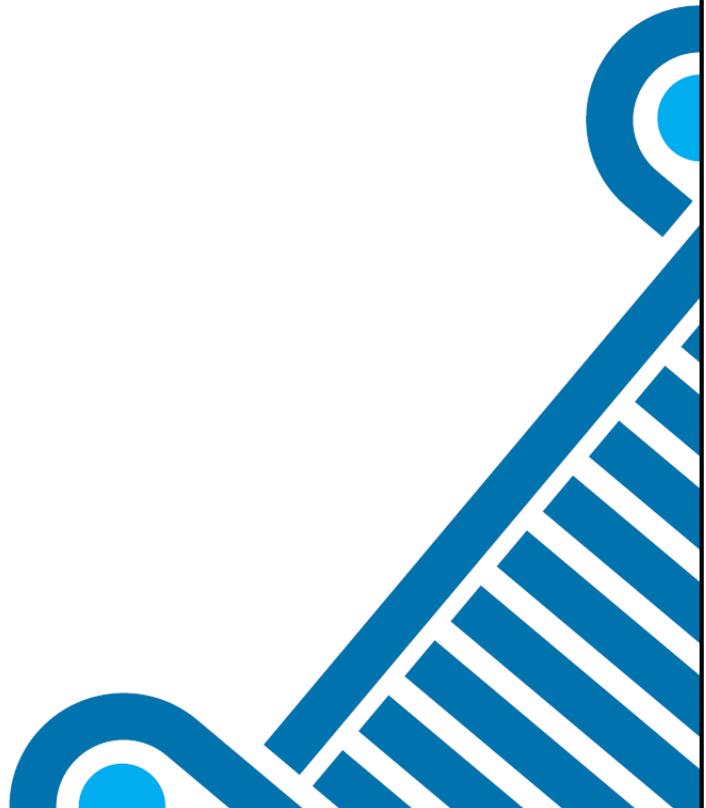


Focused Policy Assessment of the Rural Social Scheme



Summary

The Rural Social Scheme (RSS) is a relatively new income support Scheme, introduced just over a decade ago at the height of Ireland's economic performance and at a time of record employment levels. It has the following policy objectives:

1. to provide income support to qualifying farmers and those involved in the fisheries sector;
2. to harness available skills at a local level; and
3. to free up Community Employment places.

Established as a niche supplementary income support scheme to provide additional payments for a relatively small number of farmers and fishermen - who were already in receipt of other income support payments - in return for carrying out community-based work, the number of participants is capped at 2,600. There are currently just over 2,500 participants who receive payments ranging from €208 to just over €570 per week - with the median payment being approximately €275 - depending on each individual's income levels and family circumstances.

Expenditure on the Scheme was €45m in 2013, but, because RSS participants would qualify for other social protection supports if there was no RSS, it is the cost of the RSS over and above these other entitlements that is relevant – an analysis done by the Comptroller and Auditor General in 2010 suggests that the additional cost of the RSS may be in the order of €22m per year; DSP considers that it is between €6m and €10m.

When the Scheme was introduced, participation was to have been capped at one year, however, more than 60% of current participants have been on the Scheme for more than 6 years, and 82% have been on the Scheme for more than 3 years. Figures show that the level of churn each year, i.e. the amount of people who enter and leave the Scheme, is between 5% and 10% per annum. In 2012, just over 80% (or 2,085) of participants were men; and just over 70% (or 1,852) of participants were aged 50 and over.

The Scheme provides an income support to people in rural occupations – typically operating small farm holdings or small fishing vessels – that are economically unsustainable, in the broader context of social cohesion. It is not designed as an employment activation scheme and was not set up to help people into sustainable employment. This may not be in participants’ best interests in the long-term, and it is out of line with current Government policy which is focused on integrating income support schemes with activation.

In light of this, the paper proposes that future decisions on the funding and structure of the Scheme should be informed by the reform of other income and employment support schemes, which reflect recognition of the need for a back-to-work component. Regarding its other objectives, including social cohesion, these need to be clarified and set against broader high level policy objectives in this area. Moreover, there needs to be performance targets linked to these objectives and a clear way to measure outcomes.

