

# XI. “No Man is an Island Entire of Itself”: Learning from the Past and Fostering Relationships Steers Ireland Through the Initial Rough Waters of the Pandemic

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## 1. Introduction

The Irish state responded swiftly when the first case of COVID-19 was identified on 29 February 2020. Within a matter of weeks, the virus had spread to all parts of the country and the state responded with a due level of concern. Closing schools, universities, childcare facilities, cultural institutions, hospitality and encouraging working from home (followed by more restrictive measures in the weeks that followed), the Taoiseach Leo Varadkar on 12 March 2020 reiterated the uncertain nature of the pandemic: “We have not witnessed a pandemic of this nature in living memory. This is uncharted territory”<sup>1</sup>. However, he also intimated that Ireland has suffered many trials in its history from which it has been possible to learn and develop strategies for success: “We have experienced hardship and struggle before. We have overcome many trials in the past with our determination and our spirit. We will prevail.”<sup>2</sup> The interconnectedness of Ireland, particularly to its European neighbours, was emphasised repeatedly in the weeks that followed, “both in terms of [the] interconnectedness as the disease has transmitted around the world and as well as [the] capacity to influence, support and collaborate with one another to try to suppress it and mitigate its effects”<sup>3</sup>.

The measures taken by Ireland to combat the virus were some of the harshest and longest-lasting in the European Union and included, for a portion of time, stay-at-home orders. According to the Blavatnik School

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- 1 Varadkar, [Statement by An Taoiseach Leo Varadkar on measures to tackle Covid-19](#), Washington, 12 March 2020.
  - 2 Varadkar, [Statement by An Taoiseach Leo Varadkar on measures to tackle Covid-19](#), Washington, 12 March 2020.
  - 3 Government of Ireland, *COVID-19 Resilience and Recovery 2021: The Path Ahead* (Dublin: Government Publications, 2021), p. 1.

of Government at the University of Oxford, COVID-19 Stringency Index in March 2021, Ireland had a stringency index of 84.26 behind only Greece and the United Kingdom at that time.<sup>4</sup> From early on in the pandemic, Ireland developed a Framework for Restrictive Measures in their Resilience and Recovery Plan 2020-2021. This created a framework of levels of restrictions (1 being lowest and 5 being highest) which allowed the state to adapt to public health and scientific advice as necessary.<sup>5</sup> This naturally had a very significant negative economic effect. However, vaccine uptake has been one of the highest in Europe equivalent to more than 90% of the adult population and this has given the state a huge opportunity to ease restrictions earlier and limit the impact on the health services.<sup>6</sup>

The lessons from the past and Irish interconnectedness to other nations has also played a unique role in the economic and welfare response of the state to the pandemic. The economic impact of these strict measures came to light very quickly. From an unemployment perspective, monthly unemployment figures rose sharply from approximately 4.9% pre-COVID to a height of 7.7% mid-lockdowns. However, these figures do not take into account persons in receipt of COVID support payments who would potentially have been counted as unemployed if not for these supports. When the figures are adjusted to take this into account, the number of people unemployed in March 2020 jumped to 21.3% and at its peak rose to 29.8% in May 2020. At the end of 2021, the unemployment estimates (adjusted for COVID-19 supports) stand at 6.9%.<sup>7</sup> Other economic indicators also highlight the severity of the shock to the Irish economy with modified domestic demand falling by just under 15% during the first lockdown, the largest quarterly fall on record. A general budget deficit of EUR 18.5 billion was recorded in 2020 and predicted in 2021 to be similar, although crucially this was within the “norm” for other EU Member States and the Irish government were keen to stay “in the pack” of EU Member State expendi-

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4 Blavatnik School of Government, [COVID-19 Government Response Tracker](#). The Stringency Index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest).

5 Government of Ireland, *Resilience and Recovery 2020-2021: Plan for Living with COVID-19* (Dublin: Government of Ireland, 2020), p. 11.

6 Government of Ireland, *Budget 2022: Macroeconomic Projections and Estimates* (Dublin: Government of Ireland, 2020), p. 2.

7 Central Statistics Office, [COVID-19 Adjusted Monthly Unemployment Estimates](#).

ture.<sup>8</sup> Ireland was one of the few European countries to see an increase in GDP in 2021 (+13.2%)<sup>9</sup> reflecting the performance of sectors dominated by foreign-owned multinationals such as pharmaceuticals and service provision. The OECD reported, however, that the domestically-oriented part of the economy, with a history of weaker productivity growth, “was less resilient”.<sup>10</sup>

Ireland had experienced such economic shocks only 10 years previously during the world financial crash and was also in the midst of a potential no-deal Brexit which has also had widespread implications for the economy. To counter the economic impact, the government employed counter-cyclical fiscal measures to stimulate the economy to the tune of approximately EUR 38 billion. Drawing on the economic lessons from the last recession, Social Justice Ireland commended the government on their approach.<sup>11</sup> In June 2021, the government announced a National Economic Recovery plan based on four key pillars: ensuring public finances that are sustainable for a lasting recovery, helping people back into work by extending labour market supports and through intense activation and reskilling, rebuilding sustainable enterprises through targeted supports and policies, and a balanced and inclusive recovery through strategic investment in infrastructure and reforms that enhance the long-term capacity for growth, balanced regional development and by improving living standards. These pillars were also supported by an EU support package of up to EUR 2.5 billion.

