Submission to the Department of Social Protection's Public Consultation about the introduction of a Pay-Related Jobseeker's Benefit

Theano Kakoulidou, Barra Roantree and Michael Doolan

March 2023

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

February 2023

A chairde,

Please find enclosed a submission to the public consultation on the design and development of a new Pay-Related Benefit (PRB) scheme for jobseekers in Ireland. This draws and builds on our ESRI Budget Perspectives article,[1] updating calculations of the cost and impact on financial incentives to work taking account of the strawman proposal published by the Department for Social Protection.[2]

If useful, we would of course be happy to discuss any of the points made in this submission or the design of the proposed PRB more generally.

Is sinne le meas,

Dr. Theano Kakoulidou,
Research Officer, The Economic and Social Research Institute
Adjunct Assistant Professor, Department of Economics, Trinity College Dublin

Dr. Barra Roantree,
Research Officer, The Economic and Social Research Institute
Adjunct Assistant Professor, Department of Economics, Trinity College Dublin

Michael Doolan,
Research Assistant, The Economic and Social Research Institute

[1] See Kakoulidou, T., M. Doolan and B. Roantree (2022). Earnings-related benefits in Ireland: rationale, costs and work incentives, Budget Perspectives 202302, Dublin: ESRI, https://doi.org/10.26504/BP202302.

[2] See https://www.gov.ie/en/consultation/a73aa-pay-related-benefit-scheme-consultation/, accessed 13/02/2023.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Ireland is one of the few countries in the European Union (EU) without a strong link between the level of payment provided to those who have lost their job and the level of earnings in that job, at least for an initial period.[3] It is also an EU outlier in respect of payments for short- to medium-term absences from work for reasons of illness or maternity, which, similarly, are currently largely unrelated to previous level of earnings.

The typical rationale given for unemployment payments being related to earnings or pay is that provided by the Commission on Social Welfare: to 'offer a short-term cushion to recipients to allow an adjustment to a lower level of income'. Earnings-related payments do this by providing a level of payment linked to earnings, and thereby a higher replacement rate (RR) than flat-rate payments for higher earnings (though this is typically subject to a cap). Underpinning this rationale is often a concern that such households may have larger outgoings (e.g. a mortgage) for which – since the abolition of mortgage interest support for new claimants in 2014 – no support is provided through the welfare system.[4] From a macroeconomic perspective, research suggests that higher RRs might also enhance the role of automatic stabilisers, allowing aggregate shocks to be smoothed to a greater extent.[5] Proponents additionally posit that that an earnings-related unemployment benefit can help reduce labour market mismatch.[6]

However, higher earners are more likely to have accumulated savings, which they may be able to draw on during a period of temporary unemployment (Lydon and McIndoe-Calder, 2021). Additionally, linking unemployment benefit to previous earnings can disadvantage 'outsiders'. Women, migrants and young people usually have lower wages and shorter employment records and thus their benefit amount is lower in a pay-related system. (Esping-Andersen, 1996).[7] Moreover, Haan and Prowse (2020) point to a three-way trade-off between moral hazard, insurance and redistribution in determining the optimal mix and generosity between unemployment insurance and social assistance payments. The moral hazard element of this

[3] See Table A.1 in Kakoulidou, et al (2022).
[4] See https://www.independent.ie/irish-news/jobseekers-benefit-to-be-linked-to-previous-pay-among-welfare-reforms-revealed-by-minister-41193922.html.
[5] Gruber (1994), for example, find that a 10 percentage points increase in the unemployment insurance RR in the United States could lead to a 2.7 per cent lower fall in consumption during the spell of unemployment, while Ganong and Noel (2019) find even larger consumption-smoothing gains from extending the duration of unemployment insurance.
[6] Marimon and Zilibotti (1999) raise the argument that in a labour market with search frictions, higher unemployment benefits tend to reduce job mismatch. In the case of a pay-related jobseeker's benefit, higher payment amounts which better replace income would allow recipients more time to find the job they are best suited for.
[7] The proposal for the PRB to replace a smaller share of previous earnings with a lower maximum payment cap for those with between 2 and 5 years of contributions can also be seen in this light.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

trade-off arises because by replacing a higher level of in-work income, an earnings-related unemployment benefit weakens the financial incentive to find or take up a new job.