This Focused Policy Assessment has been carried out by the Department of Public Expenditure & Reform’s Central Expenditure Evaluation Unit (CEEU), which is a part of the Irish Government Economic & Evaluation Service, in accordance with the provisions of the Public Spending Code. It does not necessarily reflect the policy position of the Department, the Minister for Public Expenditure & Reform or the Government.

Further information on the Public Spending Code is available at <http://publicspendingcode.per.gov.ie>



1. Background to the RSS

1.1 How Does It Work?

Announced as part of Budget 2004, the Rural Social Scheme was rolled out nationally in three phases in May, July and September 2004 by the Department of Community, Rural and Gaeltacht Affairs. Responsibility for it now resides with the Department of Social Protection, although it is run locally by 35 local development companies (LDCs) and by Údarás na Gaeltachta in the Gaeltacht areas. People applying to enter the RSS provide documentary proof of occupation and existing welfare income to the LDCs, which is certified by the local or branch office of the Department of Social Protection. Once accepted into the Scheme, each participant must work for 19.5 hours per week in the delivery of local services.

The RSS is essentially an alternative income support scheme for farmers and fishermen who are underemployed in their primary occupation. To qualify, participants must:

- Be farming or fishing as a primary activity; and
- Have an income level from this activity that qualifies them for one of the following social protection supports: Jobseekers' Allowance/Benefit, Farm/Fish Assist, One-Parent Family Allowance, Disability Allowance, Widow's, Widower's or Surviving Civil Partner's Contributory/Non-Contributory Pension, or qualified adult on a State Non-Contributory Pension.

In return:

- there is a guaranteed minimum income of €208 per week (which is €20 above the maximum rate of the other social protection schemes it replaces);
- income from other activity is wholly discounted;
- payments can be over €550 per week (depending on circumstances, including number of dependents);
- Class 'A' PRSI contributions are paid in respect of all participants; and
- spouse and children can carry out the community-based work on behalf of the Scheme participants.

The combination of all of these features makes the RSS generous compared with other employment and income support schemes.

Example: A farmer on Farm Assist, with a dependant adult and three dependent children, and with weekly means assessed at €92. Under Farm Assist this farmer is entitled to **€310.20 per week**; under the RSS the same farmer is entitled to **€422.20 per week**, which is an additional €112 per week. Because other income, and means generally, is not taken into account for RSS (whereas it is for Farm Assist and the other qualifying income supports) it is a much more generous and attractive Scheme for those with higher income from their primary activity. Note – new entrants to the Scheme from 17/9/12 have payment rates aligned to those of the Community Employment Scheme. The minimum weekly rate of payment remains unchanged at €208.

Note: This is the example given on the DSP website to demonstrate how the means test is applied.
http://www.welfare.ie/en/Pages/4369_What-is-the-means-test.aspx

1.2 How Much Does it Cost?

Table 1 shows that the Scheme cost €45m in 2013. Expenditure peaked in 2009, at €48.3m, but has fallen back marginally over the last number of years in light of the across-the-board reductions in social welfare rates. Of course, because RSS participants would qualify for other social protection supports if there was no RSS, it is the cost of the RSS over and above these other entitlements that is relevant: in 2010 the Comptroller and Auditor General suggested that this is about 50%,¹ indicating that the additional cost of the RSS may be in the order of €22m per year. The Department of Social Protection considers this an over estimation and suggests the additional cost is closer to €10m.

¹ Report of the Comptroller and Auditor General (2010) Volume 2, Chapter 40 Rural Social RSS

<i>Year</i>	<i>€ '000</i>
2005	25,464
2006	43,332
2007	48,625
2008	49,316
2009	48,356
2010	46,021
2011	45,150
2012	45,242
2013	45,000

Sources: Revised Estimates for Public Service

Number and Type of Participants

Department of Social Protection data shows that in 2012 there were 2,591 participants of the RSS, with just over 140 new entrants and just under 140 exits in the year. Within the overall numbers, the data for 2012 also shows that 80% (or 2,085) of participants were men and 20% (or 506) women. Just over 70% (or 1,852) of participants in 2012 were aged 50 and over; 6.5% (or 172) were aged under 40. So there is clearly both a gender discrepancy (perhaps not surprising given the nature of the employment sector targeted) and an age discrepancy.

