Department of Social Protection

A Review of Partial Capacity Benefit

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Preface

As the OECD point out in a 2010[1] report, "too many people leave the labour market permanently due to health problems or disability and too few people with reduced work capacity manage to remain in employment." Ideally, according to the OECD, clients with partially reduced capacity should be encouraged and supported to remain in the labour force and to find an appropriate job. The Partial Capacity Benefit (PCB) scheme seeks to address this objective within the context of the overall policy objective of increasing workplace participation of people with health problems, an objective which is underpinned by evidence that remaining in the workforce, at some level, encourages social integration and raises living standards.

The PCB Scheme has been in operation for three years and the uptake, while modest, has proved the demand for such a scheme. As this report will detail, significant changes in the wider economic and infrastructural environment together with an enhanced policy focus on the needs of clients with an illness or disability provides an opportunity to reconfigure the PCB scheme to better meet client needs.

The international experience of supporting ill/disabled clients to return to work is mixed and the literature indicates that there is no single policy response which has proven effective. Large scale movements from illness/disability rolls have only been accomplished by tightening of conditionality and eligibility rules. The evidence suggests that large scale activation policies do not work. However, the literature is unanimous in concluding that early intervention is critical in supporting the client to return to work. Reconfiguring the current PCB scheme to facilitate early intervention is a fundamental recommendation of this report.

A second key recommendation of this report concerns the development of a tripartite responsibility involving the client, his/her GP and his/her employer to develop a phased "return to work plan" supported by PCB. The role of the Department of Social Protection (DSP) would be to facilitate the development of this return to work plan through case management at the DSP Intreo Centre. In many ways, the market has already adopted this model with the tripartite model now firmly embedded in the private sector, in particular, led by contracted occupational healthcare companies.

Finally, the report also highlights that Illness Benefit (IB) and Invalidity Pension (IP) clients may have quite different needs and that PCB provision needs to be able to respond to those differing needs. This report recommends that the PCB offer to each of these cohorts should be tailored accordingly.

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[1] Sickness, Disability and Work:
Breaking the Barriers
OECD 2010

It is proposed that the development of a flexible early intervention PCB offering, supported by local Intreo Centre case managers, should form one part of a more holistic approach to addressing the complex needs of IB/IP clients – depending on whether the objective is to facilitate the client in returning to full-time work or to provide a longer term income support for those clients who may retain a partial work capacity only.

Executive Summary

Client Profile and Policy Background

PCB was developed in the period 2009-2011 primarily as a response to a gap in provision for people who are ill but who retain some capacity to work. The current scheme has an uptake of c.1,400 with projected expenditure of €11.5m in 2015. In terms of client profile, recipients tend to be older than the general population of IB and IP claimants, with over 33% aged 55 or older. Females comprise two thirds, and males one third, of recipients. Based on the underlying payment the breakdown of Invalidity Pension to Illness Benefit is 42:58. However, a closer examination of recipients of Illness Benefit who are also in receipt of PCB reveals that almost half have been in receipt of IB since before 2009 and can be viewed as long-term illness payment recipients. The breakdown of long-term illness to short-term illness payments is then 69:31. The overwhelming majority of PCB recipients earn less than €20,000 per annum. This suggests that the scheme is generally serving its purpose as an income support.

Client Satisfaction

In broad terms, the PCB client survey demonstrated positive outcomes with 53% of respondents reporting that things are working out quite well or very well since going back to work, 40% of respondents reporting that things are going neither well nor badly, whilst 7% reported things are working out badly or very badly. When invited to comment generally on the Scheme, 84% of those who responded were broadly positive in terms of their experience of the Scheme.

However, a number of consistent themes have emerged from the client survey and stakeholder consultation.

- Currently the process from application, through medical assessment, to payment takes an average of 10 weeks. Stakeholders make the point that 10 weeks is not in accordance with the reality of the open labour market where employers need a decision within a reasonable time. 25% of respondents to the PCB survey highlighted this issue.
- PCB survey respondents and stakeholders noted that awareness of the scheme is very limited. The loss of certain secondary benefits and the means testing after two years of Free Travel and the Household Benefits package were identified as significant issues by stakeholders and PCB survey respondents.
- The assignment of a personal case worker/named staff member to work with the applicant was suggested by PCB recipients.
- A significant barrier to application is the concern that clients may not be able to return to the underlying payment if employment doesn't work out.

Early Intervention

The literature on disability management is unanimous in agreeing that the single most important tool in this area is early intervention, including early return to work policies and supports.

A Tailored PCB

This report recommends reconfiguring the PCB offering to distinguish between the needs of clients who have a short-term illness with the prospect of a gradual return to full-time work and clients with a long-term illness who have a residual capacity to do some work. In making this distinction it is useful to classify PCB support for those with short-term illness as an "*in-work"* support and PCB support for those with a long-term illness as an *"income support".* This classification informs the proposed policy response to meet the needs of these two distinct cohorts.

- Distinguish between short-term illness and long-term illness
  - In-work support: short-term illness PCB candidates
  - Income support: long-term illness PCB candidates

PCB Illness Benefit Clients: Return to full-time Work

Addressing the needs of short-term illness clients first, this report recommends **early intervention** and case worker support at the Intreo Centre to develop a graduated, time-bound, Return to Work Plan (RTWP) with the client's employer and GP. The PCB payment should be aligned with the RTWP and the PCB rate set at an incentivised level. This will require the removal of the current one year minimum payment for PCB.

The objective is to establish the RTWP as the norm for qualifying clients, facilitated by the Intreo case officer. In accordance with the evidence which is unanimously supportive of early intervention, this will require the removal of the six month waiting period before Illness Benefit clients can qualify for PCB.

- In work support
- No qualifying period
- Early intervention
- RTWP
- Limited duration PCB aligned with RTWP
- No upper income limit

Cultural Shift

In order to deliver the potential of early intervention and to prevent the drift into long-term dependency, a cultural shift will be required to engage employers and GPs to work with clients to develop the "Return to Work Plan" as the default option. However, and encouragingly, the market in Ireland has already adopted the model of graduated back to work planning, with many private sector companies, either directly or through specialist occupational health companies, working with their employees to develop such plans. In addition, the Medical Review and Assessment Section has highlighted examples of clients/employers who have submitted a graduated Return to Work Plan for a period which is less than the current PCB minimum duration of one year. This report recommends implementation of a focused communication plan to effect this cultural shift with clients, employers and GPs.

