No
Household Benefits Package - Electricity	53,000	€35 a month off electricity, gas or solid fuel bills if living alone or with other qualified person	€35 a month	€8.10	No	Yes
Free TV licence	59,000	if living alone or with other qualified person	€160 a year	€3.05	No	Yes
Fuel Allowance	73,000	26 weeks in heating season	€22.50 a week in season	€11.25	No	Yes
Rent Supplement	11,000	Assistance with cost of private rented accommodation	Depends on level of rent and family size	Varies	Yes	Yes
Supplementary Welfare Allowance	n.a.	Discretionary top-up payment to social welfare recipients for exceptional needs such as special diets or exceptional heating needs	Can vary	Can vary	Yes	Yes
Other cash supports						
Rehabilitation training allowance	c. 2,000	Top-up allowance for those in foundation disability rehabilitation training (training allowances on other courses are at same rate as basic welfare payment)	€31.80 a week	€31.80	No	No

Scheme	Estimated no. of recipients, ill/disability category	Brief description	Estimated value	Value per week	Means tested?	Tied to welfare?
Fuel grant, Disabled Drivers and Passengers Scheme	4,900	59c per litre of petrol up to maximum payment of about €1,600 a year (and equivalent for other fuels)	€1,610 max. A year	Up to €31	No	No
Mobility allowance	n.a.	(closed to new entrants). Half grant if on Disabled Drivers scheme, otherwise full grant	€104.25 or €208.50 a month	€24 or €48	Yes	No
Housing adaptation grant	2,600	30% to 95% of the cost of the work on a sliding scale of income, up to a maximum income of €60,000 a year	Maximum grant of €30,000. Average value paid in 2015 - €8,000	n.a.	Yes	No
Housing Mobility Grant	1,800	Grant scheme for smaller works such as stair lifts, grab rails, income limit €30,000	Average value paid in 2015, €3,300		Yes	No
Health etc.						
Full Medical Card	n.a.	Free primary and hospital care, medication and assistive technologies			Yes	No
Doctor Visit Card	n.a.	GP visits			Yes	No
Long-term illness scheme	197,000	Medication and assistive technologies – people with one of 17 named conditions			No	No
Tax reliefs						
Blind tax credit	1,560	Single rate is €1,650; double where each of a couple meet the blindness threshold	€1,650	€31.80	No	No
Guide dog tax credit	N.a.	For people with a trained guide dog. Allowance is at 20% tax rate	€825	€15.90	No	No

Scheme	Estimated no. of recipients, ill/disability category	Brief description	Estimated value	Value per week	Means tested?	Tied to welfare?
Home care relief	1,910	Cost of employing a home carer is allowed in full against top rate of tax	Actual cost subject to ceiling €75,000) (max value €30,000 a year to top rate taxpayer)	ceiling of €576	No	No
Incapacitated child credit	20,300	Child of any age, where disability diagnosed before adulthood	€3,300 annual credit	€63.50	No	No
Dependant relative's credit	18,400	Where relative being supported has income at or below old age pension rate	€70 annual credit	€1.35	Yes (on cared-for person's income)	No
Disabled drivers and passengers scheme	Drivers: 1,700 Passengers: 3,200	Refund of VRT and VAT on purchase, and VAT on adaptation. Exemption from annual car tax	Example of 1.2 litre new car gross price €16,000 – refund of VAT and VRT each c€3,000. Car tax exemption worth €358 a year	Annual car tax exemption €6.90	No	No
VAT relief on disability equipment	4,300	Vat exemption or refund of VAT	Average value c €700	€13	No	No

A3.2 Rates of Payment for Main Income Supports for People with Disabilities

Rates Of Payments 2016 – Schemes Related To Illness And Disability				
Payment		Weekly Rate € (Maximum – Under 66)		
		Claimant	Qualified Adult	Qualified Child
PRSI (Social Insurance) Based				
Illness Benefit (PRSI-based)		188.00	124.80	29.80
Invalidity Pension (PRSI-based)		193.50	138.10	29.80
Partial Capacity Benefit*	Illness Benefit Max €188.00	Invalidity Pension Max €193.50		
Basis: Medical Assessment – maximum payment				
Moderate 50%	94.00	96.75		
Severe 75%	141.00	145.13		
Profound 100%	188	193.50		
Means Tested Payments				
Disability Allowance (**)		188.00	124.80	29.80
Blind Pension (***)		188.00	124.80	29.80
Blind Welfare Allowance (HSE)		58.50		4.40
Occupational Injuries Benefit Scheme (in insurable employment****)				
Injury/Health and Safety Benefit		188.00	124.80	29.80
Disablement Benefit		219.00	n/a	n/a

Rates Of Payments 2016 – Schemes Related To Illness And Disability			
Payment	Weekly Rate € (Maximum – Under 66)		
	Claimant	Qualified Adult	Qualified Child
Incapacity Supplement	188.00	124.80	29.80
Constant Attendance Allowance	205.00	n/a	n/a

***Partial Capacity Benefit:** This scheme supports people on Illness Benefit or Invalidity Pension who want to return to work. Where capacity for work is reduced by a medical condition which is assessed as moderate, severe, or profound, eligibility for a payment, depending on level of capacity, may continue.

Increases for qualified children and adults continue to be paid at the same rate as the original payment.

**** Disability Allowance – earnings disregard:** Up to €120 per week (after deduction of PRSI, any pension contributions and union dues) can be earned from rehabilitative work (which includes self-employment) without payment being affected. 50% of earnings between €120 and €350 will not be taken into account in the Disability Allowance means test. Any earnings over €350 are fully assessed in the means test.

*****Blind Pension earnings disregard:** Up to €120 per week can be earned from rehabilitative employment before these earnings affect the payment. If earnings are more than €120 per week from rehabilitative work, 50% of earnings between €120 and €350 are not taken into account in the Blind Pension means test. All earnings over €350 are assessed as income and entitlement to Blind Pension will be reduced.

If earnings are from work that is not rehabilitative the following disregards apply:

- €400 of annual earnings
- €265 of annual earning if spouse/partner is living with or is wholly or mainly maintained by claimant.
- €133 of annual earnings for each qualified children under age 18 (or under age 22 if in full-time education).

There are no disregards for spouse, civil partner or cohabitant's earnings.

******Occupational Injuries Benefit Scheme:** In general people in employment insurable at PRSI Class A, D, J or M are covered in full for Occupational Injuries Benefits. Unlike other social insurance benefits it is not necessary to have a set number of PRSI contributions to qualify. It is simply necessary to be in employment which is insurable for Occupational Injuries.

Family Income Supplement (FIS) income limits in 2016

FIS is 60% of the difference between average weekly family income and the income limit which applies based on family size, subject to a minimum payment of €20 per week. It is not taxable. Qualifying payments include Disability Allowance and Blind Pension.

Family Size	Family income less than:
One child	€511
Two children	€612
Three children	€713
Four children	€834
Five children	€960
Six children	€1,076
Seven children	€1,212
Eight children	€1,308

Qualifying payments:

- Disability Allowance
- Blind Pension

Carer's Allowance rates in 2016

Carer	Maximum weekly rate
Aged under 66, caring for 1 person	€204
Aged under 66, caring for 2 or more	€306
Aged 66 or over and caring for 1 person	€242
Aged 66+, caring for 2 people	€363
Increase for a Qualified Child	€29.80 (full-rate) €14.90 (half-rate)

- May also qualify for Household Benefits and Free Travel Pass.
- Carer's Allowance is not taken into account in the assessment for a Medical Card.
- A Full-rate increase applies for a child dependant if a carer and single, widowed, separated or a civil partner who is not living with the other civil partner.
- Half-rate increase applies for a child dependant if a carer and living with spouse, civil partner or cohabitant.

Carer's Benefit rates in 2016

Carer aged under 66	Maximum weekly rate
Caring for 1 person	€205.00
Caring for 2 people	€307.50
Increase for each Qualified Child	€29.80 (full-rate) €14.90 (half-rate)

- No entitlement to the Household Benefits Package and Free Travel under the Carer's Benefit Scheme.

A3.3 Details of the means test for Medical Cards and GP Visit cards

People aged up to 65 (higher weekly allowances apply to those between 65 and 70): weekly income limit (gross earnings less PRSI, universal social charge and income tax)		
From January 2014	Medical card	GP visit card
Single person living alone	184.00	276.00
Single person living with family	164.00	246.00
Couples/one-parent family with dependant children	266.50	400.00
Additional allowance for each qualified child		
Each of the first two children under age 16 and financially dependent on the applicant	38.00 per child	57.00 per child
Third and each subsequent child under age 16 and financially dependant on the applicant	41.00 per child	61.50 per child
Each of the first two children age 16 and over, and financially dependant on the applicant	39.00 per child	58.50 per child
Third and subsequent child aged 16 and over and financially dependant on the applicant	42.50 per child	64.00 per child
In full-time third-level education/not grant-aided	78.00 per dependant	117.00 per dependant

The qualifying financial thresholds for an individual or family are calculated by adding the basic allowances, dependant allowances and allowable outgoing expenses (rent/mortgage, childcare costs, travel to work costs). For details of terms and conditions please refer to www.medicalcard.ie.

- People who have been in receipt of certain benefits or allowances for 12 months or more are entitled to retain their Medical Card (without means test) for 3 years on taking up employment.** These payments are: Jobseeker's Allowance, Jobseeker's Benefit, One Parent Family Payment, Illness Benefits, Invalidity Pension, Disability Allowance, Blind Pension, Employment Incentive Schemes or Educational Opportunity Schemes.
- Certain social welfare payments** (including Family Income Supplement, Child Benefit, payments under the Supplementary Welfare Allowance scheme and a range of other payments) are not taken into account when assessing weekly income.

- **All capital, other than the family home, and income from savings,** investments or property of €36,000 for a single person or €72,000 for a couple, is taken into account for medical card purposes.
- **Additional allowances** may apply for rent/mortgage expenses, childcare costs and travel costs to work (actual cost of public transport or mileage @ €0.30 per mile/€0.18 per km).
- **Discretionary criteria** may apply if an individual or household is over the income threshold and refusal of eligibility would mean that the applicant cannot arrange GP, medical and surgical services for themselves and their dependants without undue financial hardship.
- **People aged 16-25** and dependant on their parents are entitled to a Medical Card if their parents meet the eligibility requirements. Those not dependant on their parents are entitled to claim in their own right.

Medical Card Eligibility – Scenarios

	Single person living with family, no dependants, no rent*, walks to work, earns minimum wage of €340 per week. *(contribution to household expenses by family member is not an allowable expense)	Single person living alone, pays rent of €100 per week and travels to work by public transport (actual cost is €25). Earns minimum wage of €340 per week.
Net assessable income	€340.00	€340.00
Basic Allowance	€164.00	€184.00
Weekly Rent / Mortgage		€150.00
Travel to Work Allowance		€25.00
Total Financial Threshold	€164.00	€359.00
Medical Card Eligibility?	No	Yes

	Couple with 1 dependant child under 16, pays rent of €100 and travels 194km to and from work (€34.92). Pays no child care costs. Net income is €600 per week.	Couple with 3 dependant children under 16, pays rent of €100 and travels 194km to and from work (€34.92). Pays child care costs of €100 per week. Net income is €600 per week.
Net assessable income	€600.00	€600.00
Basic Allowance	€266.50	€266.50
1st Child under 16 Allowance	€38.00	€38.00
2nd Child under 16 Allowance		€38.00
3rd Child under 16		€41.00
Weekly Rent / Mortgage	€100.00	€100.00
Childcare costs		€100.00
Travel to Work Allowance	€34.92	€34.92
Total Financial Threshold	€439.42	€618.42
Medical Card Eligibility?	No	Yes

Discretionary Medical Card

Provisions apply for award of discretionary Medical Cards if a person's circumstances would result in hardship without a Medical Card.

The HSE has discretion when deciding to grant a Medical Card or a GP Visit Card to a person whose income is in excess of the relevant guidelines. Every effort is made to take account of all relevant factors relating to an application for a Medical Card. In this regard a number of issues, such as the following, may be taken into account in making a decision:

- Illness or medical circumstances which results in financial hardship.
- The cost of providing general medical and surgical services.
- The cost associated with the provision of medical, nursing and dental treatment.
- The cost of physiotherapy and speech and language therapy.
- Transport cost to hospitals and clinics.
- The cost of medical aids and appliances.

The decision makers may seek advice from other sources which may include:

- The applicant's Doctor(s), HSE's Medical Officers, Public Health Nurse, Community Welfare Officer, Social Worker, Therapy Services, Money Advice and Budgeting Service (MABS).

A4

Appendix 4: Make Work Pay Consultation

A4. Make Work Pay Consultation

This Appendix provides details of the consultation process undertaken by the Make Work Pay Group in 2016. In addition to a written survey, the Group met with stakeholders and engaged in a round table discussion forum hosted by the National Disability Authority. The Minister for Disabilities attended the forum. Participants were mainly from representative bodies of people with disabilities which are part of the Department of Social Protection Disability Consultative Forum, and the Department of Justice Disability Stakeholders Group.

19 written submissions were received, and the questionnaire, list of attendees of the forum, and list of written submissions together with a fuller summary of the responses are presented below. Full written submissions may be accessed on the website of the Department of Social Protection www.welfare.ie.

A4.1 Questionnaire: Consultation - Strand 3 Comprehensive Employment Strategy for People with Disabilities (CES) – Make Work Pay

1. Purpose of consultation

The purpose of this Consultation is to invite submissions from bodies representing people with disabilities in relation to Strand 3 of the Government's Comprehensive Employment Strategy (CES) for People with Disabilities, which is to 'Make Work Pay'.

Written submissions should be received by Friday 30th September. Late submissions may not be considered.

2. **Background**

The CES aims to address the under-representation of people with disabilities in the labour force. The Department of Social Protection will play a pivotal role in developing and delivering key aspects of the strategy.

Strand 3 of the CES is concerned with the interaction between the wider system of income and other supports (including the Medical Card), and net income gains in employment, to ensure that work pays for people with disabilities.

An interdepartmental group has been established under an independent chair, Professor Frances Ruane, to consider the issues and to produce a report making recommendations to Government by the end of 2016.

3. **Issues arising**

People with disabilities can face a number of financial disincentives when taking up or returning to work. Accurate, trustworthy and widely-available information in this area has an important role to play in helping the individual with a disability to make the decision to seek/return to work.

Your representative body is now invited to make submissions in relation to (i) the financial and related issues for people with disabilities who are considering taking up or returning to work, and (ii) the availability and clarity of information for people with disabilities regarding financial decisions surrounding work.

4. **Questionnaire**

The questionnaire which follows (pages 3 to 8) has been carefully structured to elicit information regarding financial issues for people with disabilities relating to taking up or returning to work.

Please expand briefly if desired on any of the specific questions in the comments area, in 500 words or less if possible.

