

Proposal for COVID-19 Income Continuance Measure

An Ibec Submission

March 20th



Key parameters for an emergency income continuance measure

Main features of scheme

- State subvents 70% of basic salary (ex. overtime, bonuses etc) of impacted employees
- Payments are made to employers within 7 days of notification and employers continue to pay employees in normal way (recent PAYE modernisation project will facilitate timely processing)
- Revenue would establish a dedicated online platform to manage scheme and process applications
- Tax and PRSI deductions would function in the normal way
- Scheme would initially apply for 20 weeks but could be extended, retrospective from March 16th

Employee aspects

- Payment would apply to employees impacted by temporary lay-offs arising directly from the crisis
- Gross basic salary cap of €40,000 would apply (pro-rata basis for short-term working)
- Employees would be paid from week 1 of lay-off in normal way by their employer
- Normal statutory redundancy triggers would not apply for the duration of the scheme
- Recipients cannot take up other employment opportunities

Employer aspects

- Employers retain employment contract and relationship for employees on temporary lay-off
- Employers can provide a top-up to equivalent of 100% of gross pay, where viable
- Employer top-up cost could be offset by element of unpaid leave to be negotiated at local level
- Employers which have experienced a 20% or greater fall in their revenue as a result of the crisis would be eligible
- Provision to recall employees as demand requires
- Separate cash flow support measures to be provided to assist with first week payments for worst affected firms

Baseline cost assumptions

- Range of cost scenarios set out in Annex 1, with estimated gross cost to the State of this new scheme ranging to circa €4 bn to cover 70% income replacement for a period of 20 weeks for 500,000 employees
- Net cost to the State would be reduced through offset of existing welfare provisions i.e. €2 bn net cost based on parameters above
- Significant administrative cost savings for the State also in working through Revenue payroll model than through incurring extensive social welfare processing and approval costs
- Further offsets would apply from economic multiplier benefits of higher income continuance levels
- Estimated eligible earnings is €30,000, based on average earnings data across most impacted sectors of the economy
- Further provisions would be required to address self-employed impacted by the crisis

Annex 1: Scale of resources needed for an 'income continuance package'

Figures are in millions of euro. They are based on a period of 20 weeks disruption and average net wage of €600 per week amongst impacted workers

		Replacement rate as a % of averaged net wage					
		50%	60%	70%	80%	90%	100%
Number of workers impacted by Covid-19 related closures	150,000	900	1,080	1,260	1,440	1,620	1,800
	200,000	1,200	1,440	1,680	1,920	2,160	2,400
	250,000	1,500	1,800	2,100	2,400	2,700	3,000
	300,000	1,800	2,160	2,520	2,880	3,240	3,600
	350,000	2,100	2,520	2,940	3,360	3,780	4,200
	400,000	2,400	2,880	3,360	3,840	4,320	4,800
	450,000	2,700	3,240	3,780	4,320	4,860	5,400
	500,000	3,000	3,600	4,200	4,800	5,400	6,000