We know that early intervention to get the client back to work on a graduated basis is the best option for the client, the employer and the taxpayer. Likewise, we know that for clients who will only ever have partial work capacity, PCB can be an important income support which also allows these clients to make an important economic and social contribution to society. The physical infrastructure is now there, through the Intreo local office network, to facilitate the engagement recommended in this report. In addition, unlike when the PCB scheme was being designed, the economic climate has improved with unemployment falling and more jobs, both full-time and part-time, now available.

- Implement focussed communication plan targeting employers, GPs and PCB candidates.
- Key message is the development of a Return to Work Plan as a default option for short-term illness clients.
- Case worker support at Intreo Centres.

PCB Invalidity Pension Clients

In terms of long-term illness, it is recommended that PCB remains as an income support payment. Accordingly, it is recommended that the payment should not be time-bound but subject to capacity review and that the appropriate rate of payment should be determined by a capacity based assessment.

In order to maintain the integrity of PCB as an income support and to address the issue of the very small number of current recipients who have high salaries, it is proposed to introduce an income limit for this payment at €35,000pa.

- Income support
- No qualifying period
- Early intervention
- RTWP
- Indefinite duration, subject to capacity review
- Capacity based Payment

- Upper income Limit

Administration

The final chapter in this report details the significant difficulties in the existing system complicated by the "piggybacking" of the PCB scheme onto the two existing illness schemes. Before implementation of the recommendations can go ahead, a significant investment in IT architecture and Business Process Engineering will be required to refocus in particular on early intervention and developing Back to Work Plans.

Recommendations: Short term

- Develop protocols to support engagement at Intreo Centre.
- Commence addressing the 13 week requalification anomaly by early intervention and referral of those who remain on IB/PCB at 18 months for assessment for Invalidity Pension.
- Develop a Communication Plan to promote the revamped PCB scheme.
- Prepare a Business Case for investment in IT and Business Process Re-engineering.
- Conduct a cost benefit analysis to consider extending the Wage Subsidy Scheme to PCB/IP clients.
- Retain PCB as a voluntary option for clients.

Recommendations: Medium Term

- Align implementation of PCB reform to wider illness reform agenda.
- Recast policy objective as follows: *"Partial Capacity Benefit is a key instrument in supporting people of working age with health problems to return to the workforce at a level in accordance with their capacity."*
- Classify PCB/long-term illness as an income support.
- Classify PCB/short-term illness as an in-work support.
- Complete IT investment and business process engineering to prepare for expanded scheme and reduce waiting time to < 4 weeks.
- Distinguish between short-term and long-term illness PCB candidates and align supports accordingly.
- Enable early intervention by removing the six month duration on IB requirement.
- Enable alignment of PCB/short-term illness with Return to Work Plan by removing minimum one year payment.
- Two payment rates for PCB short-term illness to apply: 75% and 50%, aligned to client's Return to Work Plan.
- Rates and duration of PCB/short-term illness to be determined by Return to Work Plan.
- Capacity-based assessment and payment retained for long-term illness candidates.
- Introduce upper income limit for long-term illness PCB clients.

- Household Benefits Package to be extended from two to three years for PCB/long-term illness recipients.
- PCB/long-term illness recipients to retain Free Travel for duration of PCB.
- PCB/long-term illness recipients to retain entitlement to apply for Fuel Allowance subject to the standard means test qualifying conditions.
- PCB recipients to retain entitlement to Living Alone Allowance on transition from Invalidity Pension.
- Deliver the Communication Plan and promote the recalibrated scheme nationally and locally with stakeholders.
- Focus on Return to Work planning for short-term illness candidates after appropriate number of weeks.
- Commence engagement with GP and Employers to promote Return to Work Planning.

Conclusions

The data suggests that the outcomes for PCB clients have been largely positive. However, in the absence of promotion, take-up has been low. This report addresses the issues identified and recommends recalibrating the PCB scheme to meet the different needs of the two distinct cohorts: people with short-term illness and people with long-term illness.

The current administrative system does not have the capability to support a development and expansion of the scheme and an investment in IT and systems development is required.

The development of the Intreo network provides an opportunity to fulfil the potential of the Partial Capacity Scheme by engaging and supporting PCB candidates to return to work full-time or work according to their capacity.

CHAPTER 1: INTRODUCTION

1.1 Overview of Partial Capacity Benefit

The Partial Capacity Benefit scheme was launched on 13th February 2012. The scheme is open to clients who currently are in receipt of Illness Benefit for a minimum of six months or who are in receipt of Invalidity Pension. Partial Capacity Benefit allows a person to return to work (if they have reduced capacity to work) and continue to receive a payment from the Department. They may not work until they have received written approval to do so from the Department. They should also get the approval of their doctor before taking up employment. Participation in the scheme is voluntary. There is no restriction on earnings or on the number of hours a person can work. There are currently c.1,400 people in receipt of PCB.

Following the introduction of Partial Capacity Benefit, exemptions for participation in part-time work for rehabilitative or therapeutic purposes are no longer available.

The aim of the Partial Capacity Benefit scheme was to address a limitation of the welfare system by explicitly recognising and responding to the reality that some people with disabilities will have a capacity to engage in open market employment while continuing to require some income support from the State. The objective of the scheme is to incentivise such people to return to the workplace by continuing to provide them with income support through disability related social welfare benefits.

1.2 Assessment

When a person applies for Partial Capacity Benefit a Medical Assessor of the Department assesses the restriction on their capacity for work. A person will qualify for Partial Capacity Benefit if the restriction on their capacity for work is assessed as *moderate, severe,* or *profound.* If it is assessed as *mild* they will not qualify and their continued eligibility to Illness Benefit or Invalidity Pension will also be reviewed.

The personal rate of payment is based on the assessment of the restriction on their capacity for work and whether they were in receipt of Illness Benefit or Invalidity Pension.