It is recognised that the needs and issues arising for people with disabilities vary, depending on the nature and severity of the condition, and that different circumstances arise for different people at different times. If there are particular circumstances that are relevant, please use the comment boxes to indicate this.

The questions will be discussed at round table discussions at the consultative forum on September 19th next. The consultation process will run until Friday 30th September 2016.

5. **Submissions**

Submissions may be emailed to XX

Or

Posted to:

XX

Make Work Pay Consultation

Department of Social Protection

Floor 1 Áras Mhic Dhiarmada

Store Street

Dublin 1

Submission should be received by **2pm on Friday 30th September.**

Please note that:

- It is planned to publish submissions received in the final Report of the Interdepartmental group.
- Respondents should be aware that the Department of Social Protection is subject to the provisions of Freedom of Information legislation, and submissions received may be released as a result of an application for records made under the Freedom of Information Act 1997 as amended.
- If a submission contains confidential material, it should be clearly marked as confidential, and a version of the submission should be provided which can be used for publication.
- The Department of Social Protection may include the information contained in submissions in forthcoming reports and elsewhere as required. Any party submitting information to the Department of Social Protection shall have sole responsibility for the contents of such information.

6. **Queries**

If you have any queries regarding the survey please contact XX

1. Financial In-work supports

We want to know what works best and is attractive for people with disabilities when considering a return to or taking up work in terms of financial supports

How important are the following when considering taking up or returning to employment?

	Very Important	Moderate Importance	Neutral	Slightly Important	Low
Disability Allowance Earnings Disregards (up to €120, €120-350)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Partial Capacity Scheme (on Illness Benefit, Invalidity Pension)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retention of Medical Card for 3 years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Secondary Benefits: (Rent Supplement/Free Travel/Fuel Allowance)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Household Benefits Package (Electricity/Gas Allowance/Free TV Licence)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family Income Supplement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tax Credits and reliefs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How well do you think the following are understood by people with a disability or their advocates?

	Well Understood	Moderately Understood	Neutral	Slightly Understood	Not Understood
Disability Allowance Earnings Disregards (up to €120, €120-350)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Partial Capacity Scheme (on Illness Benefit, Invalidity Pension)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Retention of Medical Card for 3 years	0	0	0	0	0
Secondary Benefits: (Rent Supplement/ Free Travel/Fuel Allowance)	0	0	0	0	0
Household Benefits Package (Electricity/ Gas Allowance/Free TV Licence)	0	0	0	0	0
Family Income Supplement	0	0	0	0	0
Tax Credits and reliefs	0	0	0	0	0

Comments

2. Financial Barriers

Please rank the following in importance 1 – 6 (according to the scale of barrier) when considering taking up or returning to work: (1 = most important)

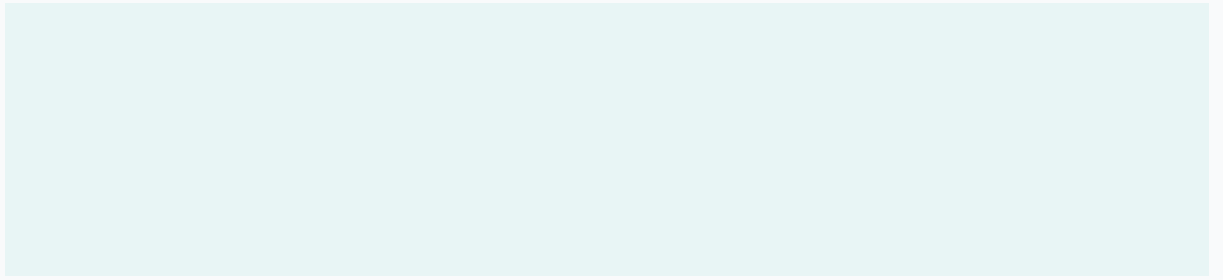
Loss of DSP Payment	
Loss of Secondary Benefits (Rent Supplement, Free Travel, Fuel Allowance)	
Loss of Household Benefits Package (Electricity/Gas Allowance, Free TV Licence)	
Perceived difficulty obtaining DSP payment/benefits again (e.g. If work ceases)	
Loss of Medical Card after 3 years	
Other (please specify): _____	

It is recognised that the needs and issues arising for people with disabilities vary, and that different circumstances arise for different people at different times. If there are circumstances that are particularly relevant, please indicate:

In general, do people with a disability feel that they would be better off financially by taking up work?

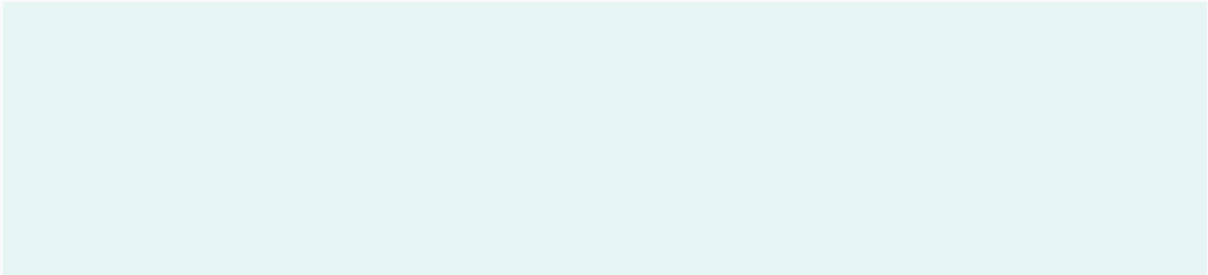
Yes	No
○	○

Please elaborate:

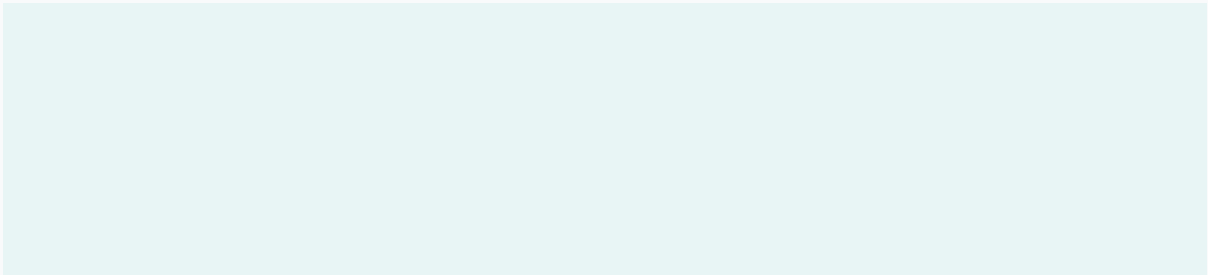


3. Length of time out of workforce

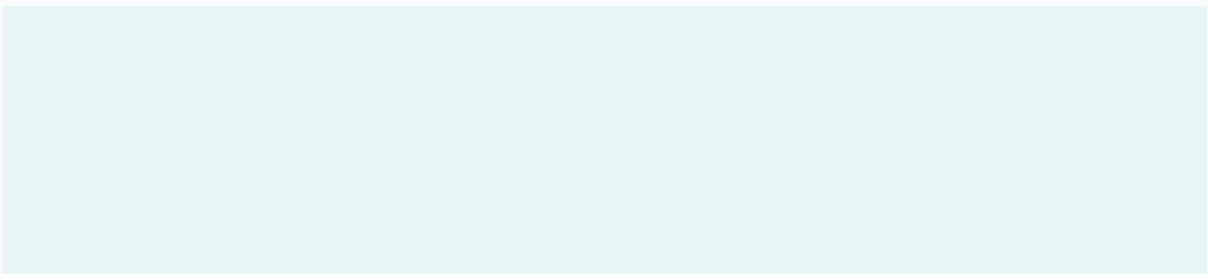
Are there particular financial barriers to resumption of work for PWD if out longer term, i.e. 2 yrs or more?



What suggestions would you have to overcome barriers for PWD who have been out of the workforce long term?



Do you feel there are particular financial barriers that apply more to men than women, or to women than men?



4. Communication

Please rank the following sources of information people with disabilities use to research the financial aspects of taking up or returning to work:

	Always	Often	Sometimes	Rarely	Never
Dept. of Social Protection website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Intreo office/Local DSP office	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Citizens Information Office	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Citizens Information Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Representative groups for PwD	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Friends and family	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Media (TV/Radio/Newspapers)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Do you think people worry about asking for information from the Department of Social Protection when considering returning to work, e.g. applying for Partial Capacity Benefit, or the Disability Allowance Earnings Disregard?

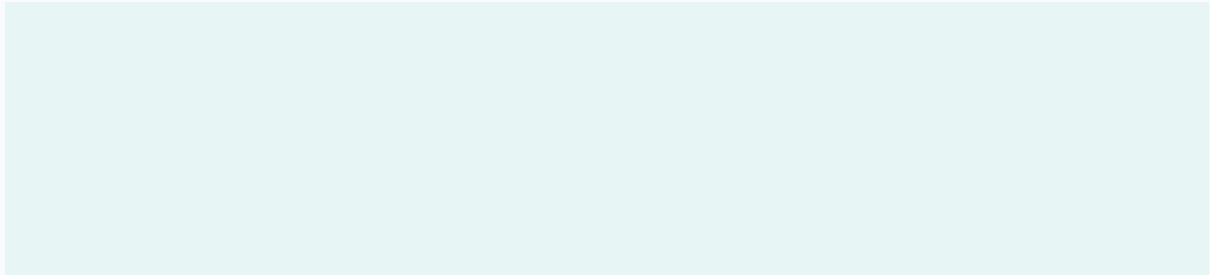
Yes	No
<input type="radio"/>	<input type="radio"/>

If yes, why?

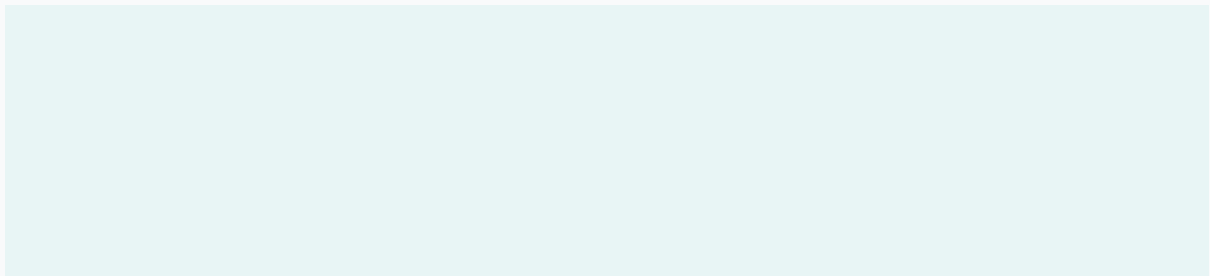
5. Experience of PWD who ARE working

Approximately 21% of PWD are in the workforce; in your view what are the financial and other factors which have supported these people to:

- a. Transition successfully from education/training to employment:

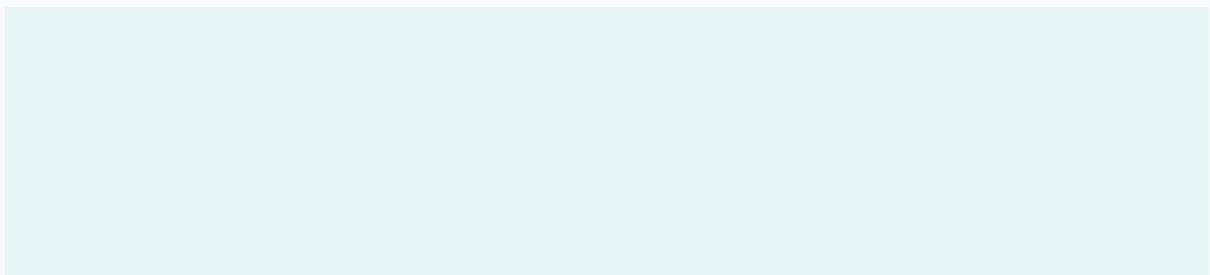


- b. Remain in employment:

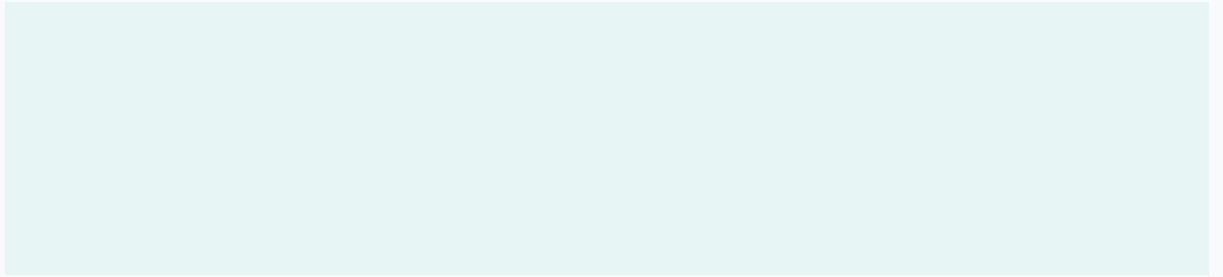


6. How do you see the role of the Intreo centre evolving to meet the needs of PwD?

The Department of Social Protection is expanding the role of the Intreo centres as an employment and recruitment service for pwd who wish to take up work.



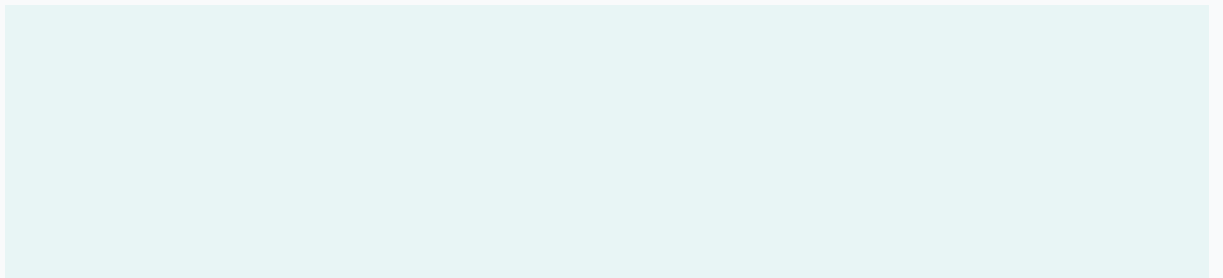
What do you think PwD need from their Intreo centre in terms of assisting them to search for work?



How do you think the Intreo centre can best engage with PwD?

e.g.

- Communication – social media, email/letters from intreo, telephone?
- Promotion of services via disability representative bodies/media?
- Named case worker



Accompaniment of family/friend/advocate at Intreo:

	Yes	No
Is this important to PwD?	<input type="radio"/>	<input type="radio"/>

A4.2 Summary Responses: Make Work Pay Consultation, September 2016

A4.2.1 Questions 1 and 2

Financial in-work supports and Financial Barriers

Questions One and Two were concerned with financial in-work supports and financial barriers to work for people with disabilities. Respondents were asked to rank in importance financial in-work supports and asked how well these were understood. Financial barriers were also ranked, and if people with disabilities felt they would be better off, financially, in work. The survey also recognised that the needs and issues arising for people with disabilities vary, and that different circumstances arise for different people at different times, and gave an opportunity to mention any particularly relevant circumstances.