2. Rationale and Relevance

2.1 What is the Purpose of RSS?

The RSS was essentially set up as a support scheme targeted at up to 2,600 farmers and fishermen who in return for some community-based work would receive financial payments from the State. In practice, it involves moving a relatively small number of people off existing social protection payments and Community Employment Schemes and giving them some extra income support payments.

The objectives of the Scheme, as set out in the memorandum for Government which proposed the establishment of the Scheme, are to address:

- Provision of certain services of benefit to rural communities by harnessing the skills and talents available among low income farmers and fishermen.
- Income support needs to low income farmers and fishermen who are in receipt of specified, primarily, long-term social protection payments

- The freeing up of Community Employment (CE) places currently held by such persons for others wishing to avail of training leading to employment in the open labour market.

It is not designed to encourage people back to work or to get new skills – in fact when it was launched it was made explicit that the RSS would not be a training scheme, it is not time limited and participants generally do not move off the Scheme once they join. It does provide for participants doing some work in the community – such as village and countryside enhancement projects – and to that extent there is a social value. The Scheme also facilitates improved social inclusion for its participants, many of whom may be living in relative isolation. That the number of participants allowed at any one time is capped is a necessary cost control measure for schemes such as this with negligible exit levels.

In effect, the Scheme provides an income support to people in rural occupations – typically operating small farm holdings or small fishing vessels – that are economically unsustainable, in the broader context of social cohesion.

Section 2.3 will set out the changes to the rural employment context that have taken place since the Scheme was established, in order to better inform a view as to whether a Scheme such as the RSS is in fact in the long term interest of participants.

2.2 Does it Still Make Sense?

It should always be borne in mind that some policy interventions are necessarily of their time and that circumstances can change that mean that the intervention is no longer relevant or nor longer effective.

The sharp rise in unemployment since 2007 has necessitated an overhaul of the State's labour market activation policies, with a sharp focus on how the State engages with and supports the unemployed to get back into the workforce. Reflecting this, the Department of Social Protection's Statement of Strategy 2011 to 2014 proposes that:

'income supports must be integrated with activation measures, i.e. a range of supports and policies with the objective of assisting social protection recipients to improve their life chances by facilitating access to employment, work experience, education and training.'

In this context it is noteworthy that the 2011 Comprehensive Review of Expenditure found that Schemes like the RSS were very poor at helping people back to work, into more permanent and non-subsidised

employment.² Drawing on international evidence about what works in terms of government programmes to address unemployment, the Review concluded that such direct job support schemes (i.e. schemes that occupy people in ad hoc activities rather than seeking to move them into actual jobs in the economy) were rarely effective, in contrast to research showing that classroom and on the job training had much more favourable impacts in the medium-term.