Medical Assessment	**% of Personal Rate of Illness Benefit or Invalidity Pension Payment**
Moderate	**50%**
Severe	**75%**
Profound	**100%**

1.3 Definitions of Capacity

Profound: the claimant is considered to have a residual capacity for work, which is not more than a quarter of the norm in relation to the capacity for work of a person of the same age who has no restriction on his or her capacity for work.

Severe: the claimant is considered to have a residual capacity for work, which is not more than a half of the norm in relation to the capacity for work of a person of the same age who has no restriction on his or her capacity for work and where that restriction is not considered to be a profound restriction on his or her capacity for work.

Moderate: the claimant is considered to have a residual capacity for work, which is not more than four-fifths of the norm in relation to the capacity for work of a person of the same age who has no restriction on his or her capacity for work and where that restriction is not considered to be a profound or a severe restriction on his or her capacity for work.

Mild: the claimant is considered to have a capacity for work, which is not materially different to the capacity for work of a person of the same age who has no restriction on his or her capacity for work.

Any increase being paid in respect of a qualified adult or qualified child(ren) is not affected. Payment of Partial Capacity Benefit lasts as long as the person has an underlying entitlement to payment of Illness Benefit or Invalidity Pension. A person's continued entitlement to Partial Capacity Benefit is subject to review. A person who is in receipt of Partial Capacity Benefit can opt to return to Illness Benefit or Invalidity Pension if, for example, their employment ceases or they find they cannot continue to work. They will then be subject to the provisions of the scheme they return to, whether Illness Benefit or Invalidity Pension.

1.4 Expenditure and Volume Trends

The total expenditure associated with the Partial Capacity Benefit increased from just over €2 million in 2012 to a peak of over €12.6 million in 2014 and has since declined to €11.5 million for 2015.

Over the same period the total number of PCB recipients has doubled from 733 in 2012 to 1,432 as of the end of 2014. This has also corresponded, in the same period, with a 7.3% increase in the average weekly rate from €121.90 in 2012 to €130.80 in 2015.

Over the same period there were also significant changes in regard to the expenditure and volumes of the two parent schemes for PCB, Illness Benefit and Invalidity Pension.

Between 2011 and 2015, due to changes in the qualification conditions, total expenditure on Illness Benefit has steadily decreased year on year. Between 2011 and 2015, total expenditure on Illness Benefit fell by 35% from €854.7 million, to €553 million. Over the same period, expenditure on Invalidity Pension fluctuated up and down, declining from €628.1 million in 2011 to some €599.5

million in 2012, then increasing to over €878 million in 2014, before declining back to €643.8 million in 2015.

In respect of volumes, Illness Benefit recipient's numbers have fallen from 73,397, by 22.3%, to 52,024. The numbers on Invalidity Pension have increased by 8.9%, from 49,792 in 2011 to 54,223 in 2014.

Figure (i): Expenditure on PCB, Illness Benefit and Invalidity Pension, 2011-2015

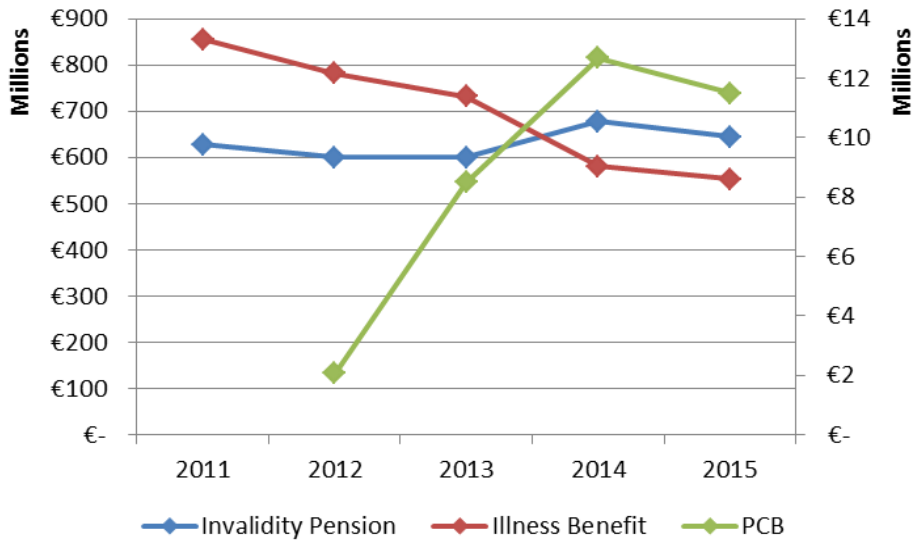
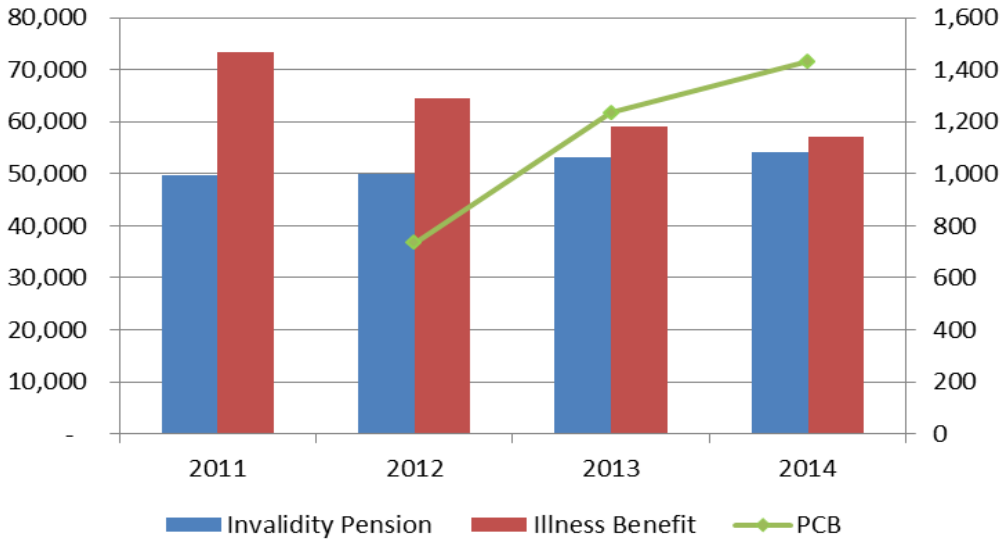


Figure (ii): Volume of Recipients of PCB, Illness Benefit and Invalidity Pension, 2011-2015



1.5 PCB and Exemptions

In 2011, prior to the introduction to PCB, the number of work exemptions for Illness Benefit was 1,446. Since then, the number of people with disabilities in receipt of a welfare support from the DSP and in employment has remained relatively stable. However, since the introduction of PCB, the number of exemptions has declined as the number of PCB recipients has increased. As of the end of 2014, there were 1,432 PCB recipients compared to 141 Illness Benefit exemptions.