Feedback from the Consultative Forum indicated that:

Medical Card Retention is crucial, and respondents felt that award of medical card should be based on factors other than means.

They also reported that it was not possible to 'rank' financial barriers, there was no necessary order and when a person is considering work all the barriers mentioned are important. They said that an information deficit arises when considering work – as one participant said – it's a 'leap of faith'.

Challenges were also said arise in relation to secondary benefits; the risk of their loss prevents transition to work and can affect family/wider household circumstances, e.g., loss of carer payment if people with disabilities take up work.

An approach which considered both demand and supply side issues, and took into account the perspective for employers would help, e.g. Application of Wage Subsidy Scheme and Insurance issues when employing people with disabilities.

Cost of Disability is also seen as real issue, and a Personalised/Person Centred Approach is needed.

Question 1a - Financial in-work supports					
How important are the following when considering taking up or returning to employment?					
	Very Important	Moderate Importance	Neutral	Slightly Important	Low
DA Earnings Disregards	12	2			
PCB	9	2	1		
Med Card Retention	14				
Secondary Benefits	14				
H.B. Package	11	3			
FIS	8	2	3		
Tax Credits & reliefs	6	4	1	1	

Question 1b - Financial in-work supports					
How well do you think the following are understood by people with a disability or their advocates?					
	Well Understood	Moderately Understood	Neutral	Slightly Understood	Not
Disability Allowance Earnings Disregards	2	5	1	3	1
Partial Capacity Scheme		4	2	3	4
Retention of Medical Card for 3 years	2	2	3	3	2
Secondary Benefits	3	2	4	1	3
Household Benefits Package	4	3	3		3
Family Income Supplement	1	2	6	1	3
Tax Credits and reliefs		1		4	7

Question 2 a - Financial Barriers						
Please rank the following in importance 1-6						
	1	2	3	4	5	6
Loss of DSP Payment	9			1		
Loss of Secondary Benefits	1	1	5	3		
Loss of House Hold Package			1	3	6	
Perceived difficulty re obtaining DSP	1	4	2	1	1	
Loss of Medical Card	5	2	1	1		
Other (please specify)			1			1
Cost of work/ not specified						

Question 2 b - Financial Barriers		
	Yes	No
In General do people with a disability feel that they would be better off financially by taking up work	6	6

Written submissions:

Financial supports and financial barriers

The main issues raised in the submissions are outlined below under broad headings, along with some of the key recommendations suggested by the Consultees.

Medical Card Retention:

A large majority of the submissions cited Medical Card Retention as an important factor for people with disabilities when they are considering taking up or returning to work. A number of contributors at the Consultative Forum, and several submissions to the written consultation, said that retention of the Medical Card should be based on factors other than the present means test. There was also significant comment that the current scheme for three year retention of Medical Card for people with disabilities who take up work is not widely known or understood, and where it is, it does not bring sufficient assurance.

NCBI -

“I don’t think people are aware of this support. Most assume they will lose their Medical Card if they take up work... This I feel is the biggest barrier to people returning to work. They are so frightened of losing their Medical Card and even if they have it for three years I think that people still worry.”

Earnings Disregard¹⁰⁴

The Disability Allowance earnings disregard seems to be well understood and is important or very important to most respondents. This is to be expected given that the DA scheme is the largest of the disability and illness support schemes, reaching c. 125,000 recipients. In the region of 13,000 people avail of the earnings disregard, which permits rehabilitative work (including self-employment) to earnings of up to €120 per week without affecting this means tested payment. Above this limit, 50% of earnings between €120 and €350 will not be taken into account, but earnings over €350 are fully assessed in the DA means test.

¹⁰⁴ See Chapter 2 and Appendix 3 for details of Disability Allowance earnings disregard.

NCBI –

“This is fair and should be retained...it helps people when making the decision to return to work”

However some observed difficulties, including that people while people were happy to work up to the €120 Disability Allowance earnings disregard, there can be implications for partner's income, if the partner is on a DSP means tested scheme.

There was also comment that the €120 limit is also the limit for Medical Card earnings disregard, and working over this limit does not pay where a Medical Card may be lost.

Rehab –

“...anything earned above €20 is counted as means so these earnings...could very quickly lead to a loss of a Medical Card... any threat or perceived threat to a Medical Card is enough to discourage employment”

The measure is also seen as complex –

Rehab –

“It is our experience that where there is complexity people are anxious that there may be unforeseen impact on their payment. In this case there is confusion even among support staff working in disability organisations.”

Partial Capacity Benefit:

This scheme didn't score as highly in terms of importance as the DA earnings disregard, which is not surprising given the much smaller recipient population (c. 1,600 recipients from a smaller potential Invalidity Pension and Illness Benefit population). Comments on PCB centred around the lack of assurance and potential for loss of income –

DFI –

“... the scheme only works for those with capacity to work a full week or close to a full week, otherwise they may lose 50% of their earnings including secondary benefits. The fear of being assessed as having a mild restriction to work may threaten...eligibility and this is not a risk potential workers wish to take.”

Secondary benefits are clearly seen as important and many ranked all supports, earnings disregards and retention of Medical Card, along with secondary benefits, household benefits and family income supplement as very important –

Deaf Hear –

“Without these financial in-work supports, many deaf people are unlikely to benefit financially from taking up work opportunities available to them.”

Inclusion Ireland –

“The loss of secondary benefits (e.g. travel pass, Medical Card) makes the transition from welfare to employment extremely difficult, if not impossible, for people with disabilities. Many people with disabilities feel they are caught in a welfare trap.”

Loss of DSP payment and perception of difficulty in obtaining payment again (e.g., if worked ceased) were seen as significant financial barriers, along with loss of Medical Card and potential loss of secondary and household benefits. Some respondents said that people with disabilities did not feel they would be better off financially by taking up work:

Daughters of Charity Support Services –

“Very many people with disabilities believe that they would be less well-off being in paid employment taking into consideration secondary benefits and Medical Card”

Others suggested they might be better off, with misgivings –

Mental Health Ireland –

“They feel they would a little but is it worth the stress.”

EmployAbility –

“When applying for PCB it is not guaranteed a person will be better off”

There was acknowledgment in the Consultative Forum and submissions that people with disabilities can be better off financially in work, but financial factors are not the only consideration, and the social side of work is also very important.

Citizens Information Board –

“It is widely acknowledged that people are better off financially by taking up work...for some the intrinsic rewards and positive influences that work brings are the most important.”

Overall, many submissions pointed out that the importance of the various supports to individuals with disabilities, and that understanding of them varied:

Brothers of Charity Limerick –

“Depends very much on individual circumstances.”

A4.2.2 Question Three

Length of Time Out of Workforce

Question 3 asked if there were particular barriers to resumption of work for people with disabilities if out longer term (i.e., 2 years or more); it asked for suggestions to overcome such barriers, and if there were particular barriers applying to men more than women or vice versa.

Forum responses mentioned -

- Fear of losing benefits especially Medical Card was acute if a person was had not been able to work for a long time and had a disability which was likely to be lifelong;
- Everyday costs such as childcare/clothing/transport leaving a bigger gap for people with disabilities to fill;
- Fear around getting social protection payments restored for people with disabilities if their job did not work out, or their condition worsened and they had to leave employment again;
- Fitting into a payment following employment was difficult – ‘am I a jobseeker or DA claim?’ and, for people who have worked, but have to return to a payment, the feeling is that applying for a payment called ‘Disability’ or ‘Invalidity’ that says ‘I am unable to work’ is dispiriting.

What would help –

- Provision of an online calculator for Department of Social Protection payments and related benefits would help people to see where they would stand financially if they took up employment.
- Department of Health recognition that where a person needs a Personal Assistant to live, this should include their work life.
- A keyworker – to assist with applying for benefit, with sourcing training, and with the person’s confidence - some would like to see the EmployAbility service within Intreo Centres
- Payment for a time when the person returns to work, i.e., so the person doesn’t worry about getting back on payment if work does not continue for them.
- A mentor in their workplace

There were similar responses in written submissions, particularly on the costs of going to work, including clothing, transport, food and childcare. The potential for mental health issues to develop, and loss of skills and confidence along with dependency on benefits were also mentioned.

Walk –

“...the additional cost of returning to work can be the biggest barrier to taking up a job...clothes for work, the cost of lunches and childcare can seem too much to handle.”

DFI –

“The longer a person is out of the workforce the more likely they are to experience mental health issues alongside pre-existing conditions.”

EmployAbility –

“Dependency on their benefits and fear of losing them as more likely to be caught in the “Benefits Trap”...Loss of skill and confidence.”

Respondents made suggestions to overcome barriers, which included: retention of benefits by way of earnings disregards; retention of secondary benefits; graduated withdrawal of benefit; comprehensive information for people with disabilities on in-work measures; and promotion via disability organisations and offices.

Walk –

“The active promotion of such a programme would be necessary through a media campaign, through disability advocacy networks and consistently through INTREO offices, rather than passively on a website.”

Lack of joined up services and services for younger people with disabilities also featured in the comments made:

DFI –

“Payments and supports at school leaving age need to be reconfigured to ensure that people have real choices and there are incentives to attend college or seek work.”

DeafHear -

“What is required is a training and development service that is inclusive and developmental.”

The majority of submissions did not see particular gender-related financial barriers, and those that commented on this issue mentioned, in the main, childcare issues:

Citizens Information Board –

“Childcare costs would be a key barrier for some people.”

A 4.2.3 Question Four Communication

This question asked respondents to rank the source of information people with disabilities use to research financial aspects of taking up or returning to work.

The Citizens Information Centre and Citizens Information website featured strongly, and was consistently rated as a source people with disabilities used, along with representative groups for people with disabilities, and family and friends. The Department of Social Protection website and INTREO offices were not ranked as highly, generally getting a 'rarely' or 'sometimes' rating. Media (TV/Radio/Newspapers) and other were similarly less frequently ranked as sources for people with disabilities.

In response to the question as to whether people with disabilities would worry about asking for information from DSP when considering returning to work, there was consistent feedback that they would, with suggestions that people would be apprehensive of losing benefits, or triggering a review of their circumstances. Suggestions were made to provide assurance in this regard, and to improve accessibility and communication.

Feedback from the Consultative Forum included the need for a cultural shift in the approach to communication within DSP; an ongoing process of mutual engagement needs to take place - not a transactional process as at present. The website was not seen as accessible for some people with disabilities.

There is also anxiety around asking for information – the system is seen as bureaucratic, with a lack of certainty.

The written submissions reflected similar views:

Question 4 - Communication					
Please rank the following sources of information people with disabilities use to research the financial aspects of taking up or returning to work:					
	Always	Often	Sometimes	Rarely	Never
Department of Social Protection website	2	1	4	5	1
Intreo office/Local DSP office	2	1	5	5	
Citizens Information Office	1	6	4	2	
Citizens Information Website	1	6	4	2	

Question 4 - Communication

Please rank the following sources of information people with disabilities use to research the financial aspects of taking up or returning to work:

	Always	Often	Sometimes	Rarely	Never
Representative groups for PwD	1	7	3	1	
Friends and family	2	5	7		
Media TV/ Radio		2	4	4	2
CMO		1			
EmployAbility		2			
Other not specified		1			

Do you think people worry about asking for information from the Department of Social Protection when considering returning to work – e.g. applying for Partial Capacity Benefit, or the Disability Allowance Earnings Disregard?

Yes	13
No	1

Citizens Information Board –

“Individuals are fearful of losing all or certain parts of their benefit payment/package. They are also fearful of triggering a DSP review of their circumstances.”

Brothers of Charity Limerick –

“There is an underlying fear that if I question an entitlement I could lose it.”

MS Ireland –

“People in this situation may well be deterred by worry that benefits and entitlements will be withdrawn or they will be subjected to a higher level of scrutiny if they are seen as fit to work.”

National Federation of Voluntary Bodies –

“Improvements in accessibility of information and communication and of the physical space/experience in INTREO offices would have universal benefits.”

A4.2.4 Question Five

Experience of people with disabilities who are working

Question 5 focussed on the experience of the 21% of people with disabilities who are in the workforce, and asked what helped them to transition successfully to employment, and to remain in employment.

The Forum feedback emphasised that people with long term disability have needs which do not 'go away' – e.g. transport, medical care, assistive technology. The possibility of decoupling some forms of support from the means tested Medical Card, and provision of these independently of earnings, was seen as more suitable.

Availability of assistive technology and a good Employee Assistance Programme, including counselling, was seen as desirable,

For people with disabilities, their place in the workforce is not dictated by a financial decision alone; determination is what distinguishes people with disabilities who get and keep a job. For more people, especially those who may have acquired a disability, their work history and having previously worked it is a huge part of their identity, and they strive to resume work.

In written submissions, very useful feedback was received, citing level of education, support of family and friends and representative organisations as important, along with an individualised approach and personalised supports:

NCBI –

“Access to education and gaining appropriate qualifications are important.”

Ability West –

“...support of family and friends and staff...organisations such as EmployAbility were very helpful and important.”

National Federation of Voluntary Bodies –

“Individualised supports and training specific to the person’s skills, interests and abilities...strengths based approach...job coach/ employment specialist for those seeking employment and transition planning for young people ahead of leaving school...trial working periods...support from families...An improved join-up approach is required from all Government Departments to support this work.”

The respondents also noted that the Assistive Technology and a joined up approach is important –

DFI –

“DFI is concerned that current ways of providing assistive technology are not fit for the newly emerging digitisation of the workforce... DFI is seeking a cross-departmental funding mechanism for Assistive Technology and further commitments to improve training and IT supports.”

Regarding remaining in employment, commentary centring on the need for an individualised approach, ongoing employment and social supports, and flexible working arrangements was offered:

Rehab –

“Many people would like flexible working arrangements...The system needs to recognise that there may be times when people with disabilities are not able to work or need to work fewer hours because of their disability. This is particularly important in the case of episodic conditions or recurrent mental health difficulties.”

Citizens Information Board –

“EmployAbility Service – ongoing support and contact with employer and employee.”

The Cost of Disability was also an issue:

Inclusion Ireland –

“Establish a Cost of Disability Commission to identify the extra costs of having a disability and to make recommendations around necessary reforms. This would include extra costs associated with taking up employment.”

A4.2.5 Question 6

Role of the Intreo Centre

The final question in the survey concentrated on the role of the Intreo Service in meeting the needs of people with disabilities, and again valuable responses were forthcoming.