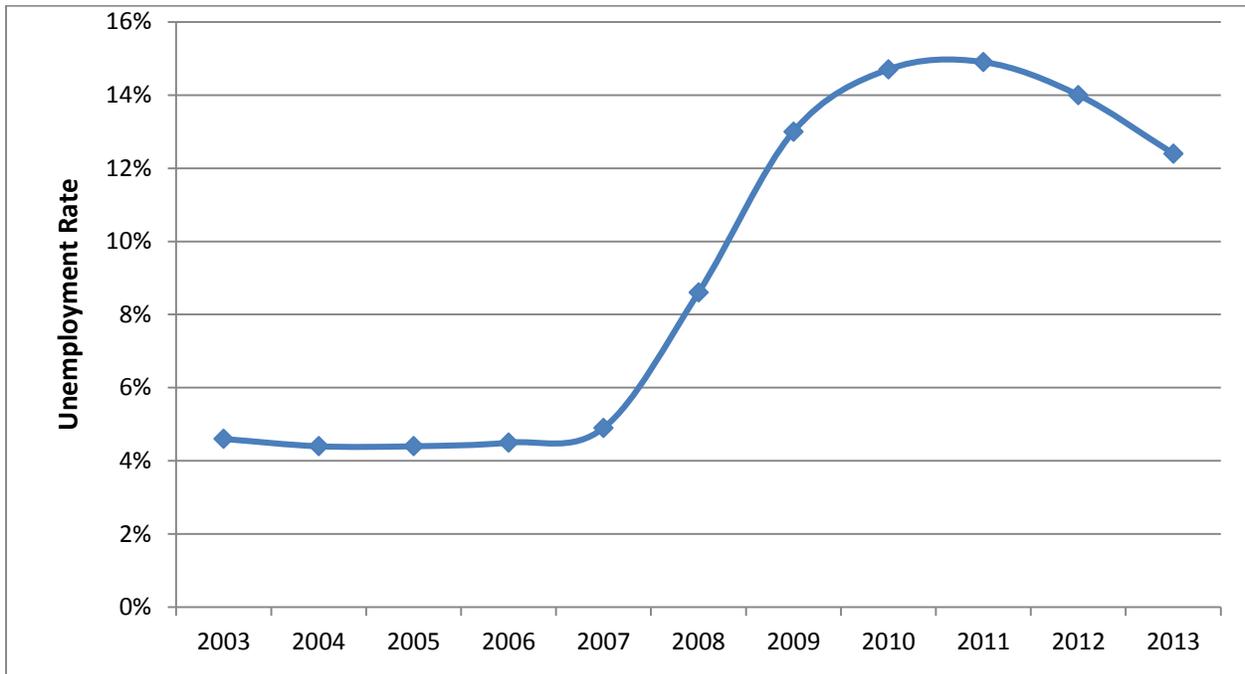
Of course, the RSS was never about improving the employability of participants; it was never designed to help people develop new skills or attain new qualifications. It was and remains, simply, about providing people who were underemployed in their primary activity (farming and fishing) with additional income support payments for carrying out some work in the community. So while it is not fair necessarily to evaluate the RSS as a labour market activation intervention (i.e. a back-to-work scheme), it is reasonable to consider the RSS in the broader context of labour market developments since it was introduced in 2005 and to consider whether it represents an effective way to spend €43m each year given the unemployment and general economic challenges in the rural economy.

2.3 The Broader Rural Unemployment/Income Challenge

The RSS was introduced at a time of historically low unemployment rates at national and regional level and so it is not surprising that it lacks the features to help address the current unemployment crisis. Figure 1 illustrates how dramatically the employment context has changed since the Scheme was first introduced in 2004. However, the Scheme design has not changed in any way to reflect this fundamental change in the overall context.

² CEEU (2011) Comprehensive Review of Expenditure Thematic Evaluation Series. 'Labour Market Training and Activation'. Available at <http://per.gov.ie/wp-content/uploads/Labour-Market-Training-and-Activation.pdf>