There has also been an increase in employment amongst people with disabilities that are being supported by exemptions or PCB. While in 2012, the numbers in employment fell by 10.5% to 1,293, the numbers recovered the following year and as of the end of 2014 were 21.7% higher than 2012.

CHAPTER 2: SCHEME TAKEUP AND CLIENT PROFILE

2.1 Scheme Take-up

Currently[2] 1,452 clients are in receipt of PCB. The following charts break the client base down by underlying payment. In addition, given that 46% of this Illness Benefit cohort is composed of Continuous Duration (CD)[3] clients, a chart is included under the classification "Long-term Illness" and "Short-term Illness" where Long-term Illness is defined as (Invalidity Pension plus CD clients) and Short-term Illness is defined as (Illness Benefit minus CD Clients).

Figure (iii): PCB by underlying Payment

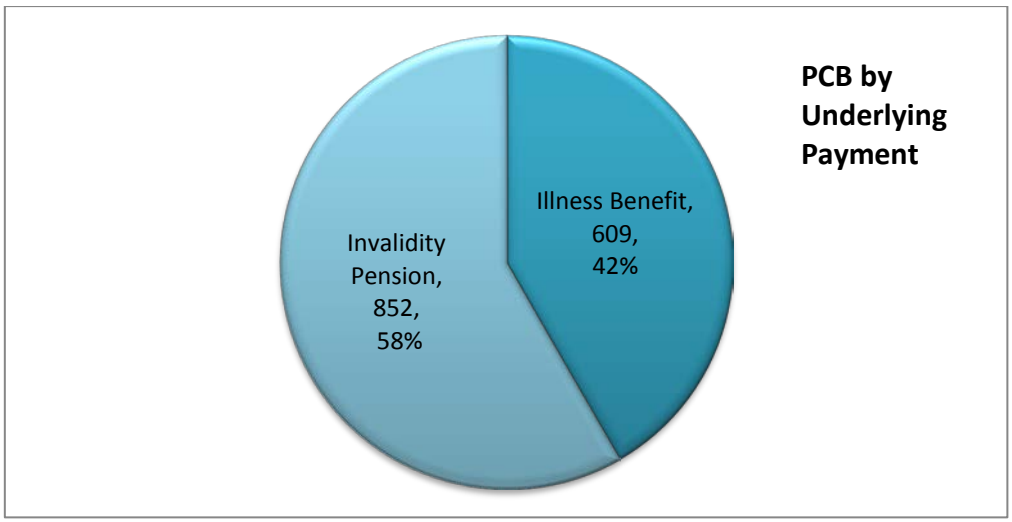
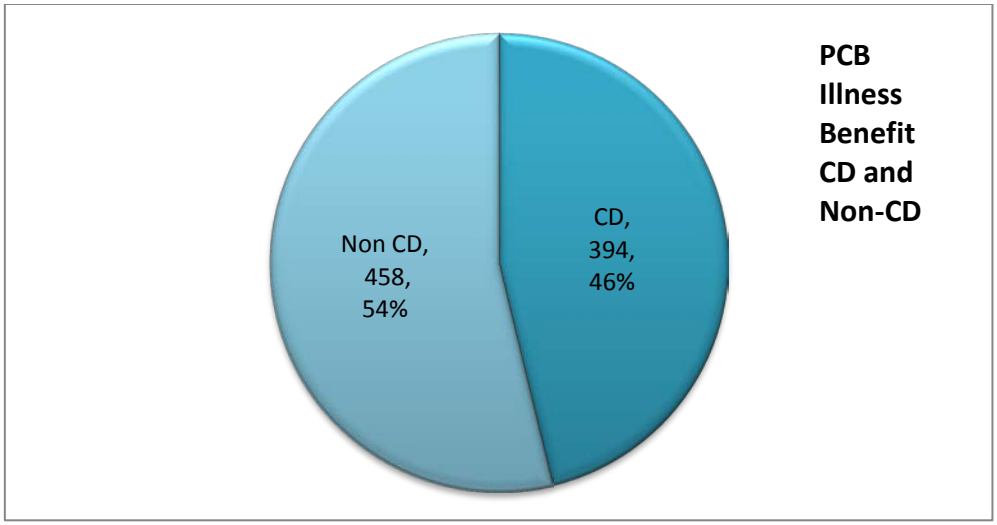


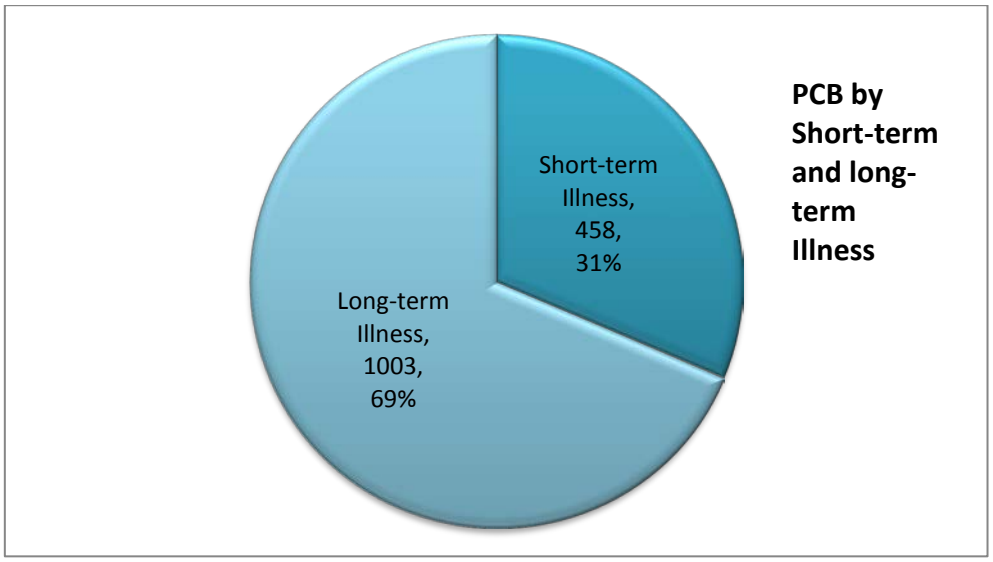
Figure (iv): PCB Illness Benefit CD and Non-CD