The Consultative Forum signalled the need for a shift in culture which can be initiated through Intreo Centres, with multiple communication channels needed. Written communication should be made available in accessible/'Easy to Read' formats, and a 'GP' or holistic type approach should be adopted, with the local Intreo Centre knowing what is available locally. The Intreo service should act as a knowledge broker for services, supports and opportunities that exist in the locality, e.g. EmployAbility/education/jobs clubs/local employment service/training/job opportunities, and this model should be fostered.

Written submissions echoed these points - improved, accessible communication was seen as key, and promotion of services via disability organisations. Development of an inclusive, welcoming service with an individualised approach by named case workers and job coaches is needed. While all who answered this questions agreed that accompaniment of family/friend/advocate an Intreo Centre is Important to people with disabilities, some echoed submission comments in the Consultation Forum that the person should only be accompanied if they wished and they should still be the primary focus of the interview.

Question 6	
Accompaniment of family/friend/advocate at the Intreo Office: Is this Important?	
Yes	12
No	0

Walk –

“...welcoming and accepting of people with disabilities...complete change of culture to feel comfortable to engage with INTREO at all...positive disposition which focuses on their interests, skills and competencies...before needing to know 'what is wrong with them'...appropriate and flexible progression options...multimedia promotional campaign targeted at people with disabilities, their families and services to make them aware of the available supports from their local INTREO offices.”

Cumas New Ross –

“Intensive job coaching...Developing links with other community organisations and organisations supporting people with disabilities.”

Daughters of Charity -

“Information that is accessible...a supportive approach...tailored plan to assist them in finding work...A named person is a good start when looking for support in finding work.”

Rehab –

“In accessing employment, people with disabilities need support in many areas including transport, social welfare, housing, ongoing support etc. The Intreo Services must be able to provide an individualised support to people to help them to make the transition to employment...[or] refer the person to an organisation...to provide the support the person needs... Intreo need to be able to communicate in a range of accessible formats that meet the person’s needs...face to face support delivered in a relatively informal way...”

Full submissions are available on www.welfare.ie/consultation.

List of Attendees at Consultative Forum	
Adam Harris	As I AM Autism Spectrum
Adrienne Collins	Citizens Information Board
Aideen Hartney	National Disability Authority
Alison Harnett	Nat. Federation of Vol. Bodies
Brendan Lennon	DeafHear
Brian Miller	Health Services Executive
Claire Collins	Dept. of Health
David Lysaght	Disability Federation of Ireland
Declan Tanham	EmployAbility
Des Henry	WALK
Donie O'Leary	Individual
Elaine Howley	National Council the Blind Services
Joan Carthy	Irish Wheelchair Association
Joan O'Donnell	Disability Federation of Ireland
Joanne McCarthy	Disability Federation of Ireland
Jonathan Hanna	Greater Dublin Independent Living
Julienne Gillen	DeafHear
Karen Galligan	Mental Health Ireland
Marion Wilkinson	National Disability Authority
Mark O'Connor	Inclusion Ireland
Michael McCabe	Centre for Independent Living
Siobhan Barron	National Disability Authority
Sonya Felton	Rehab
Frances Ruane	Chair - Make Work Pay Group
Eithne Fitzgerald	Policy & Practice Expert
Anthony McCashin	Trinity College Dublin
Micheál Collins	University College Dublin
John Bohan	Department of Social Protection

List of Attendees at Consultative Forum

Teresa Leonard	Department of Social Protection
Anita Kelly	Department of Social Protection
Mary Harney	Department of Social Protection
Éamonn Rossi	Department of Social Protection
Gavin Murphy	Department of Social Protection
Christy Grogan	Department of Social Protection

List of written submissions
Brothers of Charity - Limerick
Citizens Information Board
Cumas New Ross
Daughters of Charity Support Services
DeafHear
Disability Federation of Ireland
Inclusion Ireland
Irish Wheelchair Association
KARE Organisation
Mental Health Ireland
Mental Health Reform
Multiple Sclerosis Ireland
National Council for the Blind Ireland
National Federation of Voluntary Bodies
Rehab Group
St. Joseph's Foundation, Charleville, Co. Cork
Ability west - St. Joseph's Training Centre Galway
EmployAbility Service
WALK

A5

Appendix 5:
Summary of Working Paper

A5. Summary of Staff Paper: 'An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes'

(The Staff paper is the work of Eric Doyle, Statistics and Business Intelligence Unit, Department of Social Protection. This summary of that paper has been compiled by Anthony Mc Cashin, Make Work Pay group independent member.)

A5.1. Introduction

The central question addressed by the Make Work Pay Group is whether the net financial outcomes for recipients of employment participation act as barriers or enablers to employment. It is particularly important to undertake such an analysis because of the complexity of the benefit system and the multiple and complex ways in which - at household and individual level - the benefit system interacts with secondary benefits, earnings, taxation, and so on. Such interactions may generate unintended, net changes in recipients' and households' incomes.

To provide an evidence base in addressing this question, the Group drew on a comprehensive, technical Working Paper prepared for it, 'An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes'. The Working Paper contains a complete description of the disability related benefits and allowances, an overview of the composition of the recipient population, and a detailed analysis of the interactions between earnings, benefits and net incomes for a range of hypothetical cases. Chapter 5 reports the main findings of the Working Paper and briefly discusses their policy implications. This Appendix summarises the Working Paper, and reports the findings in relation to the cases analysed there.

The Appendix is structured as follows:

The design of these case studies is summarised in Sections, and subsequent sections then give an analysis of the financial implications of employment for the hypothetical cases reported in the Working Paper. For each case, the household and benefit circumstances are set out and then the changes in benefits and incomes that would arise from taking up work or increasing hours of work are calculated. Section 9 summarises the findings, and the policy implications from this analysis are set out in Chapter 5.

A5.2. Design of Case Studies

The Working Paper started with a statistical profile of the composition of the beneficiary population. Based on this exercise, hypothetical cases, representative of the beneficiary population, were chosen for analysis. For example, one of the hypothetical cases refers to a single DA allowance recipient, without dependants, engaged in employment. This is a very common set of circumstances: the statistical profile showed, for example, that over three quarters of DA recipients are single and without dependants, that 18.6% of the 2016 cohort of all recipients had an employment spell in 2010 and the numbers in that sub-category with both earnings and a Disability Allowance rose from 10,702 in 2010 to 12,941 in 2014.

The detailed comparisons of disability and employment-based incomes are summarised, where appropriate, in terms of the standard analytical measures, the Replacement Rate (RR) and the Withdrawal Rate (WR). Briefly, the RR measures the extent to which a benefit 'replaces' the net earnings that a beneficiary would accrue from employment. The Working Paper calculates percent RRs using this formula:

$$\text{RR} = \text{net income from benefits} / \text{net income when in employment} * 100.$$

An RR of 50% means that the disability payment is equivalent to half of the net amount that would be received from employment.

The WR calculation summarises the net overall change in income arising from a switch from benefit receipt to full or part-time work or from increasing earnings while in employment. This measure (formally titled the Marginal Tax/Benefit Withdrawal rate) attempts to frame an answer to two questions that benefit recipients may pose when contemplating taking up work or increasing hours of work (i) 'how much better off will I be?' and (ii) 'how much of the extra earnings I get will I lose from benefit reductions and/or higher deductions?' The Working Paper calculates the percent WR from this formula:

$$WR = [1 \text{ minus } (\text{Change in Net Income}) / (\text{Change in Earnings})] * 100$$

If, for example, a recipient of DA in part-time, low paid work moves to a higher paid job or increases the number of hours worked it could result in a lower allowance and possibly higher deductions from pay. A WR of 80% means that for every €10 extra in earnings a recipient loses €8 in lower benefits and higher deductions, leaving an additional €2 extra from the increased earnings of €10.

It is important to note that some benefit rules allow recipients to combine work and benefit receipt (Disability Allowance, for example). In this case the crucial issue is how a recipient's net income and the composition of that income would be affected by an increase in earnings; here the withdrawal rate is the important indicator. Others benefits (Illness Benefit) are conditional on the recipient not being in employment, and therefore the replacement rate, comparing the benefit income with net income from work, is the relevant indicator.

The background (compositional) analysis of the recipient population pointed to low earning potential among those with disabilities and to recipients engaging only in lower paid employment. Therefore, the examples used in the case studies presented here take the minimum wage as the reference wage for the individual considering taking up employment or working more hours.

It should also be noted that the detailed analysis of cases also includes the non-cash secondary benefits, where relevant. These non-cash benefits, such as the Fuel Allowance or Free TV Licence do not increase the disposable income of their recipients, but increase their consumption. For example, in the first case study presented, of a single DA recipient, the weekly equivalent value of such secondary benefits is €33.65, and a further €9.00 is added if a recipient lives alone and receives the Living Alone Allowance. In the detailed analyses some of the calculated RR and WR figures vary according to whether estimates of the indirect 'value' of the secondary benefits are included or not.

A specific point in relation to non-cash benefits is the Medical Card (and GP only card). This entitlement is of considerable benefit. There is no universally accepted methodology for estimating a cash equivalent value for this benefit. However, recent work by DPER using the average cost of pharmacy and GP payments have estimated the annual value of the Medical Card and GP Card at €973.26 and €243.08 respectively. These estimates, however, are only indicative and might not apply to people with disabilities; for persons with a disability the value may be greater. Therefore, the

analysis of the Medical Card and GP Cards in this analysis is confined to the income limits rather than their 'value'. No attempt is made to impute a weekly value for the Medical Card and to add this to income in calculating the RR and WR figures. Where appropriate, however, the interaction between the means test for the Medical Card and the means tests for disability related payments is discussed.

The overall purpose of this kind of analysis is to identify whether and in what kinds of circumstances high RRs and WRs might arise. There is no universally agreed definition of 'high', but conventional analyses apply 70% as a threshold at which concern about financial disincentives might arise. In other words, there is considerable doubt that taking up work, or working for more income, will be seen as financially worthwhile when RRs are above 70%.

Clearly, it is not possible to completely understand the behaviour and motives of benefit recipients with regard to employment from such stylised facts, and not possible directly infer employment disincentives from hypothetically 'high' WR and RR figures. Such figures must be viewed in the wider context of evidence about attitudes to employment, experiences of work and the benefit system, and non-financial barriers to work participation. Finally, the analyses in Chapter 5 and in this Appendix are based on narrative accounts of relevant, hypothetical cases rather than the results of a statistically representative tax-benefit model.

A5.3. Case Study: Disability Allowance Recipient without Dependents

The single most common combination of circumstances is that of a DA recipient without dependants. In this case, a person in receipt of the full suite of secondary, non-cash supports would receive additional welfare of €42.50 to supplement the DA payment of €188. In addition, a recipient whose only income is the DA would be in receipt of the Medical Card.

The weekly personal rate of payment (2016) for a single recipient of DA is €188. In addition, a recipient would be entitled to a suite of secondary benefits, and a single recipient with no earned income would also be entitled to a Medical Card. Comparing these entitlements to earnings, the replacement rate (using the net National Minimum Wage benchmark) is 55%; with the full suite of secondary benefits, the rate is 67%.

Turning to the DA-earnings link, the means test includes an earnings disregard - an amount of earnings that do not affect the amount of DA to which an employed recipient is entitled. The 'earnings disregard' rules govern the way the DA may be combined with earnings. Here the recipient is allowed retain the full DA while earning to a limit of €120, i.e. the first €120 is 'disregarded' when assessing DA entitlement.

Above the €120 disregard, DA recipients face a 50 cent reduction in DA for every additional €1 earned; a single applicant loses entitlement to any DA at €423 earnings and at that point also loses automatic entitlement to secondary non-cash payments.

Table A5.1 shows the interaction of the means test with income. The maximum possible rate for DA in this case is €188 per week in the absence of earnings. As the DA recipient has no dependants, the relevant benefit rate is €188.

A5.1 DA and Income from Work, € weekly

	Gross Income	Net Income	DA Rate	Total Income
No Earnings	-	0	188.00	188.00
Rehabilitative	120.00	120.00	188.00	308.00
PT NMW	183.00	183.00	158.00	341.00
FT NMW	366.00	344.93	65.50	410.47

Source: Department of Social Protection

Where a person's earnings are €183 per week, the equivalent of working part-time (approx. 20 hrs p.w.) at National Minimum Wage (NMW), the personal rate is reduced to €158, yielding a total household income of €341.00 per week. The corresponding figures where a person is working full-time (approx. 40 hrs p.w.) at NMW are: net earnings of €345 after deductions¹⁰⁵, a DA payment of €65.50, giving a total weekly household income of €410.

Figure A5.1 disaggregates total income for a single DA recipient, who is working on the NMW, into earnings from work, from DA, and from secondary supports. It also includes the cut-off points for the Medical Card and GP Card based on family composition.

The estimated weekly value of secondary supports is €42.65 (see Table A5.2 below). This remains constant as recipients move up the earnings distribution until the maximum earnings threshold for DA which is €422.50 income for a single person. Above this level, single recipients are no longer automatically eligible for a DA payment or any of the other specified other supports.

¹⁰⁵ The means test for DA assesses income less PRSI only. However, when modelling the household income the study uses net income as derived from gross income less PRSI, PAYE and USC. Moreover, for the purposes of this study the DA applicant is assumed to have a Medical Card and therefore receive the reduced rate of USC.

A5.2 Secondary Supports

	Weekly Value
Household Benefits:	
Electrical/Gas Allowance	€8.08
TV Licence	€3.08
Fuel Allowance*	€22.50
Living Alone Increase	€9.00
Total	€42.65

Source: Department of Social Protection

** Fuel Allowance is paid for 26 weeks per year*

Figure A5.1 shows that as a recipient's earnings from work increase (horizontal axis) the DA payment decreases. Earnings up to €120 do not affect the DA payment. Where a recipient is working part-time (20 hours per week) at the NMW, earning €183 per week from employment, approximately 41% of net income is provided by DA, while 48% is from earnings.¹⁰⁶ At the point where a recipient is working full-time (40 hours) at NMW, the proportion of income provided by DA is 14%.

The maximum income possible for a single person, while also retaining the minimum DA payment of €3.00 and the secondary supports, is €463.15 per week. At €423.00, the recipient loses DA and the automatic qualification to the secondary supports. This equates to a drop in total income of €45.15 (c. 10%) and is driven entirely by the loss of the secondary supports package. Due to the tapered structure of DA, there is no significant 'income cliff' in respect of the core DA payment, once the recipient exceeds the maximum means threshold. When secondary supports are excluded, the loss in income is less than 2%.

¹⁰⁶ Note the residual is composed of the value of the secondary supports which remains constant.