This report aims to analyse the measures imposed in Ireland, to protect jobs and income, to support the economy and to provide effective social welfare supports during the pandemic. The main purpose of the report is to outline the main supports implemented, how these were operationalised within existing legislative structures and how effective these have been given the limited data available. The long-term implications of these measures will also be addressed.

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8 Donohue, *The Irish Economy: Recovery from Covid and Beyond – Speech by Pascal Donohue*, T. D. Minister for Finance to the Institute of Directors in Ireland, 26 May 2021.

9 Muggenthaler, Schroth and Sun, *The Heterogeneous Economic Impact of the Pandemic Across Euro Area Countries*, ECB Economic Bulletin, Issue 5/2021.

10 OECD, *Economic Policy Reforms 2021: Going for Growth: Report on Ireland*, p. 2.

11 Social Justice Ireland, *Economic Lessons from the Last Recession*, 2020.

## 2. *Job Retention*

In common with many other countries, job and household income preservation and security were the primary foci of the measures introduced by the Irish government during this period. Faced with potentially unprecedented levels of unemployment, the Irish government acted swiftly to avoid job losses (which had been a key feature of previous recessions in Ireland) and encouraged employers to use alternative means, such as shorter working hours, to ensure a measure of employment security.<sup>12</sup> Part of the essential focus then of the package of measures introduced by the government to support jobs and income security was the maintenance of a link between employers and their workers to ensure a clear route back into employment during recovery from the initial shock of the pandemic. Many of these were designed and created as temporary measures but the uncertainty of the pandemic has meant that many of these have had to be extended.

The Emergency Measures in the Public Interest (Covid-19) Act 2020 introduced a temporary wage subsidy scheme (TWSS)<sup>13</sup> which lasted from March to August 2020. The provisions of the Act indicated the importance of this link between the employer and the employee requiring, as a precondition to receiving the support offered, that the employer had a “firm intention” of continuing to employ the employee.<sup>14</sup> The scheme was essentially a subsidy scheme, i.e. providing employers with a sum of money up to a maximum amount to subsidize the payment of wages to their employees while the employer was required to pay full wages to their employees. The employer had to show a forecast reduction in turnover and the employee was paid tax-free on the subsidy where the tax liability is recovered in future years. Given the rather open-ended nature of this commitment, the government amended the scheme to move towards tiered supports based on 70-85% of the weekly average take-home pay of employees. In addition, to discourage redundancies, employee pay-related social insurance (PRSI) did not apply to the subsidy amount and employer PRSI applied at a discounted rate of 0.5%. According to Acheson, the overall cost to the Exchequer was EUR 2.8 billion, “with 664,500 employees receiving subsidies

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12 Acheson, *Job Turnover and Policy Response in the COVID-19 Era* (2021) 52(2) *Economic and Social Review* 139-159, p. 156.

13 *Emergency Measures in the Public Interest (Covid-19) Act 2020*, Section 28 (as amended).

14 *Emergency Measures in the Public Interest (Covid-19) Act 2020*, Section 28(2)(b).

through 66,600 employers”.<sup>15</sup> Despite the cost, the TWSS was in the short-term very effective in maintaining links between employers and employees and maintaining job and income security. However, the medium to longer-term impact was not so positive with “the rate of job destruction in supported firms...similar to all other employers”.<sup>16</sup> The benefit to low-income and vulnerable households was more significant with Beirne et al. reporting that one-third fewer families lost income beyond 20% as a result of the support.<sup>17</sup>

The TWSS was replaced by the Employment Wage Subsidy Scheme (EWSS) from August 2020<sup>18</sup>. The stated broad objective of the EWSS was twofold: (a) to mitigate the effects of COVID-19 on the economy through necessary stimulus and (b) to mitigate the effects of the economy apprehended as a result of the lack of any Brexit deal at the time.<sup>19</sup> It is clear that the formulation of the TWSS was unsustainable and the replacement by the EWSS was necessary to ensure the “efficient use” of the scheme so as to “minimise the cost of the Exchequer” presently and in the future.<sup>20</sup> There were concerns that the TWSS was too broad in its allocation and direct stimulus was not being provided where it was most acutely needed and account was not taken of the alteration in circumstances of individual claimants (who may have been able to avail of other state financial supports).<sup>21</sup> Activation was clearly central to the motivation behind the move to the EWSS with the importance of childcare supports for parents and carers being mentioned in the legislation as key to ensuring that individuals could return to active employment.<sup>22</sup> The EWSS, despite its title, operates as an employment support grant rather than a wage subsidy scheme with more stringent criteria and less generous financial protections. The application of the scheme is limited to those employers who can demonstrate at least a 30% reduction in turnover or customer orders

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15 Acheson, Job Turnover and Policy Response in the COVID-19 Era (2021) 52(2) Economic and Social Review 139-159, p. 156.

16 Acheson, Job Turnover and Policy Response in the COVID-19 Era (2021) 52(2) Economic and Social Review 139-159, p. 156.

17 Beirne et al., The Potential Costs and Distributional Effect of COVID-19 Related Unemployment in Ireland. (2021) 1 Budget Perspectives, The Economic and Social Research Institute, Dublin, p. 9.