Table 1 provides a brief outline of the main parameters of the strawman proposal.[8] The strawman PRB would have a benefit duration 6 months, would increase the minimum benefit amount to €100 per week, would not include payment increases for qualifying adults and children, would not be open to part-time workers, would calculate the payment amount as 50% of previous earnings to a weekly cap of €300 (if between 2-5 years of PRSI contributions have been paid) and would calculate the payment amount as 60% of previous earnings to a weekly cap of €450 (if 5 years or more of PRSI contrbiutions have been paid). A comparison of the strawman against current jobseekers benefit policy can be found in Table B2 of Appendix B.

TABLE 1 MAIN PARAMETERS STRAWMAN PROPOSAL

	Pay-related Jobseeker's Benefit
Years of social insurance contributions required	At least 2 years but those with 5 years or more of contributions receive a higher replacement rate
Benefit duration	6 months
Part time employees eligible?	No – continue to receive existing Jobseeker's Benefit
Increases for qualifying adults and children?	No
If 2-5 years of social insurance contributions…	
Replacement rate	50%
Minimum payment floor	€100
Maximum payment cap	€300
If 5 years or more of social insurance contributions…	
Replacement rate	60%
Minimum payment floor	€100
Maximum payment cap	€450

[8] More details regarding the strawman proposal -and the differences with the existing Jobseeker's benefit- can be found in Appendix B as well as at Department of Social Protection (2022).

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

We use SWITCH – the ESRI's tax and benefit microsimulation model, described by Keane et al. (2022) – to assess how the proposed strawman PRB scheme would affect the financial work incentives individuals face.[9] We run SWITCH (v5.3) on data from the 2019 Survey on Income and Living Conditions (SILC), uprating monetary variables to 2023 levels using outturn and forecast earnings, output and price growth. The scale, depth and diversity of this survey allows it to provide an overall picture of the impact of the policy changes on Irish households. Our sample of interest for this analysis comprises individuals who are currently employed. We take as our baseline the tax and benefit system in place at the beginning of 2023, which includes current Jobseeker's Benefit (JB) policy.[10]

There are two main measures of the incentive to be in paid work. The replacement rate (RR) gives an individual's net out-of-work income as a percentage of their net in-work income,[11] [12] and is defined as:

$$RR = \frac{net\ income\ out\ of\ work}{net\ income\ in\ work}$$

For example, an individual whose net weekly out-of-work income was €200 and whose net in-work income was €450 would have an RR of 44 per cent.

The participation tax rate (PTR) gives the proportion of earnings that are taken away in tax or lower benefit entitlements when an individual starts work, that is:

$$PTR = \left(1 - \frac{net\ income\ in\ work - net\ income\ out\ of\ work}{gross\ earnings}\right)$$

For our example individual with weekly gross earnings of €568, this gives a PTR of 56 per cent.

For both the RR and the PTR, lower numbers indicate stronger financial incentives to work and higher numbers indicate weaker financial incentives to work. Both these measures attempt to

[9] This section draws on the discussion in Callan et al. (2016) on how to measure financial work incentives.
[10] We ignore the temporary COVID-19 related measures such as the Pandemic Unemployment Payment (PUP) and the Employment Wage Subsidy Scheme.
[11] Net income means income at the household level after benefits have been added and taxes deducted. We calculate RRs and PTRs for the employed only. In all cases, partners' behaviour is held constant when calculating an individual's financial work incentive so as to capture the work incentive for an individual of being in paid work (rather than both members of a couple).
[12] Self-employed are excluded from our analysis. A detailed description of our methodology can be found at Kakoulidou et al (2022).