A5.1 Total Income by Source, including DA and Secondary Benefits

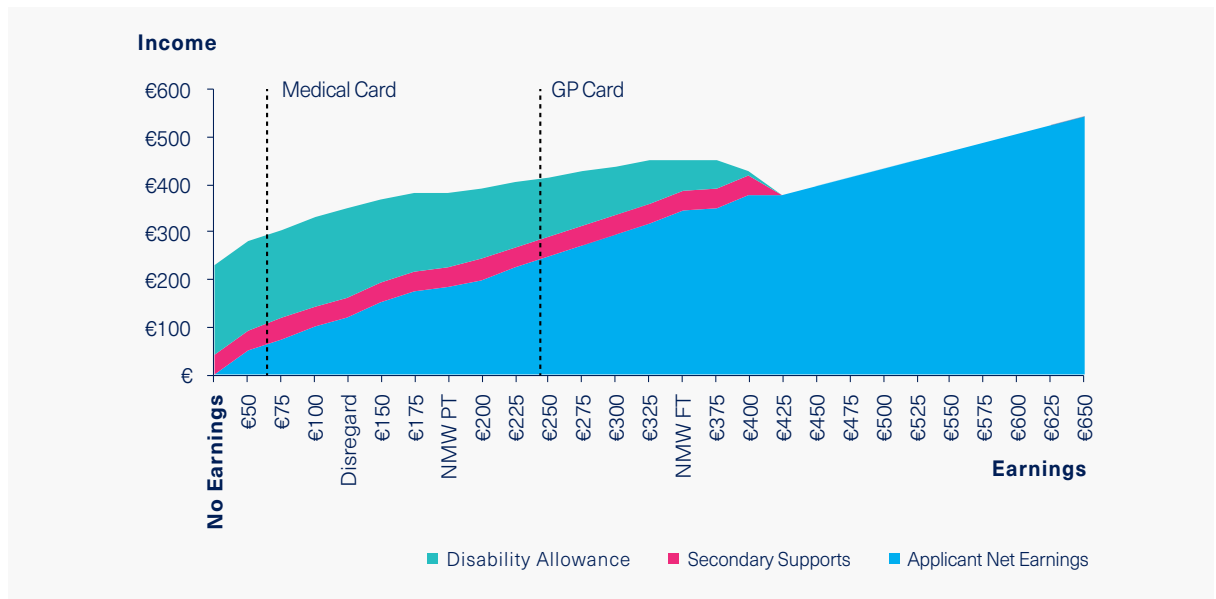


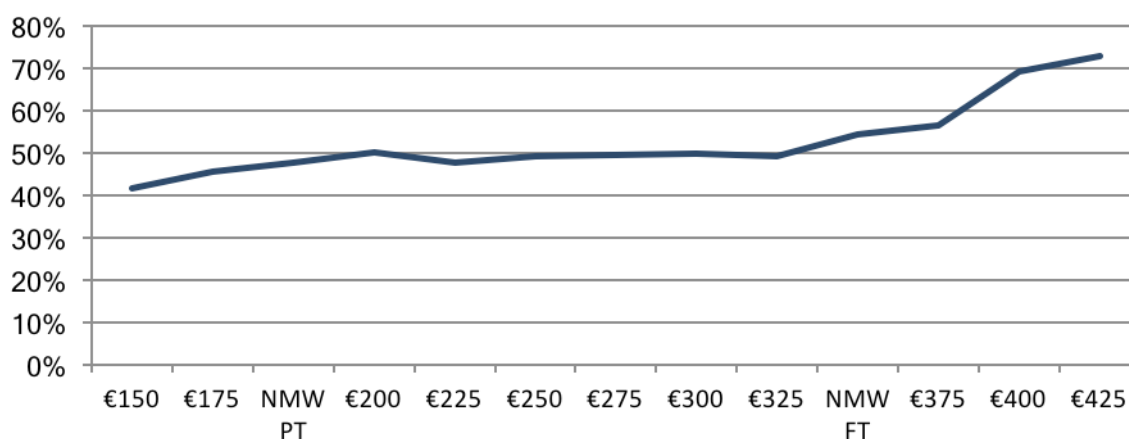
Figure A5.1 also highlights the relevant income threshold for Medical Card eligibility and GP Card eligibility. Under the Medical Card rules, €184 is the maximum income level for a single recipient living alone once the relevant disregards are applied. Those disregards include the €120 for rehabilitative employment for DA. In this case, the recipient's total income (DA + earnings from work) exceeds €184 at the point where earnings increase beyond the €120 disregard. The GP Card means limit is €276 after disregards, including the €120 rehabilitative employment disregard. As shown in Figure A5.1, total income (DA + earnings from work) exceeds the cut-off when gross weekly earnings reach €300 approximately. The means tests for the Medical Card and GP-only cards interact with the DA means test. Therefore, any consideration of barriers to recipients taking up work or increasing work hours should acknowledge the combined impact of the possible loss of a Medical/GP card and a lower DA as earnings increase in the earnings range above the disregard.

To summarise the relationship between DA and earnings, Table A5.3 shows the (marginal tax-benefit) withdrawal rates for bands of earnings, in the first three rows. The rate is zero below the disregard, 16 % across the range from no earnings to part-time work and 39% across the zero-to-full-time range. However, if the wider income range is disaggregated into the bands shown in the last two rows, a pattern of increasing withdrawal rates can be observed; the withdrawal rate is 62 % for a recipient who increases working hours from part-time to full-time.

A5.3 Withdrawal Rate by Income Range, %

Range	MTBWR
No Earnings to disregard	0
No Earnings to part-time	16
No Earnings to full-time	39
Disregard to part-time	48
Part-time to full-time	62

A5.2 DA Single, No Dependants, Withdrawal Rate %



Source: Department of Social Protection

A fuller picture of increasing withdrawal rates is shown in Figure A5.2; this shows the withdrawal rate for changes in earnings from the disregard to the income level at which DA eligibility is lost. At €200 the withdrawal rate is 50%, and the scale of the range for the 50% reduction in DA keeps the rate constant until earnings exceed €325. At that point the rate rises sharply, reflecting the one-for-one reduction in DA (in bands of €2.50) as earnings increase further.

A5.4. Disability Allowance Recipients with Dependants

The hypothetical case summarised above referred specifically to single DA recipients without dependants - a particularly representative set of circumstances. Although it is not possible to quantify how many DA recipients are in these circumstances,

the compositional analysis in the Working Paper showed that 80% do not have dependency-related allowances for adults or children. The balance of 20% is split broadly equally between three categories: recipients with a qualifying adult allowance, recipients with qualifying children allowance only and those with a mix of allowances. It is therefore necessary to analyse the differences between the circumstances of single recipients and those with dependants. The analysis below examines the incomes of recipients with dependants by exploring two scenarios, as follows: one where the recipient has an adult spouse in receipt of Jobseeker's Allowance (JA) and one child, and a second, identical scenario where the spouse is in part-time employment.

These scenarios bring into the picture the key elements: the way means tests for different payments into one household interact; the role of dependency payments for adults and children; and the relationship between the cash benefits, secondary benefits and the Medical Card means test.

A5.4 DA recipient, with Spouse on JA, One child: Household Income by Source, €weekly

	Gross Earnings	Net Earnings	DA	JA	Total Household Income
No Earnings	0	0	202.90	202.90	405.90
Rehabilitative	120.00	120.00	202.90	185.00	507.90
PT NMW	183.00	183.00	187.90	166.00	536.90
FT NMW	366.00	354.67	140.40	113.00	608.70

Table A5.4 records the details for the first scenario, in which the DA recipient's spouse receives JA. The figures show how the DA and JA means tests interact and, specifically, what happens to net household income if the DA recipient takes up work. First, both spouses are entitled to a payment (DA, JSA), and half a qualified child payment is also payable to each; therefore, the welfare income for a couple and child relative to net NMW earnings is higher than a single DA payment, giving a higher 'replacement rate' than that for a single recipient.

Second, if a DA recipient has an earned income it affects not only the DA but also the JSA payment of the partner. For example, even if the DA recipient earns €120 (the threshold below which the DA is still paid in full) it reduces the partner's JSA from €202.90 to €185.

Third, as the DA recipient's income from part-time employment moves beyond the €120 threshold towards full-time work, net total household income increases only modestly. For example, net household income is €507.90 where the DA recipient earns €120. If the DA recipient moves to part-time work, the DA payment falls, and likewise the JA; these benefit declines only partially offset the rise in earnings and net (total household) income rises to €536.90, a net gain of €29 for a gross pay increase of €63.

Fourth, this case shows how the disability-related payments interact with the wider benefit system; the link between spouses' entitlements is important, and once recipients with children enter employment the separate means test for FIS may add to the complexity.

Finally, the role of the qualified child allowance should be noted. This case specified one child. However, at any level of income the RR and WR would be higher the larger the number of children. The higher calculated RRs that would arise with cases of larger family sizes in practice are not likely to impinge on numerically significant numbers of DA recipients.

As Table A5.5 shows, the value of secondary benefits in this case is €33.66. This figure remains constant as recipients' incomes increase to the maximum earnings threshold for DA: beyond that income level recipients lose their eligibility.

A5.5 DA Recipient, Spouse on JA, One child, Secondary Benefits, €weekly

Household Benefits	Weekly Value
Electrical/Gas Allowance	€8.08
TV Licence	€3.08
Fuel Allowance*	€22.50
Total	€33.66

Source: Department of Social Protection

** Fuel Allowance is paid for 26 weeks per year*

A5.3 Total Income by Source Incl. DA + Secondary Supports, DA + JA Couple + 1 Child Dependand

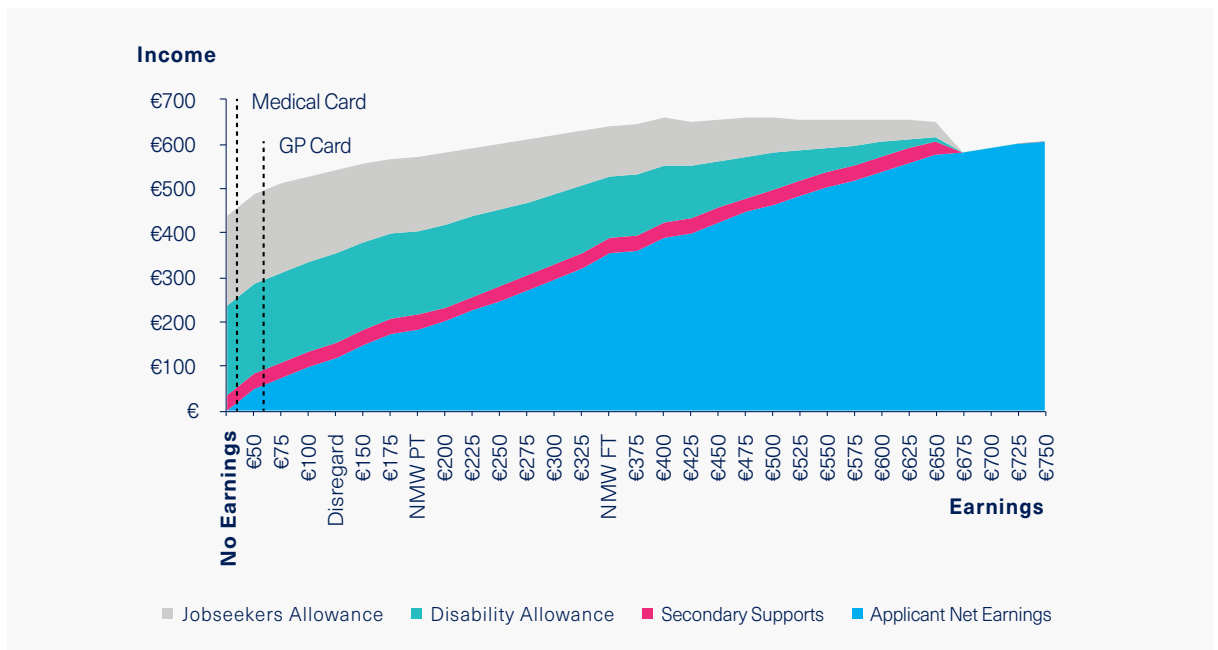


Figure A5.3 shows how the mix of incomes changes, as earnings increase. In part-time work (20 hours, €183 weekly) the shares of earnings and DA+JA are approximately 33% and 60% respectively, and in full-time work the corresponding figures are 56% and 39%. An important point to note in the figure is the low level of earnings at which the Medical Card and GP limits affect entitlements. In view of the likely value of these entitlements, employment disincentives may arise from the combination of possible effects; the possible loss of the Medical Card and the reduction in JA+DA income across a particular range of earnings.

A5.6 DA Recipient, Spouse on JA, One child, Withdrawal Rate % by Income Range

Range	MTBWR
No Earnings to Disregard	15
No Earnings to Part-time	28
No Earnings to Full-time	45
Disregard to Part-time	54
Part-time to Full-time	61

Source: Department of Social Protection

A5.4 DA, Spouse on JA, + 1 Child Dependant MTBWR %

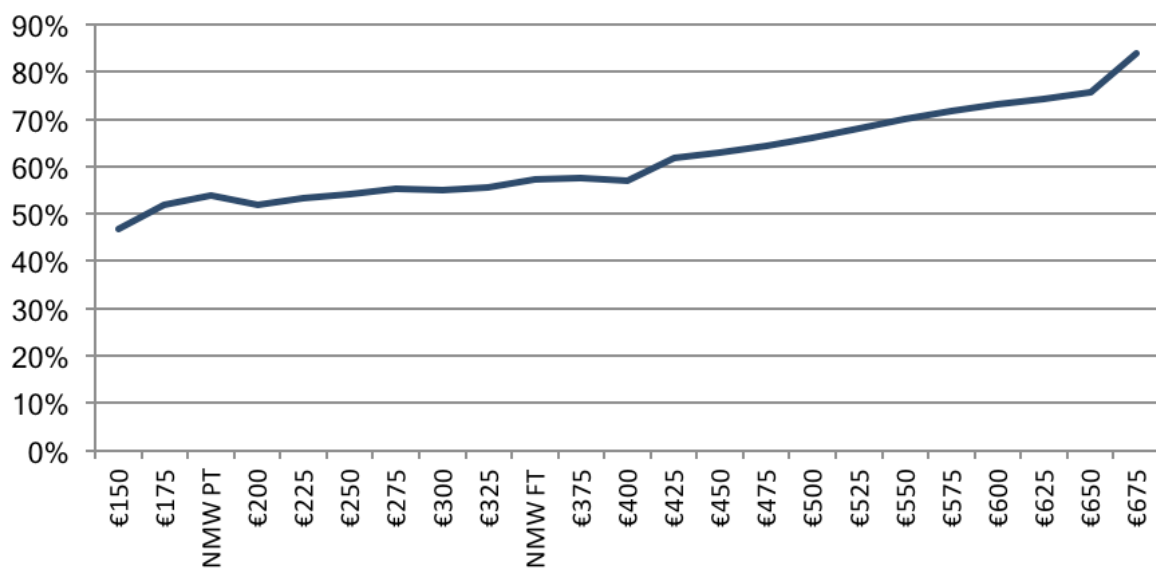


Table A5.6 and Figure A5.4 show the withdrawal rates. Broadly, the pattern here is similar to that for the case of the single person: lower rates at lower earnings levels. In the higher earnings band - moving from part-time to full-time work - the rate is over 60%, whereas the rate is 15% in the range below the disregard. However, the WRs differ from that of the single recipient. The corresponding rates are higher for this couple scenario because of the impact of the means test on both spouses' incomes and the qualified child allowance, although this difference does not apply to the highest earnings band.