18 Section 28B, Emergency Measures in the Public Interest (Covid-19) Act 2020 as inserted by Financial Provisions (Covid-19) (No. 2) Act 2020, Section 2.

19 Section 28A, Emergency Measures in the Public Interest (Covid-19) Act 2020.

20 Section 28A, Emergency Measures in the Public Interest (Covid-19) Act 2020.

21 Section 28A, Emergency Measures in the Public Interest (Covid-19) Act 2020.

22 Section 28A, Emergency Measures in the Public Interest (Covid-19) Act 2020.

within a defined period (excluding those who have, for example, had some recovery) or those employers who are childcare providers. PRSI contribution reductions are also maintained. The financial protections are also more limited than the TWSS consisting of flat-rate payments depending on the gross income of each employee and the number of employees on the payroll. The flat-rate subsidies are aligned with existing unemployment support payment levels. The scheme is expected to continue to April 2022.

Income loss and job insecurity could also derive from ill health associated with COVID-19. To overcome this, the COVID-19 Enhanced Illness Benefit<sup>23</sup> (available to those workers who must self-isolate for a variety of reasons) was introduced. This payment has fluctuated depending on the severity of the restrictions in Ireland and currently stands at EUR 350 per week up to a maximum of 10 weeks for those diagnosed with COVID-19 or for the period of self-isolation necessary up to a maximum of two consecutive isolation periods. Compared to traditional illness benefit, the payment kicks in immediately and is significantly enhanced rate-wise (EUR 203). It has been effective in indirectly maintaining work relationships and protecting income during the pandemic.

### *3. Measures to Support the Economy*

A range of stimulus measures were announced very early on in the pandemic. The measures included a mixture of capital provision with a reduction in rates and charges to stimulate business (by reducing the cost-base) and reduce problems caused by restricted cash flow. These measures were either grounded in existing schemes or were developed specifically to meet the needs of businesses during this particularly difficult time. These initiatives represent one of the largest cash injections in the history of the Irish economy.

#### *a) Capital Provision*

A variety of the capital provision measures promoted during the pandemic pre-existed but were identified as being particularly useful for businesses

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23 Health (Preservation and Protection and other Emergency Measures in the Public Interest) Act 2020, Section 5 amending Section 40 of the Social Welfare Consolidation Act 2005.

to access during the pandemic. These include: the Future Growth Loan Scheme, the General grant supports, the Trading Online Voucher scheme, LEAN for Micro scheme, Digitalisation Voucher, Sustaining Enterprise Funds, and the E-merge programme. The majority of these schemes either provide loans in the short to medium term<sup>24</sup>, grants<sup>25</sup> or consultancy support<sup>26</sup> or money for such support<sup>27</sup>. All of these supports are made available through either government departments<sup>28</sup> or through state agencies<sup>29</sup>.

It was, however, also necessary to develop specific pandemic-related stimulus packages to mitigate the impact of the lockdown restrictions on business. This package of measures has a dual aim: to ensure businesses have sufficient capital to maintain and grow their businesses through the restrictions imposed as a result of the pandemic and to support recovery and growth of businesses in a post-pandemic Ireland. While many of these measures provided small sums of money to business from government departments or agencies to assist with various aspects of the business including financial planning or applications for finance<sup>30</sup>, other schemes required the development of more complex legislative initiatives. A useful

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24 [Future Growth Loan Scheme](#).

25 For example, the General grant supports; Trading Online Voucher scheme, which is a grant for small businesses with up to 10 employees and financial assistance of up to EUR 2500 with training and advice; the [Sustaining Enterprise Fund](#), which is aimed at firms in the manufacturing and international services sectors with 10 or more employees and which is operated by Enterprise Ireland and provides advances of up to EUR 800,000 which are only repayable when a business returns to good financial health. For more information see: [Supports for business: COVID-19 and ongoing](#).

26 LEAN for Micro, which is available to businesses to assist them in building resilience through their Local Enterprise Office. See for more information: [Supports for business: COVID-19 and ongoing](#).

27 E-merge programme, which is £2,500/EUR 2,800 fully-funded consultancy support to help businesses develop online sales and eCommerce solutions. Those in the manufacturing and internationally traded service sectors can apply for the Digitalisation Voucher up to a value of EUR 9,000 to get technical or advisory services from an approved provider, in order to adopt digital tools and techniques across the business. For more information see: [Supports for business: COVID-19 and ongoing](#).

28 For example, the Department of Enterprise, Trade and Employment and/or the Department of Agriculture, Food and the Marine and the Strategic Banking Corporation of Ireland.

29 For example, Enterprise Ireland, IDA Ireland, Local Enterprise Office and Údarás na Gaeltachta and InterTradeIreland.

30 See for example the [COVID-19 Business Financial Planning Grant](#).

example is the COVID-19 Credit Guarantee Scheme<sup>31</sup>, which effectively amounts to a state guarantee of credit facilities, a measure which would normally fall foul of state aid rules. The scheme facilitates up to EUR 2 billion in lending provided by financial intermediaries to eligible businesses with up to 499 employees which have been negatively impacted by the pandemic and offers a partial government guarantee of 80% to finance providers against losses. The scheme is available to small and medium-sized enterprises, small Mid-Caps and primary producers. The scheme was approved by the European Commission under the state aid Temporary Framework. The Executive Vice-President, Margarethe Vestager, said that this scheme would “enable Ireland to support companies affected by the coronavirus outbreak through the provision of State guarantees”. The Commission was of the opinion that the scheme was necessary, appropriate and proportionate to remedying “a serious disturbance in the economy of a Member State”<sup>32</sup>. So far, over EUR 539.41 million has been loaned to businesses in Ireland under this scheme.<sup>33</sup>

