

**Submission to the Minister for Social & Family Affairs,  
Ms Mary Coughlan, T.D.  
Regarding the changes to the Back to Work Enterprise Allowance  
Scheme**

**By PLANET – The Partnership Network**

*February 2003*

**1. Introduction:**

PLANET (*The Network of Area-based Partnerships*) has evolved over the past six years with its origins in the regular meetings of the original twelve PESP Area- based Partnership Companies and Pavee Point. The Network is now a registered Co-operative representing the 38 Partnerships Companies, which are part of the current National Development Plan under the Local Social Inclusion Programme (LDSIP), 2000-2006.

The role of the network is to act as the voice of Partnerships and Pavee Point to (a) raise the profile of Partnerships both nationally and locally (b) act as a conduit where models of good and bad practice are identified and exchanged between members (c) identify the key common policy issues affecting Partnerships and progress these forward (d) keep PLANET members informed of relevant developments taking place at both EU and national level.

It is within the context of the recent changes to the Department's Back to Work Enterprise Allowance Scheme (BTWEA) that we write to you to outline the need to urgently reconsider the changes that have been made.

**2. Impact of changes to the BTWEA**

- The Area Partnership Boards have developed extensive enterprise support programmes to encourage the long-term unemployed into self-employment and the BTWEA has been an important incentive to assist this target group in moving out of the poverty trap.

- From liaison with our members, it has been clearly highlighted that the BTWEA has provided an efficient and cost effective method of supporting partnership clients in the transition from welfare to work. The vast majority of beneficiaries participating in the scheme would not have made this transition where it not for the financial supports offered to them under the scheme.

- We would argue that the decision to change the qualifying criteria is a retrograde step in trying to encourage an enterprise culture and in using enterprise as a tool in tackling long-term unemployment.

- The evaluation of active labour market programmes by INDECON consultants on behalf of the Department of Enterprise, Trade & Employment notes that 66% of the beneficiaries of the BTWEA were still in self-employment and a further 13% were in full-time employment after three years of support. Many of the businesses set up through the scheme have expanded and tended to employ other persons from the live register.
- In many rural contexts, self employment is the only meaningful route out of the poverty trap, where employment opportunities are, at best, limited. The downturn in the global economy has had an impact in further reducing employment opportunities nationally and increasing job losses, which have had a negative impact on the live register.
- Your officials in a meeting acknowledged the lack of consultation with partnerships over these legislative decisions with the PLANET/ADM Income Maintenance working group in January. If consultation with partnerships had taken place, we would have been able to highlight the full value of the scheme from a regional and local context.
- The justification given for the changes was in our view weak, partnerships experience of the take up of the BTWEA scheme is at variance with the opinions expressed by your officials that it was declining in popularity due to an improving economic climate in recent years. The current economic conditions have served to reinforce the importance of such interventions in assisting people out of the poverty trap.
- By placing a five-year timeframe, before applicants can become eligible, effectively, eliminates the value of the scheme by reducing the applicant pool to a negligible amount. The level of motivation of candidates will have been eroded because of such long period out of work.
- The Long-term Unemployed will not be in a position to take the risk of setting up in business without the retention of their secondary benefits for a specified period. The changes will serve to dramatically reduce the number of business start-ups from this sector and consign those previously eligible to remain on the live register.
- We also understand that in a review carried out by your Department of the Back to Work Area Allowance Scheme, showed a success rate of 75%.

### **3. Proposals for the BTWEA in the future**

In the context of looking at ways of ensuring the scheme remains a viable tool in enterprise development and wealth creation, we would propose the following:

- The scheme would last for three years only, with payments starting at 100% for Year 1, 75% for Year 2 and 25% for Year 3
- In order to more effectively target the schemes, resources, it could be restricted to specified areas of high unemployment specified by the Department such as partnership and RAPID areas.
- Participants secondary benefits must be retained during their time on the scheme
- Certain types of businesses could be excluded where it can be evidenced there is overcapacity in an area and the business would not be sustainable.
- Applicants would be 25 years of age or over and must provide evidence that they have the necessary training and experience to enter into their desired area of business.
- All applicants must be 15 months or more in receipt of social welfare payments (either unemployment benefit or unemployment assistance.
- The Department twice a year formally reviews participants in order to monitor business set up and the development of the enterprise.
- All participants must have a business plan before the business commences and this must be the central aspect of their application to go on the scheme. The Area Partnership Boards would assist applicants in the preparation of their business plans.

#### **4. Conclusion:**

PLANET would request that the changes made to the scheme are reviewed and changed in line with the above recommendations. Partnership Boards have pointed out that the changes will offer no real saving to the exchequer and only increase the numbers in the long-term unemployed category. As a consequence, it will cost the state more in the long term in respect of social welfare payments if the changes remain in situ. It will also encourage more people to work in the black economy.

We would request a meeting with you and your officials to discuss our proposals and look to a positive solution for the benefit of our mutual client group.