[2] Week ending 24 April 2015

[3] Continuous Duration clients are clients in receipt of Illness Benefit who qualified pre-2009 and have remained on Illness Benefit since qualification

Figure (v): PCB by short-term and long-term Illness



2.2 Medical Assessor Opinions

Table 1

MA opinions recorded since scheme commencement	Illness Benefit	Invalidity Pension	Overall	Percentage of Total
Mild	140	16	156	5.19%
Moderate	1,524	737	2,261	75.17%
Severe	286	263	549	18.25%
Profound	22	20	42	1.40%
Total	**1,972**	**1,036**	**3,008**	

2.3 Reasons for Low Take-up

- One possible behavioural explanation for the relatively low take-up is that potential claimants are reluctant to surrender the full rate of their social welfare payment if found to be severe or moderate given that employment prospects are uncertain. In addition as a stakeholder points out:

  "The fear in most cases is why people won't take a chance. If information provision was improved people would find it easier to access these schemes."

- The scheme, currently in pilot form, has not been actively promoted at local or national level.
  "I would *not have known about it only for my doctor telling me."* Female respondent to PCB survey.

- The loss or reduction in secondary benefits is a significant disincentive to apply.

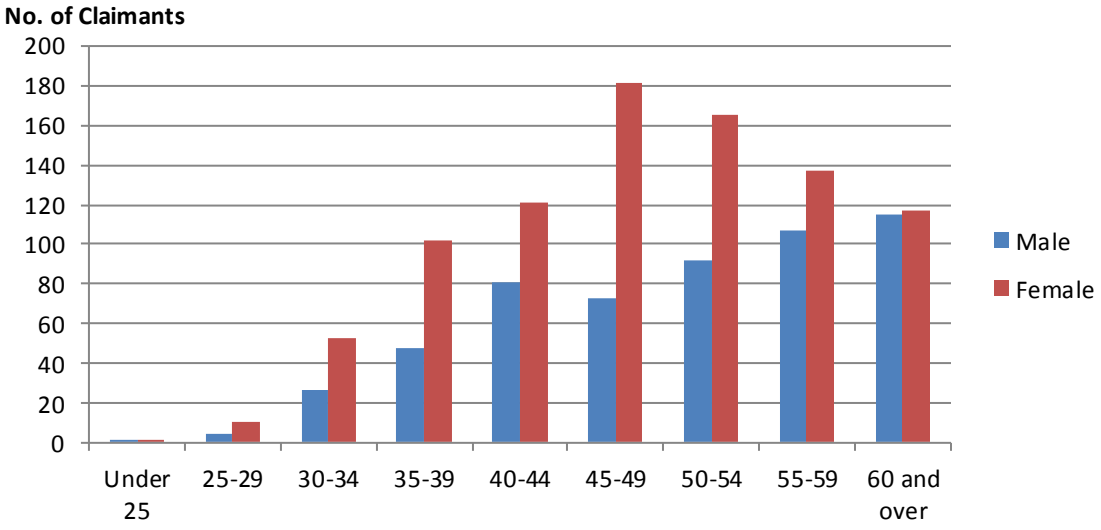
2.4 Profile of PCB Recipients

Age and Gender

The profile of PCB recipients tends to be older and female; less than 1% of PCB recipients are aged under 30, whereas over 33% are aged 55 and over, while the balance between females and males is approximately two-thirds to one third.

In terms of the gender breakdown across age groups, there are notable differences. Across most age bands, there are more women than men, but this is especially pronounced amongst the 25 to 29 and the 45 to 49 age bands, where there are more than double the numbers of women compared to men, approximately 150% more.

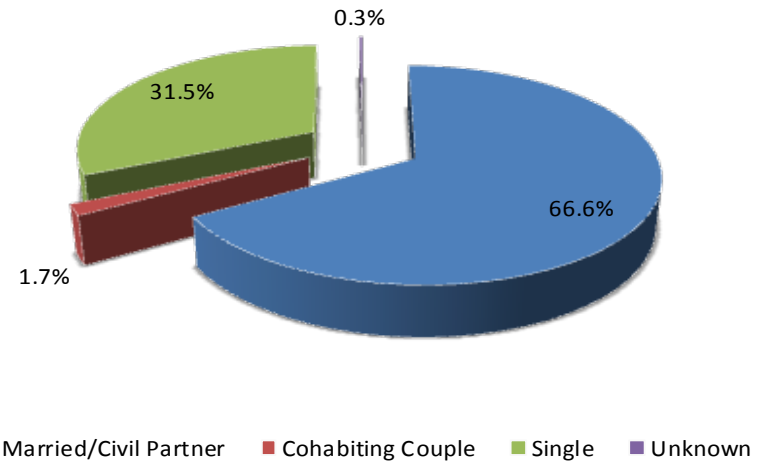
Figure (vi): PCB Recipients by Age and Gender (February 2015)