Other smaller (EUR 5-25k) business loans are available to microenterprises from state agencies such as MicroFinance Ireland<sup>34</sup> or larger loans (EUR 25k-1.5m) from government departments with lower interest rates than commercial lenders.<sup>35</sup> This latter initiative is also supported by the European Union under Horizon 2020 Financial Instruments. As of 30 September 2021, 984 loans had been progressed to sanction at a bank level to a value of EUR 130 million.<sup>36</sup> The COVID Restrictions Support Scheme<sup>37</sup> offers credit (not a loan) to businesses impacted by the restric-

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31 For more information see the [COVID-19 Credit Guarantee Scheme](#). This was set up under the [COVID-19 Credit Guarantee Scheme 2020 \(SI No 325 of 2020\)](#) which is regulated by [Section 5](#) of the [Credit Guarantee Act 2012](#) (No. 26 of 2012) (as amended by the [Credit Guarantee \(Amendment\) Acts 2016 and 2020](#) (No. 1 of 2016 and No. 5 of 2020)).

32 European Commission, Press Release, [State Aid: Commission Approves Irish Loan Guarantee Scheme Mobilising EUR 2 Billion Support for Companies Affected by the Coronavirus Outbreak](#), 14 August 2020.

33 Strategic Banking Corporation of Ireland, [Performance Report on Covid-19 Credit Guarantee Scheme to the Department of Enterprise, Trade and Employment](#) (Dublin: 2021).

34 Such as the COVID-19 Business Loan. For more information see: [Supports for business: COVID-19 and ongoing](#).

35 [COVID-19 Working Capital Loan Scheme](#).

36 Strategic Banking Corporation of Ireland, [Quarterly Report of the Covid-19 Working Capital Loan Scheme as at 30 September 2021](#) (Dublin: 2021). This scheme is now closed.

37 Implemented by Section 11, Finance Act 2020.

tions imposed as a result of the pandemic. Under the Finance Act 2020, businesses can make a claim to the Revenue Commissioners for an Advanced Credit for Trading Expenses (ACTE) paid weekly for each week of disrupted trade. The ACTE is equal to 10% of the average weekly turnover of the business in 2019 up to EUR 20,000, plus 5% on turnover over EUR 20,000. In the case of new businesses established after 26 December 2019, the turnover is based on the average actual weekly turnover in a reference period, depending on the date that the business was established. The ACTE is subject to a maximum weekly payment of EUR 5,000. If a business is eligible, they must meet certain qualifying conditions to receive the payment, namely: the business must be located in an area affected by COVID restrictions, members of the public are restricted or prohibited from attending the business premises, the turnover of the business is no more than 40% of the average weekly turnover in 2019 (in the case of a new business there is a calculation to determine a particular reference period), and the business intends to resume trading after the government restrictions are lifted. Certain costs of disrupted trade in the live performance industry can also be recouped under the Live Performance Support Scheme.

Focus was also placed in these measures on stabilisation and recovery of businesses post-pandemic. The Pandemic Stabilisation and Recovery Fund, operated by the Ireland Strategic Investment Fund, focuses on investment in medium and large-scale enterprises in Ireland which have been impacted by the pandemic or who are critical to Ireland's recovery. The fund, worth approximately EUR 2 billion, can make capital available to eligible enterprises at commercial rates. 90% of the investments made by the Irish Strategic Investment Fund in 2020 were made to pandemic-impacted businesses.<sup>38</sup> Additionally, the Accelerated Recovery Fund for businesses in manufacturing or internationally traded services sectors who had a 15% reduction in turnover or profit as a result of COVID-19 can apply for funding to adapt their operations to ensure a smooth and profitable recovery.

Many of the COVID-19-specific measures are set to end in December 2021<sup>39</sup> or January 2022<sup>40</sup> or have already closed.<sup>41</sup> The Pandemic Stabilisa-

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38 National Treasury Management Agency, [Ireland Strategic Investment Fund Publishes 2020 Update](#) (Dublin: 2020).

39 For example, the COVID-19 Loan Support Scheme.

40 For example, the COVID Restrictions Support Scheme and the Live Performance Support Scheme.

41 For example, the COVID-19 Working Capital Loan Scheme.

tion and Recovery Fund, crucial to economic recovery post-pandemic, will be maintained for the foreseeable future.