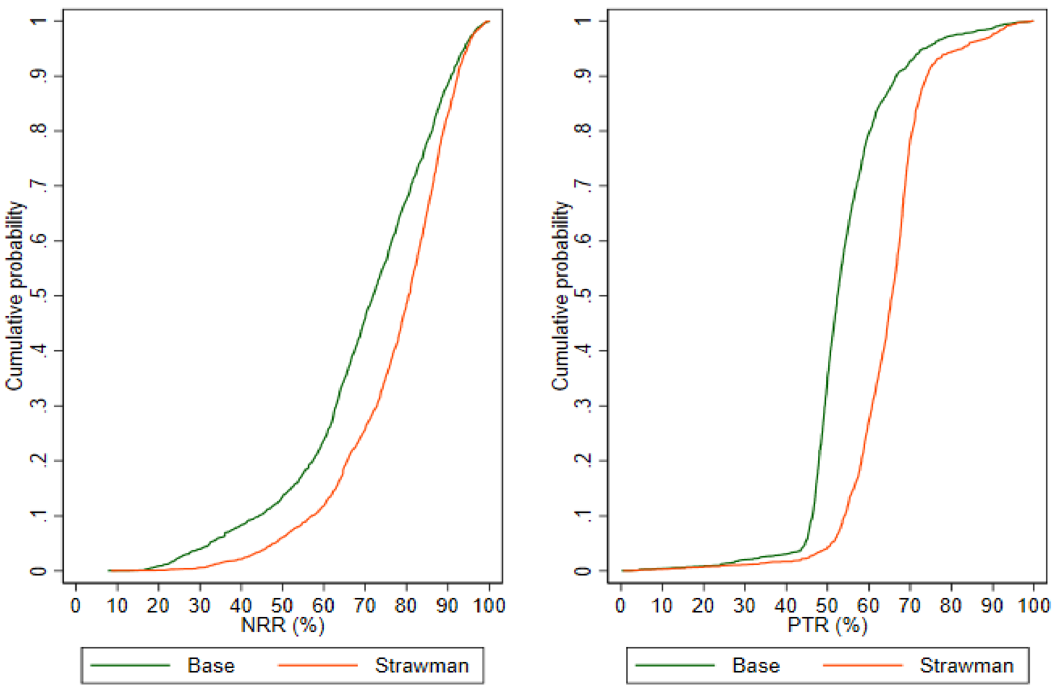
An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

capture the incentive to work or not, but they are conceptually different. Broadly speaking, the RR measures the absolute strength of financial incentives to work whereas the PTR measures the effect of the tax and benefit system on work incentives.

FIGURE 1 REPLACEMENT RATE AND PARTICIPATION TAX RATE



Note: Authors' calculations using SWITCH (v5.3) run on data from the 2019 Survey on Income and Living Conditions (SILC) uprated to 2023 terms as described in the text.

Figure 1 plots the cumulative distribution of RRs and PTRs for individuals under the current (baseline) system of Jobseeker's Benefit and the proposed PRB strawman.[13] The left panel depicts the cumulative distribution of RRs, with the right panel showing the same for PTRs. An increased RR means that in the event of an individual losing their job, their JB payment will replace a greater proportion of their previous in-work income. This can be seen as both providing a higher level of support in the event of unemployment as well as a weaker financial incentive to be in paid work.

Under the strawman proposal, the RRs increase substantially from a median of 72 per cent to a median of 80 per cent. Most of the increase in RRs occurs at the lower end of the cumulative

[13] A detailed description of the modelling specications for the baseline and strawman scenarios can be found in Appendix B.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

distribution, among those with the lowest RR values in the baseline. There is a group of individuals in the highest income quintile who have very low RRs in the baseline. These individuals usually have high in-work earnings and current JB policy would only replace a small share of this, hence the low RR. This subgroup of high earners benefits to a large extent under the reform, with JB payments now linked to earnings. This is reflected in the considerable outward shift that takes place at the bottom of the cumulative distribution. However, there is also an increase in the share of individuals with RRs in excess of 70 per cent: up from 54 per cent to 74 per cent. This suggests that the strawman proposal considerably weakens financial work incentives and leaves the majority of the population with a very low incentive to work.[14]

Such an impression is reinforced by the impact of the reform on PTRs. Around 1 per cent of the sample maintain a PTR below 30 per cent under the strawman proposal, almost identical to the baseline. However, substantial increases are observed in the second percentile and beyond, particularly between the second and fourth percentiles. The median PTR increases from 52 per cent in the baseline to 66 per cent under the strawman proposal. The proportion of the sample with a PTR greater than 70 per cent increases from 7 per cent in the baseline to 22 per cent under the strawman proposal.