A recipient's spouse may be in employment rather than a recipient of JA. The tables below explore the circumstances of a married couple with one child dependant where one adult is a DA recipient and the spouse is in part-time employment at €183 weekly. It is not possible to quantify the number of such cases, but this particular case refers to a sub-set of the approximately 20% of DA recipients who have dependants. The details of benefits and earnings are given in Table A5.7, and Table A5.8 records the secondary benefits.

Here the analysis focuses on what happens if the DA recipient moves into part-time or full-time employment, while the spouse retains part-time work and earnings. The DA recipient with zero earnings will have a family rate of €270.10 to begin with, comprising the personal rate and qualified adult and child allowances. In addition, the recipient will have secondary benefits with an estimated value of €33.66 weekly. If the recipient takes up employment, the increased earnings will offset by deductions and by a reduction in the rate of DA. The value of the secondary benefits remains unchanged until the recipient hits the maximum earnings threshold for DA, at which point the recipient loses the DA and the secondary benefits.

A5.7 Couple: DA Recipient + Part-time Worker, + One child, €weekly

	Gross Earnings	Net Earnings	DA	Partner Earnings	Total Household Income
No Earnings	0	0	270.10	183.00	453.10
Rehabilitative	120.00	120.00	270.10	183.00	573.10
PT NMW	183.00	183.00	237.60	183.00	603.60
FT NMW	366.00	354.67	145.10	183.00	682.77

A5.8 Couple: DA Recipient + Part-time Worker, One child, Secondary Benefits, €weekly

Household Benefits	Weekly Value
Electrical/Gas Allowance	€8.08
TV Licence	€3.08
Fuel Allowance*	€22.50
Total	€33.66

Source: Department of Social Protection

* Fuel Allowance is paid for 26 weeks per year

The means test for Family Income Supplement (FIS) is also relevant here. Where the DA recipient has no earnings, the spouse in part-time work (>19 hours) could claim FIS. However, if the DA recipient works, at even modest earnings levels the combination of both spouses' earnings and the DA will bring household income to the €511 threshold for FIS eligibility.

A5.5 DA recipient, Spouse in PT work, One Child: Total Income by Source Incl. DA + Secondary Benefits

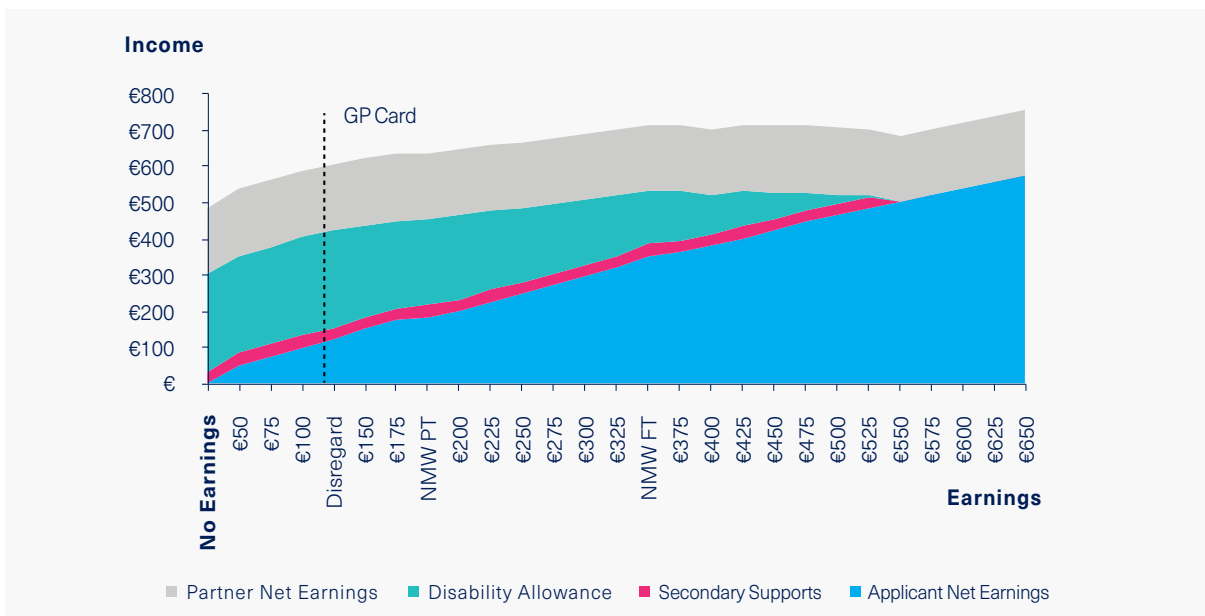


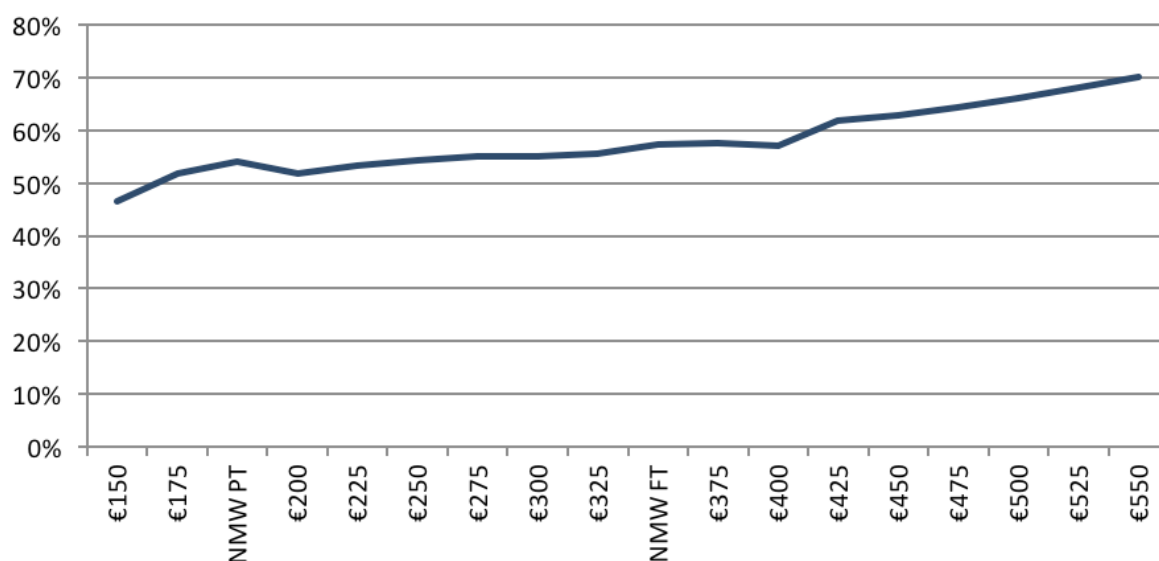
Figure A5.5 shows the composition of household income at various earnings levels and the cut-off points for the Medical Card and GP card. At the disregard level, over 50% of total income is comprised of benefits, including secondary benefits. In contrast, at full-time employment the respective figure is approximately 25%; at this point the household would maximise its total income (secondary benefits included). As earnings increase beyond the earnings equivalent of full-time work (NMW), they enter the range in which secondary benefits are lost and DA declines.

A5.9 DA Recipient, Spouse in PT work, One child, Withdrawal Rate % by Income Range

Range	MTBWR
No Earnings to Disregard	0
No Earnings to Part-time	18
No Earnings to Full-time	37
Disregard to Part-time	43
Part-time to Full-time	57

Source: Department of Social Protection

A5.6 DA recipient, Spouse in PT Work + One Child MTBWR %



Source: Department of Social Protection

The net outcome of these interactions in terms of withdrawal rates is summarised in Table A5.9 and Figure A5.6. Across wide bands of modest incomes, the rates are low; a change from zero earnings for the DA recipient to part-time earnings, for example, results in a withdrawal of 18% of the earnings increase, and the range from zero earnings to full-time work triggers a rate of 37%. However, if the rates are presented in terms of narrower, ascending bands they are higher. In the zone between part-time and full-time earnings the rate is 57%, and beyond the full-time earnings (NMW) figure the rates exceed 60%, as Figure A5.6 shows.

A5.5. Young DA Recipients

The minimum age at which a DA is payable is 16, and the Working Paper showed that 12% of the recipients are aged 16-24. It is likely that the perceived financial benefits and risks in taking a job are particularly significant in this age group - the age at which people with a disability complete their education and enter the labour market, or otherwise. This point may occur on leaving school at age 18 or 19, or after completing a course of education or training, in their early 20s. While the stock of individuals with disabilities potentially entering the labour market for the first time is relatively low, it may constitute a significant long-term flow.

Employees' earnings are typically lower in the early years of employment, and increase over the course of the working life as employees' skills and experience grow. The work and career decisions of the generality of young people are therefore informed

by some concept of lifetime earnings even where the immediate financial reward of initial employment is low. However, young people with disabilities in receipt of cash benefits and secondary benefits may be more likely to view taking up employment as particularly financially risky. Therefore, they may be more open to the influence of short-term financial considerations - such as benefit loss or reduction - than potential lifetime earnings.

It is important to stress that many young adults with disabilities live in the parental home and receive practical, social and emotional support in this wider family context. This has two important implications. First, a decision about a young disabled person's entry into work may be a family decision made in the light of all the relevant circumstances affecting the disabled person and the family. Second, the income of other household members will be affected by a change in the income of a disabled person entering employment. In particular, there may be an interaction with the income of a parent who is receiving a Carer's Allowance or Benefit; in turn, this may affect total household income adversely. In principle, a carer/parent who ceased to be a carer could potentially receive Jobseeker's Allowance (that is likely to be contingent on whether there is a second parent in employment, in which case the means test on the couple's joint income could affect any entitlement). Alternatively, the carer parent could also seek employment. However, if that parent had been a full-time carer for many years, there could be a time-lag before that would occur, and in the meantime, the household could experience a significant drop in income.

The following scenario explores the income profile of households where the DA recipient has just come of working age and the applicant's parent is in receipt of a Carer's allowance. These cases are a small subset of the approximately 125,000 recipients of DA in households where associated benefits such as Carer's Allowance (CA) or Benefit are also payable, but it is not possible to quantify the size of this sub-group.

The scenario estimates the total income in the household by source and analyses the incentive structure by deriving marginal tax-benefit withdrawal rates (WR). The WR are based on moving from a no earnings scenario for the DA applicant to the earnings equivalent of 40 hours work per week on the NMW. As this scenario concerns younger, new entrants to the labour force, the sub-minimum NMW hourly rates are appropriate, as follows:

Sub-minimum wage rates (2016)	
< 18 years of age	€6.41
Over 18 in first year of employment	€7.32

Table A5.10 summarises the scenario. The baseline here is a DA recipient with a parent in receipt of a CA payment. Both initially receive the respective the full-rate payments. Including the value of secondary supports, €33.66 in this case, the total weekly household income is €459.35.

In the under 18 case, where earnings are the equivalent of full-time on the NMW, the take-home pay (net of taxes) is €256.40. The earnings reduce the DA rate to €120.50. In addition, it is also assumed the parent will lose the CA payment and Carer's Support Grant¹⁰⁷ as the DA applicant is employed full-time. When all sources of income are pooled, the overall weekly household income falls to €410.56.

A5.10 Household Income for Young DA Recipient + Carer's Allowance, €weekly

	No Earnings	Under 18 NMW	Over 18 NMW
DA	188.00	120.50	103.00
Earnings	-	256.40	292.80
Parent's CA	204.00	-	-
Secondary Supports	33.66	33.66	33.66
Carers Support Grant	33.69	-	-
Total Income	459.35	410.56	429.46
Withdrawal rate %		119%	110%

¹⁰⁷ This example models the case of a household where a person with a disability has been in receipt of a DA, and another member of the household has been in receipt of a CA in respect of that DA recipient. In the case study, the DA recipient moves into work, and the Carer becomes a Jobseeker, and claims Jobseeker's Allowance (JA) from the Department of Social Protection. It is important to note that Carer's Allowance and/or Carer's Support Grant will not be lost in all cases where a person with a disability moves on to work. Further information on the Carer scheme is available from the Department of Social Protection (www.welfare.ie) or Citizens Information (www.citizensinformation.ie)

This net change in household income (from no earnings to full-time work) corresponds to a very high withdrawal rate: 119%. In other words, the loss from reduced benefits and increased tax exceeded the value of the gain in earnings, resulting in a net loss in household income and a potentially very strong financial disincentive to participate in employment in this case.

In the case of DA applicants aged over 18 in their first year of work, their net earnings for 40 hours work at the NMW is €292.80. This corresponds to a DA rate of €103 and also results in the loss of CA and the Carer's Support Grant. The total weekly income, including secondary supports, is then €429.46.

The WR in this case is 110%. This is an improvement on the under 18 case, but is in excess of 100% of the gain in earnings and therefore represents a net loss in income and a financial disincentive.

In the scenario outlined here the relationship between DA and CA was explored. The CA claim and the Carer's Support Grant are conditional upon the person with a disability requiring full-time care. In such circumstances, participation in employment would disqualify the parent from claiming CA. Therefore, in this scenario, once the DA applicant enters the workforce and has an income equivalent to full-time earnings on the NMW, it is assumed that they no longer require full-time care or attention. However, this particular interplay between DA and CA does not apply to all other payments; for example, a claim for Jobseeker's Allowance by the parent of a DA recipient would be independently assessed.

Finally in relation to the transition to DA for young adults with disabilities, the role of the Domiciliary Care Allowance (DCA) should be noted. It is a monthly, non-means-tested payment for a child aged under-16 with a severe disability requiring ongoing care and attention, substantially over and above the care and attention usually required by a child of the same age. Once the child reaches 16, the household can no longer claim DCA on behalf of the child. However, if the child continues to meet the medical criteria, the child may qualify for DA.

In this instance, household income may increase by approximately €110 per week, the difference between DCA (€309.50 per month) and the full rate of DA (€188 per week). However, the income from DA is paid to the DA applicant not the carer, such as the parent. Therefore, while the DA applicant has gained and household income has increased, this has come at a loss to the parent, previously in receipt of DCA. Where the young prospective DA applicant chooses to enter the labour market, the loss of the DCA will still apply and the change in household income will then depend on the young person's combination of earnings and DA.

How exactly the transition from DCA to DA affects financial incentives to participate in the labour market within the household will vary according to individual household circumstances. Consequently, it is not possible to model the unique household dynamics associated with this transition point effectively or to derive replacement rates or withdrawal rates.