*b) Reduction in Rates and Charges*

Many existing rates and charges applicable to businesses pre-pandemic were reduced or eliminated to facilitate businesses, ensure smooth re-adjustment to the re-opening of the economy and promote recovery from the impact of the restrictions imposed on their businesses. Waivers of commercial rates<sup>42</sup>, licence fees for street furniture and court fees and excise duties for vintners were funded by government departments<sup>43</sup>. Many of these waivers continue to be provided to ensure the greatest negative impact on businesses is avoided.<sup>44</sup> Taxation rate reductions, e.g. Value Added Tax (VAT) from 13.9% to 9%, which was initially introduced temporarily for the hospitality and tourism sector, will remain in place until August 2022. A general VAT reduction from 23% to 21% was also introduced as a temporary measure in September 2020 and it ended in early 2021. Certain tax debts (namely, VAT and PAYE<sup>45</sup> Employer debts) continue to be “warehoused” by the Revenue Commissioners where these debts are associated with the COVID-19 crisis. “Warehousing” effectively means that debts can be parked interest-free for a period of 12 months from January 2022 to December 2022. After the 12-month interest-free period, the warehoused debts can be repaid at a low interest rate of 3% per annum. Relief on certain payments has also been given to importers. For example, Revenue has introduced a relief on import duties and VAT for goods imported to combat the effects of COVID-19 (a decision which was made in response to EU initiatives<sup>46</sup>). Additionally, relief has been given from excise duty (Alcohol Products Tax) to the manufacturers of hand sanitizer products.

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42 Commercial rates waiver by Department of Housing, Local Government and Heritage.

43 Commercial rates waiver by Department of Housing, Local Government and Heritage.

44 Commercial rates waiver has been extended until March 2022.

45 PAYE includes employer tax, pay-related social insurance and universal social charge contributions.

46 C 2020/2146 of 3 April 2020 providing for the importation of goods to combat the effects of Covid-19 from outside the European Union without the payment of Customs Duty and Value-Added Tax from 30 January 2020 to 31 July 2020.

In addition to these waivers, reliefs and warehousing of debts, the Central Bank of Ireland announced payment breaks available for mortgages, personal and business loans for up to six months which would not affect credit records. The focus on reliefs as opposed to debt accumulation has been commended by economists as “appropriate given the nature of the shock” and will ensure that “indebtedness levels do not hinder recovery which was a factor following the financial crisis”.<sup>47</sup> The measures introduced have been unprecedented in Irish history but certainly appear to have hit the right note with businesses: packages of funds, support and financial advice have been made available in combination with reliefs from some of the day-to-day costs of running a business. These measures also help to combat the impacts of Brexit. The most recent Fiscal Assessment Report indicated that the Irish economy has recovered strongly from the restrictions led in part by the fiscal support provided by the government to businesses.<sup>48</sup> However, this could turn out to be more of a risk than a benefit if the temporary nature of the spending turns out to be “more long-lasting” than initially considered.<sup>49</sup>

### *c) Economic Stimulus*

Finally, economic stimulus initiatives were put in place to encourage those who could afford to spend to engage in economic activities. Individuals were given income tax credits to encourage spending including up to EUR 125 for a single person or EUR 250 for a married couple for qualifying expenditure between October 2020 and April 2021 defined as holiday accommodation listed on the National Tourism Development Authority register, eating in hotels, restaurants, cafes and bars (excluding alcoholic purchases). Other advantages include the Enhanced Help-to-Buy scheme which gives an increased income tax refund of up to EUR 30,000 to quali-

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47 O’ Toole et al., New Survey Evidence on COVID-19 and Irish SMEs: Measuring the Impact and Policy Response (2021) 52(2) *The Economic and Social Review* 107-138, p. 135.

48 Irish Fiscal Advisory Council, [Fiscal Assessment Report](#), December 2021, p. 14.

49 Irish Fiscal Advisory Council, [Fiscal Assessment Report](#), December 2021, p. 67. For more rich assessment of these issues see: Wass, Ireland Extends Covid-19 Credit Guarantee Scheme Until Year-End, *SNL European Financials Daily* (2021); Andreosso-O’Callaghan, Industrial Policy Response to the Covid-19 Crisis in Ireland – A Filière Approach (2020) 2 *The New European Industrial Strategy: Companies and Territories* 85.

fyng first-time buyers to purchase their first home. While the scheme has been in place for many years, the maximum tax refund was increased to assist first-time buyers during the pandemic.

#### 4. *Social Welfare Measures*

One of the key priorities of the Irish government throughout the pandemic has been household income maintenance, particularly for those on lower incomes and it has made key commitments in Budget 2021 and Budget 2022 to continue to protect the most vulnerable citizens.<sup>50</sup> One of the key initial decisions taken was to allow applicants for the Pandemic Unemployment Payment (PUP) to also claim concurrent support from social welfare such as the working family payment, one-parent family payment and the back to work family payment dividend.

##### *a) Income Maintenance: Pandemic Unemployment Payment (PUP)*

The aim of the EWSS and the TWSS was clearly to maintain employment and income for as long as possible with the hope that the pandemic would eventually end and recovery could begin. However, many businesses were not able to withstand the financial shock of the pandemic and naturally there were many thousands of workers for whom redundancy and job loss (either permanent or temporary) were inevitable. Unemployment levels soared at the outset of the pandemic in Ireland and the government enacted legislation in August 2020 to put on a legislative footing an emergency COVID-19 Pandemic Unemployment Payment (PUP) which had been available since the beginning of the pandemic<sup>51</sup>. This payment is available to anyone aged between 18 and 66 years who has lost their job due to the COVID-19 pandemic or has been temporarily laid off or who was self-employed and whose trading income has ceased or reduced to such an extent that they would be able to take up full-time employment. Additionally, the recipient must not be in receipt of any income from an employer and must be genuinely seeking work. The payment was also extended to students and those in direct provision who had also lost their jobs due

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50 McGrath, [Statement of the Minister for Public Expenditure and Reform](#) on Budget 2021 and Budget 2022.