Table 2 shows that the median RR values in the baseline are quite high across all quintiles, ranging from a low of 67 percent in the richest quintile to a high of 78 per cent in the second quintile, which indicates that many households are well insulated from unemployment shocks under the current system.The median RRs increase under the reform across all quintiles, showing the increased unemployment protection it provides. However, the share of these gains is not distributed evenly, with the richest three quintiles benefitting most. The median RR increases from 77 per cent to 80 per cent for households in the first quintile and the same increases from 67 percent to 77 per cent for households in the richest quintile . This increased protection under the strawman proposal comes at the cost of reducing the incentive to work in each quintile, again to roughly similar levels. Results for PTRs by quintile follow a somewhat similar pattern (Table 3). The median PTR increases for those in the poorest quintile from 61 per cent to 65 per cent and for those in the richest quintile from 51 per cent to 65 per cent. Violin plots providing a more detailed breakdown of the distribution of gains can be found in Appendix A.

[14] For the context of the submission, we refer to short-term financial incentives to work. Savage et al (2015) provide a wider overlook of financial incentives to work.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

TABLE 2 MEDIAN REPLACEMENT RATE

Income Quintile	Baseline (%)	Strawman (%)	Percentage point change
Poorest	77	80	3
2	78	83	5
3	74	83	9
4	72	81	9
Richest	67	77	10

Note: Authors' calculations using SWITCH (v5.3run on data from the 2019 Survey on Income and Living Conditions (SILC) uprated to 2023 terms as described in the text.

TABLE 3 MEDIAN PARTICIPATION TAX RATE

Income Quintile	Baseline (%)	Strawman (%)	Percentage point change
Poorest	61	66	5
2	58	66	8
3	52	66	14
4	51	66	15
Richest	51	65	14

Note: Authors' calculations using SWITCH (v5.3) run on data from the 2019 Survey on Income and Living Conditions (SILC) uprated to 2023 terms as described in the text.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Our analysis suggests that the strawman PRB proposal would cost an estimated €196 million per year more than the current system, while increasing the share of employees with replacement or participation rate in excess of 70 per cent (Table 4). These costings are estimated in the context of a very strong labour market, meaning they could increase substantially in the case of an economic downturn.[15] In addition, setting the maximum payment caps at €450 per week leads to high earners seeing the largest increase in replacement rates (RRs), a group which research suggests is more likely to have accumulated savings that can be drawn on to sustain higher levels of consumption through economic shocks (Lydon and McIndoe-Calder, 2021). Imposing a lower cap would ensure a more progressive distribution of gains.

TABLE 4 SUMMARY OF RESULTS

JB policy system	Median RR (%)	Share with RR > 70% (%)	Median PTR (%)	Share with PTR > (70%) (%)	Additional fiscal cost (€)
Baseline	72	54	52	7	n/a
Strawman	80	74	66	22	196m

Note: Authors' calculations using SWITCH (v5.3) run on data from the 2019 Survey on Income and Living Conditions (SILC) uprated to 2023 terms as described in the text.