A5.6. Invalidity Pension

The cases referred to above show the operation of the means-tested DA and how earnings and the DA combine. This section examines Invalidity Pension (IP), the insurance-based, non-means tested benefit in respect of long-term sickness absence from work. There are approximately 55,000 recipients of IP; three quarters of them have no dependants. Unlike the Disability Allowance, the payment is conditional: beneficiaries may not work, and if they take up work they lose the benefit.

A5.11 Invalidity Pension, Household Income Scenarios, Selected Family Types, €weekly

Family Type	Personal Rate 1	Adult Allowance 2	Child Allowance 3	Payment Rate 4= 1+2+3	Partner Earnings 5	Secondary Supports 6	Household Income 7=4+5+6
Single	193.50	-	-	193.50	-	42.65	236.15
Couple, One child, partner zero earnings	193.50	81.60	29.80	304.90	-	33.66	338.56
Couple with Child Dependant, partner on part-time NMW	193.50	81.60	29.80	304.90	183.00	33.66	521.50
Couple with Child Dependant, partner on full-time NMW	193.50	-	14.90	208.40	354.49	0	562.89

Source: Department of Social Protection

Table A5.11 shows the relevant income details. The rate of payment here (€193.50 personal rate) is higher than DA and it allows increases in respect of qualified adult and child dependants. Beneficiaries also receive the secondary, non-cash benefits; as with the earlier cases, these amount to €33.66 for couples and €42.65 for single recipients with the Living Alone Allowance.

The value of the adult and child allowances depends on the income of a recipient's partner. In the scenario outlined, where the partner has a part-time job the recipient's allowance in respect of the partner is €81.60, and in respect of the child it is €29.80. These figures contrast with the figures where the partner is in full-time work; in this instance there is no adult allowance payable and the child allowance is reduced by half. In effect, this insurance based payment incorporates an indirect 'means test'; the total amount of the IP payment depends, in part, on the income of the recipient's partner.

The first issue here is to estimate the conventional replacement rate, i.e., the net income of the family types relative to net earnings. Table A5.12 shows the RR for a single person and a family comprising a recipient, a spouse with no earnings and one child. Here the RR is derived for each case by dividing the relevant IP rate by the net income from the NMW (full-time). The key point of the table is the large difference in the RR across family types; the adult and child allowances result in higher replacement rates than the single person case.

A5.12 IP Replacement Rate % for Two Family Types

Family Type	RR %	RR% incl. Secondary benefits
Single Person	56.1	68.5
Recipient, partner with no earnings, one child	85.9	95.5

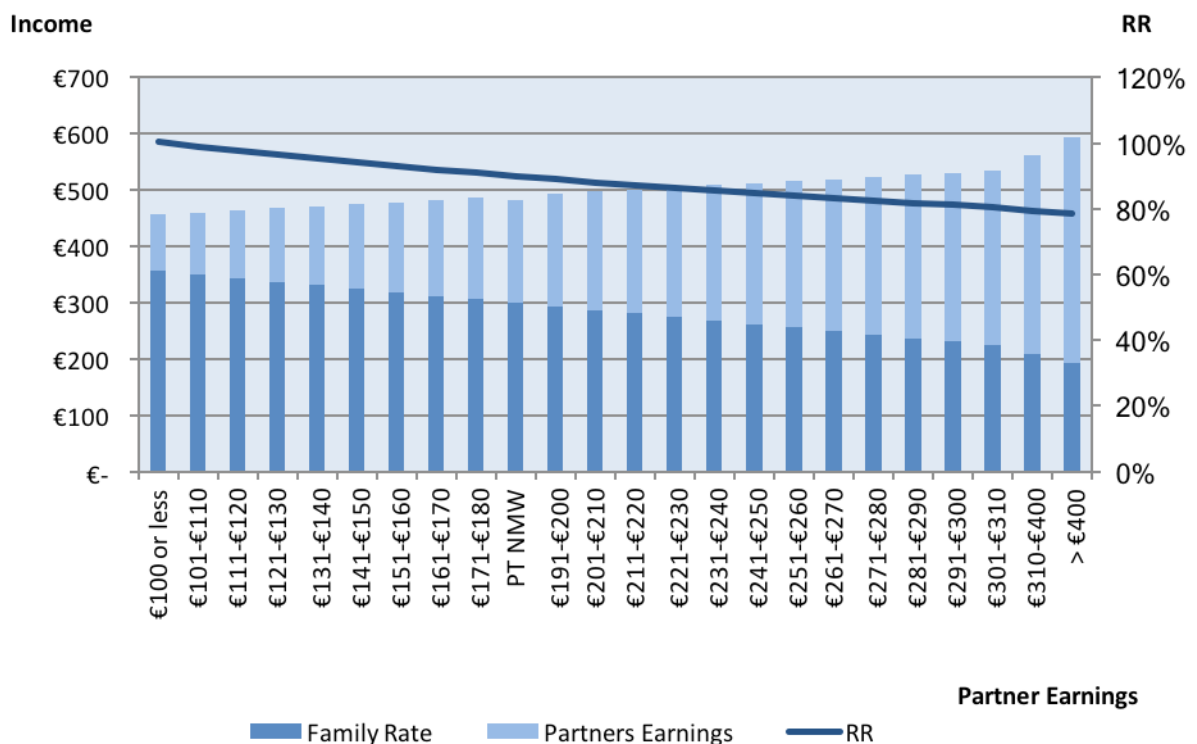
The second issue is the role of a partner's earnings. RRs are typically calculated by simply dividing a recipient's net income when out of work by net income from employment. This kind of calculation is appropriate when the recipient must either be in work or in receipt of a benefit. In this analysis, however, the income of the partner as well as the recipient is under consideration. Therefore, it is appropriate to compare the net incomes of IP recipients' households where partners have earnings with net income from employment: the resulting comparison, however, is not strictly a replacement rate. The comparison was undertaken by dividing the IP family rate plus any other household income by the income of the household where the recipient is (instead) working full-time on NMW. The resulting rates shown in Table A5.13 vary according to family type because of the impact of the dependants' allowances, and the value of the non-cash benefits increases the rates. The figures also reveal that the combination of IP and spouses' earnings results in high rates of income relative to a family income from the NMW.

A5.13 Ratio of Incomes for IP recipients to Income of IP recipient on full-time NMW ('Replacement Rates'), Selected Family Types and Spouses' earnings

	Ratio	Ratio incl. Secondary Supports
Single	56.1	68.5
Couple with Adult spouse on part-time NMW + Child Dependant	89.8	97.8
Couple with adult spouse on full-time NMW + Child Dependant	79.4	85.4

Figure A5.7 summarises the relationship between IP and partners' earnings. If the weekly income of the recipient's partner is €100 or less, the applicant retains the full adult allowance (€138) and this allowances declines as the partner's income increases. When the partner's income reaches €310 the adult allowance is zero and the child dependant allowance is halved.

A5.7 Invalidity Pension, Partner's Earnings and Household Income



As the figure shows, the IP family rate declines as a partner's earnings increase. An IP recipient whose partner's income is €100 has net income of €456.40 (personal rate + qualified adult rate + qualified child rate + earnings). However, as the partner's earnings increase (to the right on the lower axis), the rate declines because of the graduated loss of the qualified adult payment and the loss of the qualified child payment; at partner's earnings of €400 the ratio of IP + earnings to the net NMW is marginally below 80%.

A5.14 Recipient, Partner, One Child: Partner's Earnings, Household Income, and MTBWR %

Band of Partner earnings	WR %
Zero to part-time	0
Part-time to full-time	76
Full-time to €400 weekly	31

Finally, the summary figures for the withdrawal rate are given in Table A5.14. These figures pose the question: in a household with an IP recipient with one child whose partner is earning, is the financial benefit to the household of increased partner earnings withdrawn? The withdrawal rate is zero at low earnings. However, in the zone between part-time and full-time earnings the rate is high at 76%. Once the partner's earnings exceed the NMW the rate declines.

A5.7. Illness Benefit

Illness Benefit (IB) is the short-term counterpart to IP and is similarly structured; based on social insurance contributions, combining a personal rate with qualified adult and child dependant allowances; recipients are not permitted to work. The stock of IB recipients is about 55,000: just under 80% receive no allowances in respect of dependants. A distinguishing feature of IB is that the benefit rates - both the personal rate and the qualified adult and child allowances - are tiered according to beneficiaries' earnings in the previous tax year. Table A5.15 summarises the benefit rates.

A5.15 Earnings bands and IB Rates of payment in 2016, € weekly

Average earnings	Personal rate	Qualified adult rate
€300 or more	188.00	124.80
€220 - €299.99	147.30	80.90
€150 - €219.99	121.40	80.90
less than €150	84.50	80.90

Note: the Qualified Child Allowance is €29.80 weekly

Illness Benefit recipients may not combine employment and IB. Therefore, it is useful to note the RR calculated as the ratio of IB to net earnings from the NMW full-time. Table A5.16 shows the RR for two family types: a single person and a recipient with one child and a spouse with no earnings. The variation in the RRs is very wide with the two dimensions – previous earnings and family type – affecting the replacement rate.

The partners of recipients of IB may work and their earned income affects the family income directly and indirectly through its impact on entitlement to qualified adult and qualified child allowances. Table A5.17 shows the interplay between IB, spouses' earnings, and family income, by introducing these additional scenarios:

- A couple with one child where the spouse of the recipient has part-time NMW earnings (row 2 in the panels of the table):
- A couple with one child couple where the spouse has full-time earnings (row 3 in the panels of the table)

As with the IP case, the income comparisons in these latter scenarios in Table A5.17 are not strictly RRs: the rates in the final column were calculated by dividing the household income (IB plus earnings where applicable) by estimated household income when the applicant is in a full-time job at the national minimum wage.

A5.16 IB Replacement Rates % for Two Family Types by (band of) Previous Earnings

Family Type	Previous Earnings €weekly			
	300 or more	220-299	150-219	<150
Single	54.5	42.70	35.2	24.5
Couple, one child, (partner no earnings)	76.2	57.3	51.7	43.5

Note: the RR figures for the family case incorporate the effects of FIS

The wide variation in the figures in Table A5.17 shows the factors that affect the ratio of earnings plus IB to the net NMW. Within every (previous) earnings band category 1, the single adult, has a low rate. The figure for the lowest earnings band for a single person is 25%, i.e. their IB is one quarter of the net income for the full-time minimum wage; in the same earnings category the rates for categories 2 and 3 are around 70%. This variation within earnings bands reflects, in part, the impact of the qualified adult and child allowances; the rate rises sharply between categories 1 and 2, because of the addition of the qualified allowances, and then falls between 2 and 3 because of the withdrawal of the adult allowance and partial withdrawal of the child allowance.

The other factor affecting these within-earnings variations are partners' earnings; these do not affect the personal rate of IB. For example, in the highest (previous) earnings band the personal rate remains at €188 for all categories. However, in category 2, the partner's earnings supplement the personal rate of IB, and as the earnings are part-time they still permit retention of the qualified adult allowance. This combination of IB receipt and part-time (spouse's) earnings yields the highest weekly income (€520.60) and the highest ratio of income to NMW (97%) among the examples. Comparing like-for-like categories the lowest paid (based on previous earnings) have the lowest income to NMW ratios.

A5.17 IB Household Income Scenarios, € weekly, and Income Ratios %

Earnings Band	Family Scenario	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Partner Earnings	Total Income	Income Ratios %
€300	1. Single	188.00			188.00		188.00	54.5
	2. Couple Adult + Child Dependant, partner PT	188.00	124.80	24.80	337.60	183.00	520.60	96.9
	3. Couple with Child Dependant, partner FT	188.00		14.90	202.90	354.49	557.39	78.6
€250	1. Single	147.30			147.30		147.30	42.7
	2. Couple Adult + Child Dependant, partner PT	147.30	80.90	24.80	253.00	183.00	436.00	81.1
	3. Couple with Child Dependant partner FT	147.30		14.90	162.20	354.49	516.69	72.9
€150	1. Single	121.40			121.40		121.40	35.2
	2. Couple Adult + Child Dependant, partner PT	121.40	80.90	24.80	227.10	183.00	410.10	76.3
	3. Couple with Child Dependant partner FT	121.40		€14.90	136.30	354.49	490.79	69.2
€100	1. Single	84.50			84.50		84.50	24.5
	2. Couple Adult + Child Dependant, partner PT	84.50	80.90	24.80	190.20	183.00	373.20	69.4
	3. Couple with Child Dependant, partner FT	84.50		€14.90	99.40	354.49	453.89	64.0

The income details in Table A5.17 allow the calculation of illustrative withdrawal rates. What is the net gain in household income if a partner increases earnings from part-time to full-time NMW? The withdrawal rates are shown in Table A5.18 for each of the (previous) earnings categories. In all of the categories the rate is above 53% and is very high (79%) in the highest (previous) earnings category.

A5.18 Withdrawal rate % for household Income for Part-time to Full-time (IB Partner's) Earnings Range

Previous Earnings Band €	Withdrawal rate %
300 or more	79
220-299	53
150-219	53
<150	53

A5.8. Partial Capacity Benefit

Partial Capacity Benefit (PCB) is the payment available to recipients of Illness Benefit and Invalidity Pension. PCB recipients are former recipients of Illness Benefit or Invalidity Pension who switch to receipt of PCB. This scheme - relative to the schemes referred to above – is numerically much less significant; the stock of recipients is 1,600, and over 70% have no dependants. However, from an employment perspective it is distinctly relevant, as it was designed, in part, to facilitate and encourage IB and IP recipients to return to employment.

PCB recipients, having switched from IB or IP, are free to work and receive a graduated payment based on their degree of incapacity (moderate, severe or profound) and the previous benefit they received, IB or IP. As PCB is a graduated payment, and IB rates are tiered according previous earnings, the range of financial circumstances is very wide.

The analysis begins by noting the varied rates of PCB, as follows. For a single person the weekly personal rates for former IB recipients on the maximum personal rate and for IP recipients are:

- Moderate Incapacity: **IB:** €94; IP: € 96.75
- Severe Incapacity: **IB:** €141; IP: €145.13
- Profound Incapacity: **IB:** €188; IP: €193.50

The recipient receives the qualified adult and child allowances that applied to their original (IB or IP) payment.

The detailed tables below show the incomes of the single person case, formerly in receipt of IB, and now in receipt of PCB and the full NMW, and two other scenarios entailing a partner with earnings:

- A couple of working age with a child dependant, including a former IB recipient of working age and a partner employed earning the equivalent of part-time earnings at the NMW (row 2 in the panels of the tables).
- A couple of working age with a child dependant, including an IB recipient of working age and a partner employed earning the equivalent of part-time earnings at the NMW (row 3 in the panels of the tables).

Table A5.19 gives basic earnings and benefit data for former IB recipients for the single person and the couple scenarios where the partner is in work.