2.5 Family Status

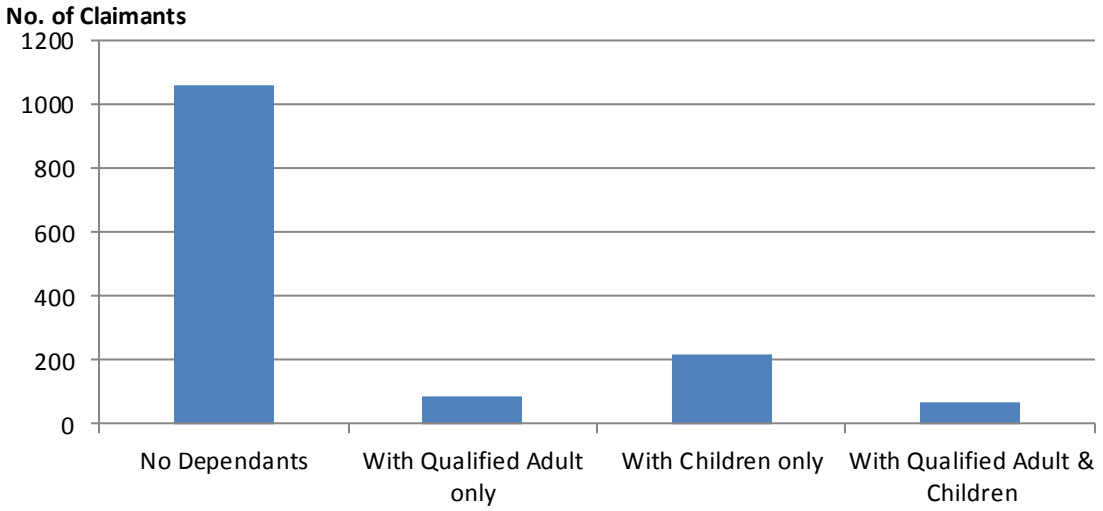
Some 67% of claimants are married or in a civil partnership (see Figure vii).

Figure (vii): PCB Recipients by Marital Status



The majority of claimants (74%) have no dependants, while approximately 6% have an adult dependant, 15% have child dependants and about 5% have both adult and children dependants (see Figure viii).

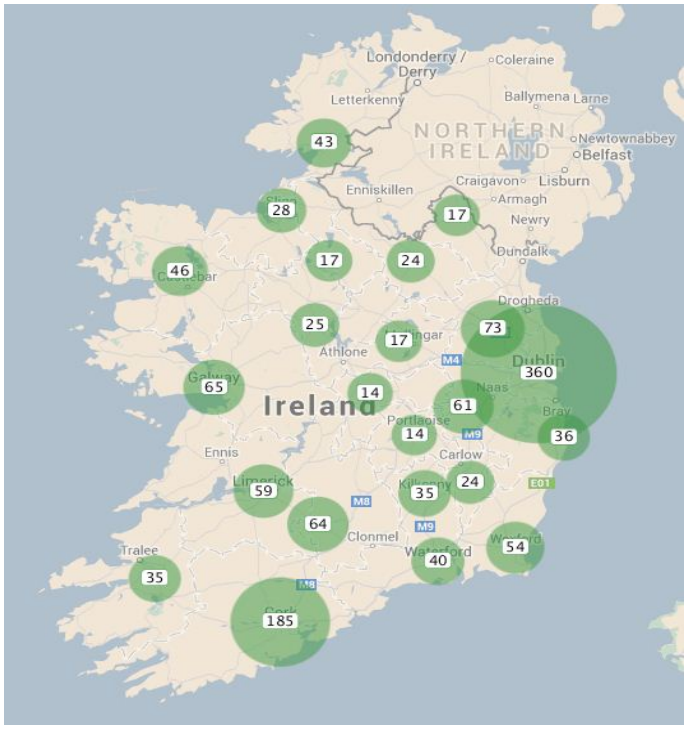
Figure (viii): PCB Recipients by Dependants



2.6 Geographic Distribution

Unsurprisingly, the largest numbers of recipients of PCB tend to be clustered in the larger urban areas with Dublin and Cork accounting for 38% of claimants. More generally the numbers tend to be higher in coastal counties while the lowest numbers are found in the midlands.

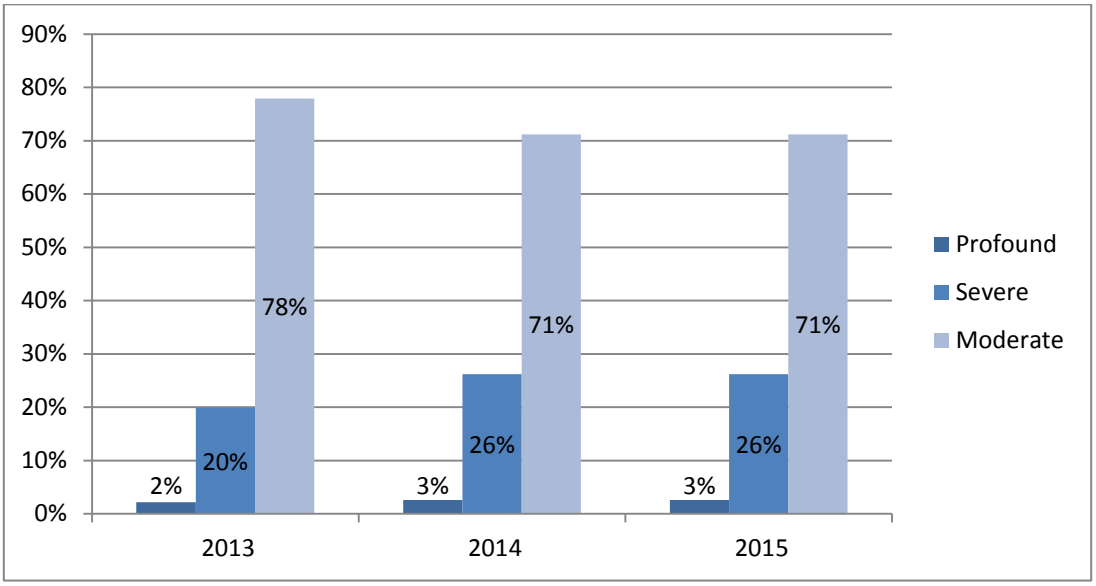
Figure (ix): Geographic Distribution of PCB Recipients, by County (February 2015)



2.7 Severity of Medical Condition

The medical assessment of the claimants conditions are categorised into levels of increasing severity in terms of capacity for work. Since the scheme was launched, the great majority of scheme applicants have been found to have a moderate restriction on work capacity.