While the expansion in benefit generosity could be financed through reductions in spending elsewhere or increases in general taxation, Government has suggested it will do so by increasing rates of pay-related social insurance (PRSI) (Government of Ireland, 2020).[16] Kakoulidou and Roantree (2021) show that a 1 per cent increase in all rates of PRSI would raise almost €1 billion per year. While the initial short-run incidence of such increases would primarily be on higher-income households and employers, international evidence suggests much of the increase is likely to be passed on over time to workers through lower wages or lower employment and to consumers through increased prices (Gruber, 1997; Anderson and Meyer, 1997; 2000). However, evidence on the nature of long-run PRSI incidence in Ireland is limited.[17] Alternative proposals for increasing PRSI revenue include the alignment of the self-employed PRSI rate to the employer's rate and extending PRSI to those over the state pension

[15] The profile of claimants could also change in the case of a recession, with the number of families and children being supported by the benefit increasing. This should be considered when debating the removal of payment increases for qualifying children and adults.
[16] Such an approach to financing this increased generosity has also been suggested by ICTU (2021) and Mac Flynn (2021), among others, who point to the comparatively low share of revenues raised here in social security contributions.
[17] To the best of our knowledge, Hughes (1985) is the last to have examined this issue, though Hargaden and Roantree (2019) and Hargaden (2020) both examine the incidence of PRSI in the shorter run.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

age (Commission on Pension, 2021; Commission of Taxation and Welfare, 2022). Given the increased level of discussion of raising PRSI in the policy debate, building a broader evidence base around this and other effects of PRSI increases is an important direction for future research.

Another important aspect of the strawman proposal is the removal of increases for qualifying children and adults. This means that claimants with identical previous earnings would receive the same benefit payment regardless of whether or not they have dependents, most notably children. This may be reasonable if the strawman PRB proposal is introduced together with wider changes in the welfare system which would account for the losses due to the elimination of the qualified increases.[18] However, the implementation of the PRB strawman in the absence of such a reform would represent a substantial departure from the historic practice of recognising the different needs of such claimants.

The strawman proposal does not outline any concrete changes regarding jobseeker's benefit for the part-time unemployed. It does, however, reference potential future reforms such as moving the part-time unemployed from Jobseeker's Benefit to a new in-work benefit, similar in structure to the Working Families Payment. Careful consideration should be granted to how the PRB reform sits in the broader system of supports, in particular how the PRB interacts with Jobseeker's Allowance, the Working Families Payment and any proposed new working-age payments, especially for those who take up part-time employment (Commission on Taxation and Welfare, 2022; Department of Social Protection, 2022). Taking a holistic viewpoint of such interacting policies and devising a clear pathway forward for the system as a whole will allow for the implemetation of an optimal reform and minimise any potential unintended consequences. Further analysis of additional potential PRB schemes, combined with research on the aforementioned related benefits and their interaction with PRB, could prove insightful in this regard.[19]

Finally, although the policy discussion has focused on strengthening the link between Jobseeker's Benefit and previous earnings, there is – as argued in more detail in Kakoulidou et al. (2022) – at least as strong a case for linking Maternity Benefit and Illness Benefit to previous earnings. International evidence suggests that linking Maternity Benefit to previous earnings could reduce the gender wage gap, while a similar reform to Illness Benefit could have public

[18] For example, the Commission of Taxation and Welfare (2022) proposed combining the Increases for a Qualified Child and the Working Family Payment in a second-tier of child benefit.
[19] Kakoulidou et al (2022) provide an analysis of how different replacement rates and maximum payment caps affect financial incentives to work across the income distribution, as well as potential fiscal cost implications.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

health benefits. While we do not analyse their impact in this paper due to data constraints, consideration should be given to such reforms alongside any move to strengthen the link between Jobseeker's Benefit and previous earnings.

References

Anderson, P.M., and B.D. Meyer (1997). 'The effects of firm specific taxes and government mandates with an application to the US unemployment insurance program', *Journal of Public Economics*, Vol. 65, No. 2, pp. 119-145.

Anderson, P.M., and B.D. Meyer (2000). 'The effects of the unemployment insurance payroll tax on wages, employment, claims and denials', *Journal of Public Economics*, Vol. 78, No. 1-2, pp. 81-106.

Callan, T., C. O'Dea, B. Roantree and M. Savage (2016). 'Financial incentives to work: Comparing Ireland and the UK', *Budget Perspectives 2017*, Economic and Social Research Institute, Dublin.

