

WSN Briefing Paper
Earnings Disregard Pilot Study by the
Office of the First and Deputy First Minister

What is an Earnings Disregard:

The earnings disregard is a weekly amount of money that can be earned by those on welfare benefits without losing entitlement. Currently the earnings disregard is as follows:

| | | |
|----------------|---|-----------------|
| Individual | - | £5.00 per week |
| Married couple | - | £10.00 per week |
| Lone parent | - | £25.00 per week |

Anything that is earned above these rates will be taken like for like from the benefit payment.

Aim of the Earnings Disregard:

The main aim of the earnings disregard is to allow people to earn small amounts of money without losing their benefits, it is seen as an incentive to try out bits of work before moving into sustainable employment.

The Problem with the Earnings Disregard:

The amount of earnings disregard has remained virtually unchanged for the last 23 years and is extremely low. For those who want to work part time, do sessional work or take on a temporary job, it is prohibitive because people do not want to give up their benefits for such short term work. This leads to a benefits trap with people, families and children in poverty, reliant on benefits and unable to contribute to society.

Earnings Disregard Pilot Study by the Office of the First and Deputy First Minister (OFMDFM)

While the issue of increasing the earnings disregard is a reserved matter for Westminster, the Office of the First and Deputy First Minister will be conducting a pilot study to ascertain the impact on families if the earnings disregard were to be increased. The aim of this pilot study is to find out if by increasing the earnings disregard, would it have any impact on reducing child poverty in families with children and which are claiming benefit by improving the incentive to take up work which may be less than 16 hours per week. Available data and research shows that there are significant numbers of children in

families that are below but financially 'close' to the poverty line and there are significant numbers of part-time (mini-jobs) distributed across Northern Ireland.

Details of the Pilot Study by OFMDFM

OFMDFM have made available £1.5 million which will be given to a charitable organisation who will in turn make a grant (approximately £50 per week) to those signed up to take part in the study. This will simulate an increase in the earnings disregard.

OFMDFM states a range of possible impacts of the study as listed below:

- Families obtain mini-jobs and are lifted out of poverty
- Families obtain mini-jobs and remain below the poverty line but are nonetheless slightly better off
- Families obtain mini-jobs but only for short periods
- Families obtain mini-jobs and these act as vehicle in to longer term work
- Families obtain mini-jobs with consequent increased developmental outcomes for children
- Families obtain mini-jobs with consequent health (mental and physical) improvements for children
- Families fail to obtain mini-jobs
- Families already in work of over 16 hours per week reduce their hours to mini-job status.

The following aspects of the pilot have yet to be decided:

- Geographic areas
- How to recruit participants
- Mentoring support required
- Exit strategy for participants when pilot ends

OFMDFM will prepare a business case for this work and have it endorsed by economists and the finance division within the department.

The procurement division will issue an open tender via their website, Irish News, Newsletter and Belfast Telegraph in May or June. The tender will be open to charitable organisations in Northern Ireland.

Further details to follow.

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