51 Section 11, Social Welfare (Covid-19) (Amendment) Act 2020.

to the pandemic but who would normally not qualify for unemployment allowances. There is no social insurance contributory history required and the payment is not means-tested. The PUP closed to applications in July 2021 but was reopened temporarily in December 2021 to mitigate the impacts of the Omicron variant spread and associated restrictions.

PUP was initially linked to income levels of the individuals prior to their job loss and was paid at a flat rate of EUR 350 per week for those on the higher average weekly income levels which was substantially higher than existing unemployment benefits. However, the rates have become more staggered. Currently the rates for those previously earning over EUR 400 per week are a flat rate of EUR 250 and those earning between EUR 300-EUR 400 receiving EUR 203 which is equivalent to the maximum unemployment benefit. From 9 November 2021, the PUP ended for those earning previously under EUR 300. However, due to the strict restrictions imposed by Ireland in December 2021 due to the Omicron variant, new PUP rates have been launched for those who lost their job after December 2021. These are at a higher level up to a maximum amount of EUR 350.<sup>52</sup> The incremental alterations to the rates in line with restrictions and easing of restrictions has meant that there has been a “better alignment to pre-pandemic earnings”.<sup>53</sup>

Unlike the TWSS and the EWSS, which were generally very welcomed, there have been numerous criticisms launched at the PUP. The common thread in these criticisms is the inequality inherent in the system which has manifested itself in three distinct ways: (a) disincentivising work for low- and middle-income workers; and (b) creating an unfair distinction between those who are unemployed due to the pandemic and those who are long-term unemployed.

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52 Weekly PUP rate for people who lost their employment on or after 7 December 2021.

| Average weekly earnings | Personal rate |
|-------------------------|---------------|
| EUR 400 or over         | EUR 350       |
| EUR 300 - 399.99        | EUR 300       |
| EUR 200 - 299.99        | EUR 250       |
| EUR 151.50 - 199.99     | EUR 203       |
| Less than EUR 151.50    | EUR 150.      |

53 [Brioscú, O'Reilly, Dwan](#) and [Coates](#), *The COVID-19 Pandemic and Ireland's Labour Market: Insights through the Lens of the Pandemic Unemployment Payment and the Characteristics of Impacted Workers* (2021) 52(2) *The Economic and Social Review* 193-216, p. 215.

First, there is a concern that the PUP, despite reference to activation and job-seeking in the requirements, has disincentivised a return to work for many categories of workers. Kirwan comments that “[t]he ambition to minimise welfare dependency and increase activation appeared juxtaposed to the bi-weekly payment of EUR 350 for those made unemployed by lockdown conditions”.<sup>54</sup> Research does not suggest that this is the case for higher income workers where, due to the “nature of work held by these individuals and the ability for some sectors and occupations to adapt to their modes of service delivery and to facilitate remote working”<sup>55</sup>, the majority closed their payments and returned to work. However, this does appear to be potentially true with respect to lower- and middle-income workers where such adaptations to modes of working were not possible. Prior to the pandemic, the Irish economy had one of the highest rates of low-paid workers in Europe and the pandemic mostly affected low-pay workers in sectors such as hospitality.<sup>56</sup> McGann intimates that the concern is that “welfare has replaced market earnings as their means of subsistence” creating a “major adjustment not only in the economic lives of these citizens but also in the ‘productivist’ footing of Ireland’s welfare state”.<sup>57</sup> This is because PUP effectively amplified compensation (outstripping regular unemployment payments) at the expense of regulatory and behavioural conditions (reducing conditions such as the need to sign on and attend JobPath (a state agency charged with assisting those who are long-term unemployed)).<sup>58</sup> This is particularly concerning for Ireland due to its historically underdeveloped activation practices.<sup>59</sup> Pre-pandemic, there were signs in the Pathways to Work Strategy 2016-2020 that was implementing a much

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54 Kirwan, *The ‘Playing a Blinder’ Myth: The Republic of Ireland’s Pandemic Response Revisited* (2021) *Irish Journal of Sociology* 1–8, p.3.

55 Brioscú, O’Reilly, Dwan and Coates, *The COVID-19 Pandemic and Ireland’s Labour Market: Insights through the Lens of the Pandemic Unemployment Payment and the Characteristics of Impacted Workers* (2021) 52(2) *The Economic and Social Review* 193-216, p. 215.

56 McGann, *The Political Economy of Welfare in a Time of Coronavirus: Post-Productivism as a State of Exception* (2020) 28(2) *Irish Journal of Sociology* 225-230, p. 227.

57 McGann, *The Political Economy of Welfare in a Time of Coronavirus: Post-Productivism as a State of Exception* (2020) 28(2) *Irish Journal of Sociology* 225-230, p. 225.

58 McGann, *The Political Economy of Welfare in a Time of Coronavirus: Post-Productivism as a State of Exception* (2020) 28(2) *Irish Journal of Sociology* 225-230, p. 227.