Commission on Pensions (2021). *Report of the Commission on Pensions.*

Commission on Taxation and Weflare (2022). *Foundations for the Future: Report of the Commission on Taxation and Welfare*.

Department of Social Protection (2022). *A Strawman Public Consultation Process for a Pay-Related Jobseeker's Benefit Scheme in Ireland*.

Esping-Andersen, G. (1996). 'Welfare states without work: The impasse of labour shedding and familialism in continental European social policy', in G. Esping-Andersen (ed.), *Welfare states in transition: National adaptations in global economies*, pp. 66-87.

Ganong, P., and P. Noel (2019). 'Consumer spending during unemployment: Positive and normative implications', *American Economic Review*, Vol. 109, No. 7, pp. 2383-2424.

Government of Ireland (2020). *Programme for Government. Our Shared Future.*

Gruber, J. (1994). *The consumption smoothing benefits of unemployment insurance*, Working Paper No. 4750, National Bureau of Economic Research.

Gruber, J. (1997). 'The incidence of payroll taxation: Evidence from Chile', *Journal of Labor Economics*, Vol. 15, No. 3, pp. 72-101.

Hargaden, E.P. and B. Roantree (2019). *Does statutory incidence matter? Earnings responses to social security contributions*, Working Paper 19/07.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Hargaden, E.P. (2020). 'Taxpayer responses in good times and bad', *Journal of Economic Behavior & Organization,* Vol. 176, No. 1, pp. 653-690.

Haan, P. and V. Prowse (2020). *Optimal social assistance and unemployment insurance in a life-cycle model of family labor supply and savings*, IZA Institute of Labor Economics, https://conference.iza.org/conference_files/Gender_2022/prowse_v2102.pdf.

Hughes, G. (1985). *Payroll tax incidence, the direct tax burden and the rate of return on state pension contributions in Ireland*, Research Series No. 120*,* Economic and Social Research Institute, Dublin.

ICTU (2021). *Flat broke! Unemployment benefit in Ireland*, Irish Congress of Trade Unions, Dublin.

Kakoulidou, T., M. Doolan and B. Roantree (2022). 'Earnings-related benefits in Ireland: rationale, costs and work incentives', Budget Perspectives 2023, Economic and Social Research Institute, Dublin.

Kakoulidou, T. and B. Roantree (2021). 'Options for raising tax revenue in Ireland', Budget Perspectives 2022, Economic and Social Research Institute, Dublin.

Keane, C., Doorley, K., Kakoulidou, T. and S. O'Malley. (2022). 'SWITCH: A Tax-Benefit Model for Ireland Linked to Survey and Register Data'. *International Journal of Microsimulation*, *16*(1), 1–24.

Lydon, R. and T. McIndoe-Calder (2021). 'Saving during the pandemic: Waiting out the storm?', *Central Bank of Ireland Economic Letter Series,* 2021, No. 4.