Figure 1: Seasonally adjusted standardised unemployment rate, 2003-December 2013

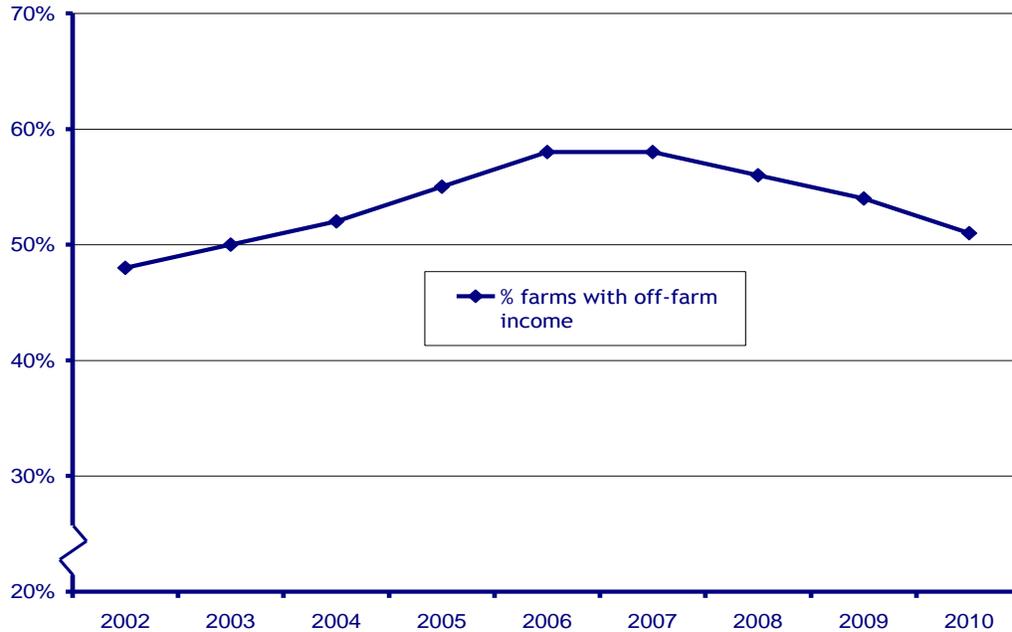


Source: CSO Quarterly National Household Survey

A notable feature of the unemployment crisis is the scale of the impact on the rural economy. Employment in the agriculture/forestry/fishing sector has fallen from 116,000 in 2008 to 103,000 at end June 2013, an 11% decline. In addition, the even more dramatic employment falls in the construction sector, a 62% fall between 2007 and 2013, has also impacted on the rural economy given the large rural employment component in construction and its value as an off-farm income in particular.

As Figure 2 shows, the number of farms with income other than related to farming rose in the period of 2002 to 2006 and fell back thereafter. A lot of this is likely attributable to activity in the construction sector.

Figure 2: Changing incidence of off-farm income, 2002-2010



Source: Compiled from Teagasc National Farm Surveys, 2003-2011

The prospects for attaining alternative off-farm employment are framed by the skills and educational profile of those primarily engaged in agriculture, fishing and forestry. With the construction sector, for one, unlikely to deliver the number of jobs and level of income previously seen, work by Teagasc suggests that that the gap between farmers' skills and labour market demand is likely to increase. It concludes that up-skilling of a significant number of farmers will be required.³

In relation to RSS, these developments are material because the need to assist the rural unemployed and displaced construction workers in returning to employment is a pressing one. The RSS does not appear to be contributing to this effort and should at the very least be more focused on labour market activation and appropriate training modules to improve the skill level of participants. Of course, any training that might be done should be appropriate to the local context.

3. Conclusions

The RSS is a relatively new income support scheme, introduced just over a decade ago and the height of Ireland's economic performance and at a time of record employment levels. It appears to have been established as a niche support scheme to provide additional payments for a small number of people -

³ Behan, J and M O'Brien (2008) Assessing the Availability of Off-Farm Employment and farmers' Training Needs. Teagasc

who were already in receipt of supplementary income support payments - in return for carrying out community-based work. It is not designed to encourage people back to work or to get new skills, it is not time limited and participants generally do not move off the Scheme once they join.

Between one-quarter and half of the expenditure on the Scheme is considered additional – i.e. expenditure that would not arise in the absence of the RSS – which means that the additional expenditure was between €10m (DSP view) and €22m (based on C&AG calculation) in 2012. For this expenditure there does not appear to be any basis for measuring what impact, benefit or social value has been derived.

It is clear that the Scheme is not having a meaningful impact on helping people into sustainable employment, with data showing that only about 140 people leave the Scheme each year (and to where we do not know). This is not a surprising finding given the design of the Scheme and what is known about the general weakness of public employment schemes in helping people back into paid employment.

In that respect, the Scheme is out of line with current Government policy, which is focused on having greater targeting of labour market activation and on integration of income support schemes with activation. While there are social inclusion aspects to the RSS, these are not defined, and some improved activation component would be beneficial.

In light of this, the paper proposes that future decisions on the funding and structure of the Scheme should be informed by the reform of other income and employment support schemes, which reflect recognition of the need to a back-to-work component. Regarding its other objectives, including social cohesion, these need to be clarified and set against broader high level policy objectives in this area. Moreover, there need to be performance targets linked to these objectives and a clear way to measure outcomes.