59 Murphy, *Low Road or High Road? The Post-Crisis Trajectory of Irish Activation* (2016) 36(3) *Critical Social Policy* 432-452, p. 433.

tougher and more robust “work-first” activation regime, albeit that this was itself criticised as involving the state in “marketmaking” and the “unequal, competitive shape of the labour market”<sup>60</sup> and leaving behind those “people who already had a history of long-term unemployment coupled with complex non-vocational issues impacting their participation such as mental health, caring responsibilities, homelessness or housing insecurity”<sup>61</sup>. For now, Dukelow is of the opinion that “security has trumped sacrifice”<sup>62</sup> and she highlights the lack of austerity and welfare retrenchment in the existing governmental responses to the pandemic clearing a “huge challenge for activation services for the next phase of the Pathways to Work policy”<sup>63</sup>. The real question is whether this challenge to activation strategies is temporary or in fact may lead to a more “enabling, supportive activation and social protection system” in the future. However, not everyone is convinced that this is the case. Kirwan rightly points out that the alteration of rates to bring them more in line with regular unemployment payments, the halting of payments to those engaging in international travel and the introduction of taxation of the PUP indicates that the payment is now entirely in line with the labour activation model of welfare normally adopted by the Irish state.<sup>64</sup>

Second, and linked very closely to activation and disincentives to work, is what Dukelow refers to as the “two-tier’ pandemic response between the ‘pandemic unemployed’ and those already unemployed” reiterating the perception that structural unemployment is the exception.<sup>65</sup> Indeed, disincentives to work can arise from generous welfare supports, but it can also arise from poor-quality low-paid work which is a factor unaddressed by the existing government policies. The PUP initially at least served to highlight significant gaps in the existing welfare payments where “payments for the ‘conventionally’ unemployed are well below the poverty

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60 Dukelow, *Sacrificial Citizens? Activation and Retrenchment in Ireland’s Political Economy* (2021) 69(2) *Administration* 43-65, p. 60.

61 McGann and Murphy, *The Dual Tracks of Welfare and Activation Reform – Governance and Conditionality* (2021) 69(2) *Administration* 1-16, p. 12.

62 Dukelow, *Sacrificial Citizens? Activation and Retrenchment in Ireland’s Political Economy* (2021) *Administration* 43-65, p. 61.

63 Dukelow, *Sacrificial Citizens? Activation and Retrenchment in Ireland’s Political Economy* (2021) *Administration* 43-65, p. 61.

64 Kirwan, *The ‘Playing a Blinder’ Myth: The Republic of Ireland’s Pandemic Response Revisited* (2021) *Irish Journal of Sociology* 1–8, p. 4.

65 McGann, *The Political Economy of Welfare in a Time of Coronavirus: Post-Productivism as a State of Exception* (2020) 28(2) *Irish Journal of Sociology* 225-230, p. 228.

line” and which potentially creates a “pandemic of low-paid, precarious work”<sup>66</sup>.

It was also recognised very early on in the pandemic that job loss was not the only way in which income might be affected by the pandemic. For many workers a reduction in hours of work (and therefore significant income loss) is also a common scenario. The situation of these workers is not entirely clear.<sup>67</sup> Two schemes potentially could be accessed: a short-time work support and/or jobseekers benefit. However, unlike the PUP which does not require a contribution history, access to either of these supports requires sufficient contribution history for support to be activated. This potentially disadvantages those on short-term contracts or working on zero-hour contracts where contribution history may be patchy.

### *b) Other Measures*

Increases to certain key social security payments were maintained throughout 2021 and into 2022. Low-income families were identified as a particular group of concern: fuel allowances were increased to compensate those on lower incomes for additional energy costs (by EUR 3.50 in 2021 and by EUR 5 in 2022); qualified child payments were increased (by a further EUR 5 for over 12s in 2021 and by EUR 3 in 2022 and EUR 2 for under 12s in 2021 and EUR 2 in 2022) to reduce child poverty; carer’s support grant was increased by EUR 150 in 2021; parent’s benefit was extended by a further three weeks in 2021 and by two further weeks in 2022 to 7 weeks. In addition, the government applied a Christmas bonus in December 2020 and 2021 not only to those who had been on long-term social welfare payments or out of work for more than 15 months, but also those who had been out of work in the previous 4 months. Many of those on PUP in December 2020 and 2021 were entitled to this Christmas bonus. Budget 2022 was one of the largest social welfare expenditures in many years in Ireland worth EUR 558 million; the government raised many social welfare payments by EUR 5 including increases for working age and pension age recipients, increases to rates for Qualified Children, Living Alone and Fuel

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66 McGann, *The Political Economy of Welfare in a Time of Coronavirus: Post-Productivism as a State of Exception* (2020) 28(2) *Irish Journal of Sociology* 225-230, p. 228.

67 Mangan, *Covid-19 and Labour Law in Ireland* (2020) 11(3) *European Labour Law Journal* 298-305, p. 302.

Allowance rates and a package of measures for carers and persons with disabilities.<sup>68</sup>

While these increases are welcomed, there are still very high levels of income inequality in Ireland. The Nevin Economic Research Institute<sup>69</sup> reporting in June 2021 indicated that Ireland had one of the “most unequal distributions” of household market income inequality in the developed world. Even prior to the pandemic, Ireland had the second highest rate of low-wage earners out of 11 high-income EU countries. The pandemic has clearly exacerbated this. Yet the research indicates that it is the households with higher incomes which have benefited most from changes in the recent Budget, allowing those dependent on social welfare to fall even further behind.<sup>70</sup> Social Justice Ireland have reported that in the past five years there has been a notable decrease in poverty risk in Ireland caused by a combination of budgetary decisions which prioritised welfare-dependent households. However, Social Justice Ireland also warn that the Budgets in 2020 and 2021 have shifted their approach with the implication that much of this progress could be reversed.<sup>71</sup>