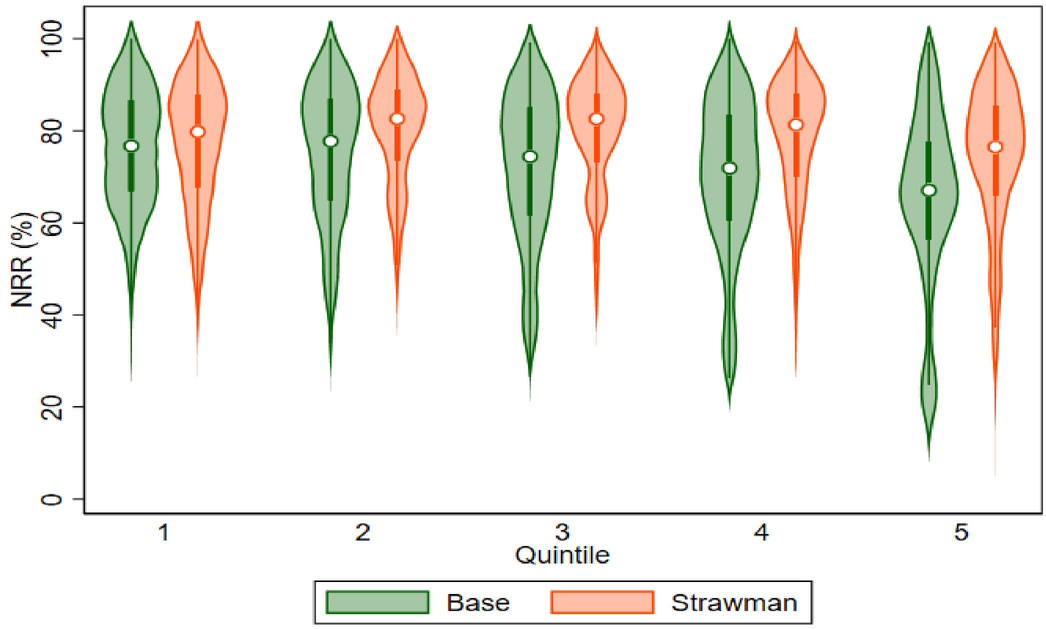
MacFlynn, P. (2021). 'Social security and the pandemic – An extraordinary response?', *NERI Report Series, No. 8*, NEVIN Economic Research Institute, Dublin.

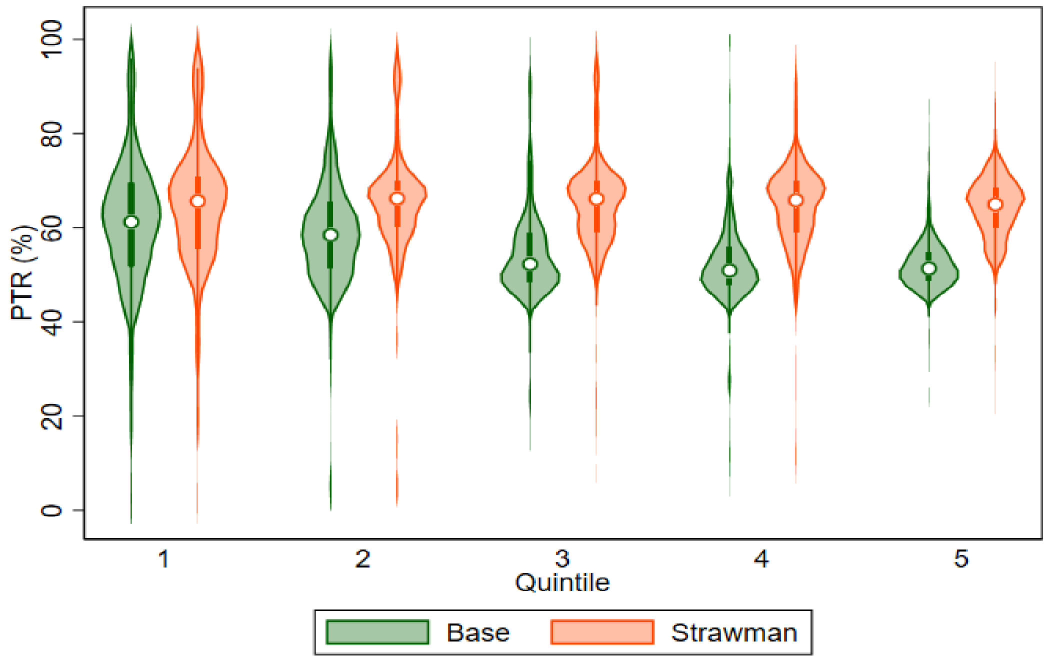
Marimon, R. and F. Zilibotti (1999). 'Unemployment vs. mismatch of talents: Reconsidering unemployment benefits', *The Economic Journal*, Vol. 109 No. 455, pp. 266-291.