Figure (x): Medical Condition by Level of Severity, 2013-2015



2.8 Recorded Incapacities for PCB claims awarded and in payment

The top ten ailments have also remained largely static over the last few years. The top ten account for 66% of all PCB recipients. Of these Anxiety/Depression featured as the most common ailment for each year and accounts for 16.5% of PCB recipients in February 2015. Cancer is the second most common, accounting for 13.2% in February 2015. Ailments associated with the Back/Neck/Rib/Disc are the third most common, accounting for 10%.

Table 2: Top Ten Ailments of PCB Recipients

	2012	2013	2014	2015 (Feb)
1	Anxiety/Depression	Anxiety/Depression	Anxiety/Depression	Anxiety/Depression
2	Cancer	Cancer	Cancer	Cancer
3	Back/Neck/Rib/Disc	Back/Neck/Rib/Disc	Back/Neck/Rib/Disc	Back/Neck/Rib/Disc
4	Other Incapacity	Other Incapacity	Other Incapacity	Other Incapacity
5	Arthritis/Rheumatism/O.A	Arthritis/Rheumatism/O.A	Arthritis/Rheumatism/O.A	Arthritis/Rheumatism/O.A
6	Multiple Sclerosis	Multiple Sclerosis	Multiple Sclerosis	Multiple Sclerosis
7	Heart/Coronary Condition	Heart/Coronary Condition	Heart/Coronary Condition	Heart/Coronary Condition
8	Schizophrenia	Stress	Stroke/Paralysis	Stroke/Paralysis
9	Stress	Stroke/Paralysis	Fracture/Broken	Stress
10	Stroke/Paralysis	Schizophrenia	Stress	Leg/Knee/Ankle Injury

2.9 PCB Employers

The vast majority of employers (c.1,000, which includes both public and private sector employers) employ a single PCB recipient only. The HSE is the biggest employer of PCB recipients (82). Government Departments, the retail and banking sector all employ fewer than 30 PCB recipients.

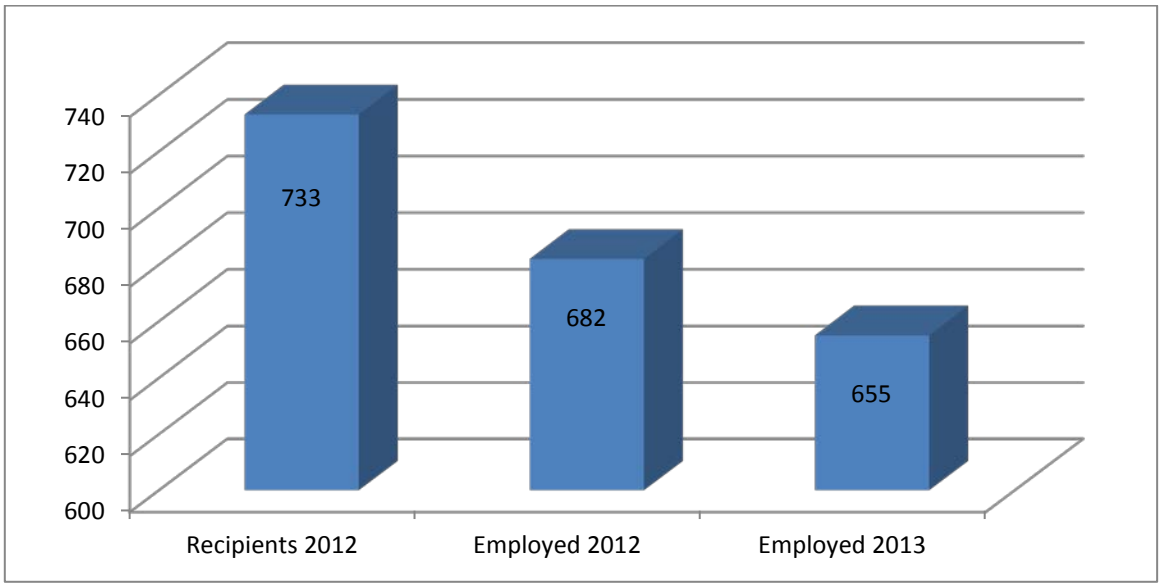
2.10 PCB and Employment

Due to data constraints, it is not possible at this time to comprehensively assess employment outcomes for PCB recipients. Therefore, the analysis is limited to the hazard rate of employment for PCB recipients in 2012 and 2013.

Based on the employment data available as of the end of 2014, the following findings were revealed. Of the 733 PCB recipients recorded in 2012, 682 were recorded as being employed and making PRSI contributions at the end of 2012. Of those same recipients, 655 were recorded as still in employment as of the end of 2013. This equates to a decline in recorded employment for the 2012 cohort of 10% over the two year period.

Of the total 2013 cohort of PCB recipients, 1,234 individuals, 1,114 were recorded as being employed and making PRSI contributions as of the end of 2013. This equates to a 9.7% difference between the numbers claiming PCB and the numbers officially recorded as in employment.

Figure (xi): Employment Hazard Rate for the 2012 PCB Cohort, 2012-2013



These findings raise a number of issues. In the first instance, not all PCB recipients in each year are subsequently recorded as in employment for that year. This should be interpreted carefully as due to the lag in the reporting of employment data employment starts may be missed.[4] However, this may also indicate a problem with the control and monitoring of PCB.

[4] The employment start data is collected on a monthly basis by the Revenue Commissioners and reviewed at annually and as such is subject to revisions.

Secondly, notwithstanding the data and control issues and the limited time frame of the analysis, there is evidence of a hazard rate, i.e. employment declines over time. That said the effect is still limited in the region of 10%.