One of the most pressing issues in Ireland in the past five years has been housing and particularly the lack of availability of affordable housing and state-owned housing. This has been exacerbated by the pandemic with many families failing to meet private rental or mortgage commitments. In order to resolve this, the government introduced moratoriums on evictions and rent increases. This will run until January 2022.<sup>72</sup> The emergency rules provide that if a notice of termination is served on a tenant during the emergency period that cites as a reason for termination the failure by the tenant to pay an amount of rent, that notice of termination shall not specify a termination date that falls earlier than 12 January 2022.<sup>73</sup> Despite this protection, the Residential Tenancies Board recorded a significant in-

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68 McGrath, [Statement of the Minister for Public Expenditure and Reform on Budget 2022](#).

69 Nugent, Hourly Earnings Inequality in High-Income EU Countries and the UK: Evidence from the Structure of Earnings Survey, (2021) Nevin Economic Research Institute, Report Series No. 7, p. 4.

70 Social Justice Ireland, National Social Monitor: Ireland Social Scoreboard (2021), p. 17.

71 Social Justice Ireland, Poverty Focus 2021, p. 3.

72 Kirwan, The ‘Playing a Blinder’ Myth: The Republic of Ireland’s Pandemic Response Revisited (2021) Irish Journal of Sociology 1-8, pp. 4-5. See also the Residential Tenancies and Valuation Act 2020 (as amended), Section 5.

73 Residential Tenancies and Valuation Act 2020, Section 5 (as amended).

crease in tenancy terminations during the pandemic.<sup>74</sup> The most common reason recorded for termination was that the landlord was considering selling the property (which legally allows the landlord to terminate the tenancy).<sup>75</sup> Whether this is true or not is difficult to say but it is clear that the legislation failed to protect many tenants during this time.

## 5. Conclusions

There is no doubt that the economic impact on the pandemic thus far on Ireland has been particularly severe. Nevertheless, the Irish authorities have been commended by international bodies, like the IMF, for its “comprehensive policy support” which essentially limited the impact of the pandemic and allowed the state to see strong increases in its GDP in 2020 and 2021. The government set out very early in the crisis that they would rise to the challenge by initiating a three-pronged approach: building up a healthcare capacity, protecting household income and supporting employment.<sup>76</sup> While healthcare has not been discussed here, the measures initiative by the Irish government do essentially meet these aims through economic stimulus packages, a reduction in business burdens, temporary employment wage subsidies, pandemic unemployment payments, supports for those who are ill or on short-time work and those who are self-employed with some additional increases in social welfare to ensure those who are most vulnerable were not unduly impacted. Whether these latter increases are sufficient to protect the most vulnerable is however debatable.

However, as John Donne presciently noted: no man is an island entire of itself. Ireland is a case in point. Ireland has benefited fiscally as a result of policy initiatives which have, over many years, channelled foreign direct investment into Ireland. The information technology and pharmaceutical industries have been the biggest beneficiaries of these investments and both industries have flourished during the pandemic and further supported the fiscal base.<sup>77</sup> Consequently, despite the cost of the pandemic mea-

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74 Residential Tenancies Board, [Summary Notice of Termination received by RTB between Q2 2019 - Q3 2021](#).

75 Residential Tenancies Board, [Notice of Termination received by RTB between Q2 2019 – Q3 2021](#) broken down by reason for notice.

76 Donohue, Statement of the Minister for Finance: Budget 2021, p. 2.

77 OECD, [Economic Policy Reforms 2021: Going for Growth: Report on Ireland](#), p. 2.

asures, the fiscal situation remains stronger than predicted allowing Ireland to shoulder the main burden of the costs. Additionally, as a member of the European Union, Ireland has been able to have significant confidence in the support of their European neighbours. Ireland is set to receive significant funds from Recovery and Resilience Facility Grants (EUR 1 billion), under REACT-EU (EUR 89 million) and from the Just Transition Fund (EUR 85 million). Ireland will also receive almost EUR 1.2 billion in Cohesion Policy allocations, as well as EUR 8.3 billion from the European Agricultural Guarantee Fund. The European Commission recently transferred EUR 2.47 billion worth of financial support to Ireland under the SURE instrument in the form of loans granted on favourable terms to support the TWSS and the EWSS. Financial support for the tourism sector and entertainment sectors has also been secured from the EU. Ireland will, in addition, be the largest recipient of the Brexit Adjustment Fund.<sup>78</sup>

COVID-19 was an unprecedented “invisible enemy” arising at a time when Ireland was already facing significant economic threats from Brexit. Despite this, Ireland has managed to draw on its vast experiences since independence and to work closely with its European neighbours to meet this enemy with “greater determination, resolve and resources than ever before”<sup>79</sup>. The Irish approach has been one of humility and solidarity from the outset and it has so far (with few exceptions) been successful in achieving light from a what was and still is potentially a very dark period in Irish economic history.

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78 European Commission, [The Recovery Plan for Ireland \(2021\)](#).

79 Donohue, Statement of the Minister for Finance: Budget 2021, p. 2.