A5.19A PCB Income Breakdown IB Applicant with Moderate Incapacity, €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
1. Single	94.00			94.00	344.93		438.93
2. Couple Adult + Child Dependant partner PT	94.00	124.80	29.80	248.60	354.67	183.00	786.27
3. Couple with Child Dependant partner FT	94.00		14.90	108.90	344.53	344.53	797.96

A5.19B PCB Income Breakdown IB Applicant with Severe Incapacity, €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
1. Single	141.00			141.00	344.93		485.93
2. Couple + Child, partner PT	141.00	80.90	29.80	251.70	354.67	183.00	789.37
3. Couple +Child, partner FT	141.00		14.90	155.90	344.53	344.53	844.96

A5.19C PCB Income Breakdown IB Applicant with Profound Incapacity, €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
1. Single	188.00			188.00	344.93		532.93
2. Couple Adult + Child, partner PT	188.00	80.90	29.80	298.70	354.67	183.00	836.37
3. Couple +Child, partner FT	188.00		14.90	202.90	344.53	344.53	891.96

The corresponding data for former IP recipients are given in Tables A5.20 a, b and c.

A5.20 PCB Income Breakdown, IP Applicant with Moderate Incapacity, (a) €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
1. Single	96.75			96.75	344.93		441.68
2. Couple Adult + Child, partner PT	96.75	81.60	29.80	208.15	354.67	183.00	745.82
3. Couple + Child partner FT	96.75		14.90	111.65	344.53	344.53	800.71

A5.20 PCB Income Breakdown, IP Applicant with Severe Incapacity,
(b) €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
1. Single	145.13			145.13	344.93		490.06
2. Couple + Child partner PT	145.13	81.60	29.80	256.53	354.67	183.00	794.20
3. Couple + Child partner FT	145.13		14.90	160.03	344.53	344.53	849.09

A5.20 PCB Income Breakdown, IP Applicant with Profound Incapacity,
(c) €weekly

	Personal Rate	Qualified Adult	Qualified Child	Family Rate	Applicant Earnings	Partner Earnings	Total Income
Single	193.50			193.50	344.93		538.43
Couple + Child, partner PT	193.50	81.60	29.80	304.90	354.67	183.00	842.57
Couple+ Child, partner FT	193.50		14.90	208.40	344.53	344.53	897.46

The details above bring out the two key features of the transition to PCB: (i) the personal rates for PCB depend on the 'feeder' scheme from which the recipient originated; and (ii) the PCB personal rates are both graduated and unconditional. The salient issue in relation to PCB is that it arises from a switch from **one benefit to another benefit, non-means tested**, and allows the recipient to work. Therefore, the comparison between PCB and earnings was defined in these terms: **the income a recipient would have from IB or IP relative to what they would have if they switched to PCB and worked full-time at the national minimum wage**. Accordingly, the resulting ratio is: IB or IP/PCB plus net earnings. The calculations for each scenario were done separately for IB and IP, for each level of incapacity and each band of previous net earnings for IB. Tables A5.21 and A5.22 record the results.

A5.21 Income Ratios % for IB/PCB with fulltime NMW

		Moderate	Severe	Profound
€300 p.w.	Single	42.8	38.7	35.3
	Couple Partner PT + Child Dependand	65.3	61.4	57.9
	Couple, Partner FT with Child Dependand	66.9	63.3	60.0
€250 p.w.	Single	35.2	32.3	29.9
	Couple, Partner PT + Child Dependand	61.1	58.1	55.4
	Couple, Partner FT with Child Dependand	65.2	62.2	59.5
€150 p.w.	Single	29.9	27.8	26.0
	Couple, Partner PT + Child Dependand	58.5	56.1	53.9
	Couple, Partner FT with Child Dependand	62.9	60.5	58.3
€100 p.w.	Single	21.8	20.7	19.7
	Couple Partner PT+ Child Dependand	54.8	53.1	51.6
	Couple, Partner FT with Child Dependand	59.5	57.9	56.3

A5.22 Income Ratios % for IP/ PCB plus net earnings at full-time NMW

Scenarios	Moderate	Severe	Profound
1. Single	56.1	43.8	35.9
2. Couple, Adult PT + Child Dependand	89.8	76.1	57.7
3. Couple, Adult FT with Child Dependand	79.4	69.8	61.3

It is clear that a comparison of IB or IP with PCB where a PCB recipient is assumed to be employed should result in low or moderate ratios in some instances. This is what Tables A. 5.21 and A.5.22 show. For example, the rate for a former IB recipient in the lowest previous earnings band is only 19.7%. Across all the cases displayed in the table there is very considerable variation in the ratios. As the Working Paper points out,

these ratios suggest a generally strong financial incentive to switch from IB or IP to PCB and combine PCB with earned income.

The implication of the figures in Tables A5.21 and A5.22 is that the withdrawal rates for the switch to PCB plus earnings are low. These rates will vary, of course, along all of the dimensions outlined in the tables above: the originating scheme, family type, previous earnings, a partner's earnings, and so on. To complement the analysis, Table A5.23 gives the withdrawal rate for a selected number of scenarios. The WR here is derived as follows: the recipient's benchmark income is an IB or IP rate; the change in gross income is the increase in earnings comprising the full-time NMW; the change in net income is the change in income taking account of the change in benefit to PCB and the deductions from earnings.

A5.23 Withdrawal rates % for Switch to PCB, Selected cases

Case	IB/IP € weekly 1	PCB, €weekly 2	Gross Earnings €weekly 3	Net Earnings €weekly 4	Net Income 5=2+4	Net change, household income 6=5-1	WR %
Single, IB, highest earnings band, severe incapacity	188.00	141.00	366.00	344.93	485.93	297.93	19.0
Single, IP, Profound incapacity	193.50	193.50	366.00	344.93	538.43	344.93	5.8
Single, IP, severe incapacity	193.50	145.13	366.00	344.93	490.06	296.56	19.0
Single, IP, moderate incapacity	193.50	96.75	366.00	344.93	441.68	248.18	22.2
Couple, IB, highest earnings band moderate incapacity One child, no earner	342.60	248.60	366.00	344.93	593.53	250.93	27.4

Case	IB/IP € weekly 1	PCB, €weekly 2	Gross Earnings €weekly 3	Net Earnings €weekly 4	Net Income 5=2+4	Net change, household income 6=5-1	WR %
Couple, IB, highest earnings band severe incapacity One child, no earner	342.60	295.60	366.00	344.93	640.53	297.93	18.6

$$WR = [1 \text{ minus } (\text{change in net income} / \text{change in gross income})] * 100$$

The cases were chosen to highlight the factors affecting the WR. As the examples show, the rates are low relative to those reported for the other benefits, as the PCB personal rate is not withdrawn as the recipient's earnings rise. One hypothetical withdrawal rate shown in the table is less than 6%: this applies to the case of a single person with a profound incapacity, formerly in receipt of IP at the rate of €193.50. Here the recipient receives the PCB 'profound rate' of €193.50 and retains this while in employment. Accordingly, the only applicable 'withdrawals' are the deductions that apply to the NMW. This highlights the general point that for any given scenario, the higher the degree of incapacity (and therefore the higher the PCB rate) the lower the withdrawal rate.

Finally, one relevant aspect of PCB that it shares with other disability-related benefits is the role of qualified adult and child allowances. Although PCB recipients with spouses and children retain the personal rate unconditionally, the amount, if any, of the qualified allowances they receive depends on the income of partners. These allowances are withdrawn as a spouse's earnings increase. The details in Tables A5.21 and A5.22, based on the Working Paper, do not provide data on the allowances for a range of spouse's earnings. However, they give the details in respect of spouses in part-time and full-time employment. These details show the relationship between household income and PCB for scenarios with spouses, and it is possible therefore to calculate the withdrawal rate for the band of spouse's income between part-time and full-time employment at the NMW.

Where a spouse moves from part-time to full-time employment, the spouse's earnings increase by approximately €165 weekly. In all of the cases shown in Table A5.20, this results in only a modest increase in net household income of €55, because of the loss of the qualified adult allowance and the reduction (by half) in the child allowance – a withdrawal rate of 66%. This high withdrawal rate within PCB applies within the ranges of income that trigger a reduction in the qualified allowances and is of the same order as the rates applicable to recipient-with-spouse scenarios for other disability-related payments. In contrast, the low rates shown in Table A5.23 refer to the withdrawal rate on entry into PCB.

A5.9. Summary of Findings

The detailed analysis in the Working Paper summarised here, and noted in Chapter 5, shows the difficulty of attempting any generalisation about financial incentives to work for those in receipt of illness and disability related payments. The relationship between benefits and earnings is varied, and the picture conveyed in the analysis would show further variation – it should be noted – if other earnings benchmarks were to be applied. There is also an important distinction between schemes which permit recipients to retain benefits while in work and those which do not. In the former, the design of the benefit system can influence the decision to enter the workforce or the number of hours worked; in the latter, the benefit system may only influence the decision to enter the workforce.

The key findings in the Working Paper are as follows:

First, in relation to the most important payment, Disability Allowance, it is not clear that it constitutes a general barrier to taking up work. The ‘headline’ finding is that for a single person, DA is 56% of the net minimum wage, and over a range of modest earnings it allows recipients to retain an allowance and supplement their allowance with income from work. The mix of earnings and benefits is broadly appropriate; as earnings increase beyond a threshold, the level of DA declines.

Second, the compositional analysis in the Working Paper (not reported here) suggests that the DA means test may induce recipients to earn incomes up to about the level of the €120 threshold.

Third, the detailed assessment of the means tests and entitlements to non-cash, secondary benefits, shows that the loss of the Medical Card on grounds of means occurs at relatively low levels of income (in the range above €120 for a single recipient) and may combine with tapered reductions in DA to create disincentives and uncertainty. In turn, this may constitute a significant barrier to employment.

Fourth, throughout the cases analysed one feature of the overall benefit system that affects disability related payments no less than other benefits is the role of qualified allowances for adults and children. In effect, the rules about these allowances constitute another ‘means test’, and in all the scenarios studied they contribute to higher replacement rates and withdrawal rates, as well as adding to complexity.

Fifth, the one benefit payment characterised by uniformly low withdrawal rates is the Partial Capacity Benefit; the unconditional nature of the personal rate of PCB moderates the withdrawal rates. Even here, however, the adult and child allowances engender high withdrawal rates for recipients’ spouses.

Sixth, the financial transition for the families caring for young people with disabilities creates distinct impacts; if a young person works rather than receive the full DA, the combination of the means tests for DA and Carer's Allowance results in withdrawal rates, at household level, in excess of 100%. Equally, the switch from Domiciliary Care Allowance for the family to DA for the young person at age 16 increases household income.

Finally, the Working Paper's attempt to identify financial barriers and disincentives yielded one striking finding, namely, the extreme complexity of the benefit system. Quite independently of the actual financial implications of employment-related decisions, the level of complexity may, in itself, deter recipients - or their spouses - from actively considering employment.

The policy implications of the Working Paper's findings are discussed in Chapter 5. The Group's policy recommendations, which are based on the Technical Working Paper, the DA survey, feedback and submissions from stakeholders, and the review of international evidence, are given in chapter 6.

A6

Appendix 6:

Ready Reckoner for People
with Disabilities

A6.1 Why a Ready Reckoner?

The range of supports available to people with disabilities or those affected by illnesses provided by the Department of Social Protection (DSP), as well as secondary supports provided by other government bodies, make for a complex social protection system. The complexity of the system is coupled with the diversity in individual circumstances and entitlements among recipients of DSP disability and illness schemes. This can present a difficulty for individuals navigating the social welfare system to determine the changes to income and entitlements that taking up work or increasing working hours may bring. Complexity in the system and a fear of losing entitlements and being left 'worse off' as a result of taking up work or increasing working hours can act as a barrier to participation in the labour market for recipients of DSP disability and illness schemes.

The Group has concluded that there is potential to develop a ready reckoner to assist people in receipt of DSP disability and illness schemes as well as those advising them. The ready reckoner would enable people with disabilities to work out the monetary value of taking up work, illustrating the financial benefits of employment. It would also provide a tool to better equip DSP Intreo Service Case Officers to advise people in receipt of disability or illness related social protection payment on the effects that taking up work, or increasing working hours, will have on their social welfare payments.

The range of individual circumstances and entitlements among the population of DSP disability and illness scheme recipients means that it would be difficult to develop a single ready reckoner that adequately captures all potential entitlements and circumstances. Instead, it seems more appropriate to develop a tool which establishes the baseline position for each recipient considering taking up work or increasing working hours.

The analysis that comes from this ready reckoner should be complemented with other information on entitlement changes which can be established in face-to-face meetings

with Intreo Service Case Officers. Together, this would provide individuals, and their families, with a clear understanding of the income gains and entitlement changes associated with any change in their current position.

As we have shown in Section 4 of the technical Working Paper prepared for the Group,

‘An Assessment of the Financial Incentive to Work for Recipients of Illness and Disability Schemes’, with few exceptions, the income gains for taking up additional work outweigh the effect of changes to entitlements and other eligibilities. A ready reckoner combined with a personalised assessment of these changes would allow Case Officers to provide the detail disability and illness scheme recipients require as they consider the financial and entitlement implications of these changes.

A6.2 Designing a Ready Reckoner

To design a ready reckoner that would illustrate the financial benefits of employment for people in receipt of a DSP disability or illness related payments, it is important to consider the inputs, rules, outputs and potential limitations of such a ready reckoner.

The output of the ready reckoner should illustrate how ‘better off/worse off’ a person who is in receipt of an illness or disability related payment would be from participating in the labour market. This ready reckoner will establish the ‘baseline’ position of financial benefit for each recipient. However, as noted above, it is not possible for the ready reckoner to take into account all the individual circumstances and entitlements of each person. Furthermore, the factors that affect eligibility for a range of secondary supports must also be considered, as they have a monetary value that may be lost once earnings pass a defined threshold.

The loss, or fear of loss, of these entitlements can thus act as a disincentive to take up work or increasing working hours. It is suggested that these individual circumstances and entitlements and other factors be considered alongside the results of the ready reckoner. Intreo Service Case Officers would be in a position to advise individuals as to how they would be affected financially by taking up work or increasing working hours.

A6.3 Inputs for a Ready Reckoner

- Current payment (Disability Allowance, Illness Benefit, Invalidity Pension or Partial Capacity Benefit);
- Current rate of payment;
- Current weekly earnings from work;
- Potential future weekly earnings from work;
- Number of child dependants;
- Number of adult dependants; and
- Presence of spouse/partner including the income/earnings of spouse/partner.

A6.4 Other Factors to Consider Alongside Ready Reckoner

- Medical Card/GP Card, including their own estimated value of holding the card;
- Secondary supports available;
- Welfare supports of the claimant's spouse/partner; and
- Individual circumstances and entitlements of the person.

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