Savage, M., T. Callan and J. Walsh (2015). 'A Profile of Financial Incentives to Work in Ireland', s.l.: Journal of the Statistical and Social Inquiry Society of Ireland, Vol. XLI

Appendix A – Additional Graphs

FIGURE A1 REPLACEMENT RATE AND PARTICIPATION TAX RATE BY QUINTILE





Note: Authors' calculations using SWITCH (v5.3) run on data from the 2019 Survey on Income and Living Conditions (SILC) uprated to 2023 terms as described in the text.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Figure A1 plots the distribution of RRs and PTRs by income level under the baseline and PRB strawman using a violin plot. Violin plots combine elements of a box plot and a kernel density plot. Similar to a box plot, they show values for the median, 25th percentile, 75th percentile and adjacent values. In addition, they display the distribution density of a variable. In our plots above, the white circle indicates the median value, the thick central bar represents the interquartile range, the thinner central bar represents the range of adjacent values and the curvy outside bars represent the distribution density.[20] We split the sample into five equally sized groups (quintiles) based on income. Quintile 1 consists of the poorest 20 percent of employed individuals and Quintile 5 contains the richest 20 percent of employed individuals.

[20] The upper and lower adjacent values are defined as 1.5 times the interquartile range. Values outside the upper and lower adjacent values are considered outliers.

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Appendix B – Modelling Description

Tables B1 and B2 summarise the modelling of both current Jobseeker's Benefit (JB) and the Strawman pay-related Jobseeker's Benefit (PRB) in the baseline and strawman scenarios. Part-time workers are not eligible for PRB in the strawman scenario, but can claim the current JB. The self-employed are excluded from all analysis. The benefit duration is different under the two schemes, but the fiscal implications of the shorter duration are not depicted in our analysis as the SWITCH annualises benefit payments (see Keane et al, 2022).

TABLE B1 BASELINE VERSUS STRAWMAN: HIGH-LEVEL SUMMARY OF MODELLING

	Baseline	Strawman
Policy year	2023	2023
Unemployment insurance schemes available	Current Jobseeker's Benefit	Current Jobseeker's Benefit and Strawman Pay-Related Benefit
Eligible for JB	All those with at least 2 years of social insurance contributions (Self-employed excluded)	Part-time workers with at least 2 years of social insurance contributions (Self-employed excluded)
Eligible for PRB	N/A	Full-time workers with at least 2 years of social insurance contributions

TABLE B2 MODELLING PARAMETERS OF CURRENT JOBSEEKER'S BENEFIT AND THE STRAWMAN PAY-RELATED JOBSEEKER'S BENEFIT

	Current Jobseeker's Benefit	Pay-related Jobseeker's Benefit
Years of social insurance contributions required	At least 2	At least 2 years but those with 5 years or of contributions receive higher replacement rate
Weekly payment rate based on previous weekly income (Y)..		
Y < €150	€98.70	
€150 ≤ Y < €220	€141.90	
€220 ≤ Y < €300	€172.30	
Y ≥ €300	€220	
Increase for a dependant adult	€94.50 if Y < €300 | €146 if Y ≥ €300	N/A

An Institiúid um Thaighde Eacnamaíochta agus Sóisialta
Cearnóg Whitaker, Cé Sir John Rogerson, Baile Átha Cliath 2

The Economic and Social Research Institute
Whitaker Square, Sir John Rogerson's Quay, Dublin 2

(353 -1) 8632000 www.esri.ie admin@esri.ie

Increase for a depedant child	€42/€21 if child less than 12; €50/€25 if child 12 or older	N.A
Benefit duration*	9 months if 5 years or more of PRSI contributions; 6 months if between 2 years or more of PRSI contributions	6 months
Part time employees eligible	Yes	No**
If 2-5 years of social insurance contributions…		
Replacement rate		50%
Minimum payment floor		€100
Maximum payment cap		€300
If 5 years or more of social insurance contributions…		
Replacement rate		60%
Minimum payment floor		€100
Maximum payment cap		€450

* Benefit duration is shorter under the strawmn PRB proposal but SWITCH analysis cannot reflect this change in the annual cost as payments are annualised.

** Under the strawman PRB proposal, part-time employees do not move into the PRB scheme but instead receive existing JB