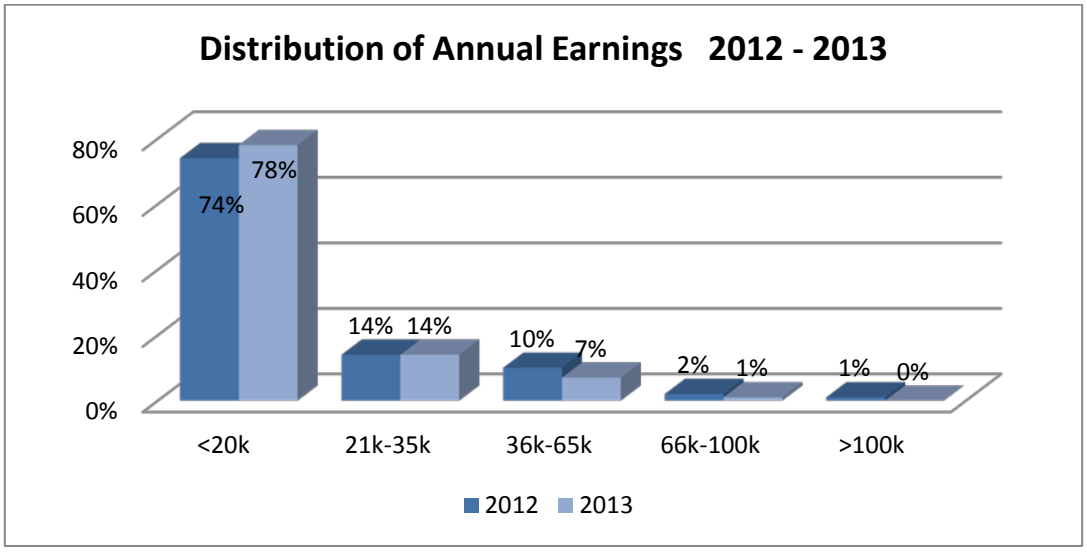
2.11 Earnings of PCB Recipients

As will be seen from Table 3 and Figure (xii) below, the great majority of PCB claimants have earnings from employment of less than €20,000 per annum, with average annual earnings of €15,840 in 2012, and €14,330 in 2013. It will be seen also that there are a very small number of claimants who can earn very substantial income from employment. Those earning more than €100,000 per year accounted for less than 1% of all claimants in 2013.

Table 3: Distribution of Earnings of PCB Recipients by Quartile, 2012 and 2013

	Minimum	1st Quarter	Median	Mean	3rd Quarter	Maximum
2012	€0	€4,209	€9,452	€15,840	€21,970	€131,300
2013	€0	€5,086	€10,520	€14,330	€18,270	€246,100

Figure (xii): Distribution of Annual Earnings, 2012 and 2013



Based on the data available, approximately 90% of PCB recipients earn less than the average industrial wage. The fact that a small minority of recipients earn significantly in excess of the average wage suggests that the eligibility and conditionality of PCB has the scope to be tightened up. The rationale for maintaining a payment to support employment and equality of opportunities for people with disabilities is undermined if the targeting of such a payment is not focused effectively.

As discussed elsewhere in this report it is recommended that long-term illness PCB be classified as an income support and short-term illness PCB be classified as an in-work support. Accordingly it is recommended that an income limit of €35,000 be imposed for long-term illness PCB. 92% of PCB recipients earned < €35,000 pa. In terms of means assessment, it is recommended that a simple self-declaration of income statement by the applicant would be the most efficient and cost-effective option.

No upper limit is recommended for short-term illness PCB.

 # Recommendation 1

An upper earnings limit of €35,000 be imposed for long-term illness PCB Benefit.

CHAPTER 3: POLICY CONTEXT

3.1 Precursors to Partial Capacity Benefit

Partial Capacity Benefit replaced the previous exemption arrangements where people on Illness Benefit or Invalidity Pension could get permission to work part-time (known as an exemption) for rehabilitative or therapeutic purposes and keep their full social welfare payment. There is no requirement that the work a person does while on Partial Capacity Benefit has to be for rehabilitative or therapeutic purposes.

3.2 Policy Objective

The PCB was developed over a two-year period, 2009 to 2011, and was advanced as a policy response to:

(i) a gap in social welfare provision in relation to the variation in the capacity of recipients of a range of illness/disability/invalidity payments to engage in the active labour market;
(ii) the need to cater for recipients of IB who would exhaust entitlement from January 2011 onwards as a result of Budget 2009 measures;
(iii) the absence of activation/support measures for maximising the employment capacity of this cohort of SW recipients; and
(iv) Inconsistencies and anomalies in the way the system of exemptions across the relevant schemes worked.

3.3 A Changing Environment

Is the policy context still relevant and have the (four) issues identified been addressed by the policy response? Clearly the Scheme has addressed (i), (ii) and (iv). However, there still remains an absence of support/activation measures for this cohort of illness payments generally.

Since the policy was formulated there have been changes in the macro-environment in Ireland in a number of significant areas.

(i) Employment Levels up; Unemployment rate down.

Labour Market[5]	2012	2013	2014	2015	2016
Employment Levels (ILO basis (000s))	1,843	1,880	1,914	1,961	2,014
Unemployment Levels (ILO basis (000s))	316	282	243	208	183
Unemployment Rate (as % of Labour Force)	14.70%	13.00%	11.30%	9.60%	8.30%

(ii) Ireland's labour market activation policies have been transformed in recent years with a strong focus on supporting those on the live register to secure employment.

(iii) In addition, DSP is well-advanced in the roll-out of a nationwide physical infrastructure with a single point of contact for all employment and income supports providing practical, tailored employment services and supports for jobseekers and employers alike.

(iv) The Government's Comprehensive Employment Strategy provides an action-focused strategic ten-year plan to address the issue of participation of people with disabilities in the labour market.

The radically changed environment has a number of implications for the development of a partial capacity scheme. Research has demonstrated the impact of the economic cycle, and in particular unemployment rates, on the disability claimant numbers.

> "*We find strong evidence that local variations in unemployment have an important explanatory role for disability benefit receipt, with higher total enrolments, lower outflows from rolls and, often, higher inflows into disability rolls in regions and periods of above-average unemployment."*[6]

The current economic cycle provides more choice for potential candidates as employment rates increase and labour market supply tightens. In addition, as unemployment is projected to continue to fall, an opportunity presents for the Intreo Centre network to engage at local level with PCB candidates. The PCB survey highlighted the importance of the local office in disseminating information about the scheme.

[5] ESRI Quarterly Economic Survey Summer 2015

[6] Disability, capacity for work and the business cycle: An international perspective Hugo-Benítez-Silva et al 2009.

 # Recommendation 2

It is recommended to recast the policy objective accordingly as follows:

> **Partial Capacity Benefit is a key instrument in supporting people of working age with health problems to return to the workforce at a level in accordance with their capacity.**

3.4 Activation: International Comparators

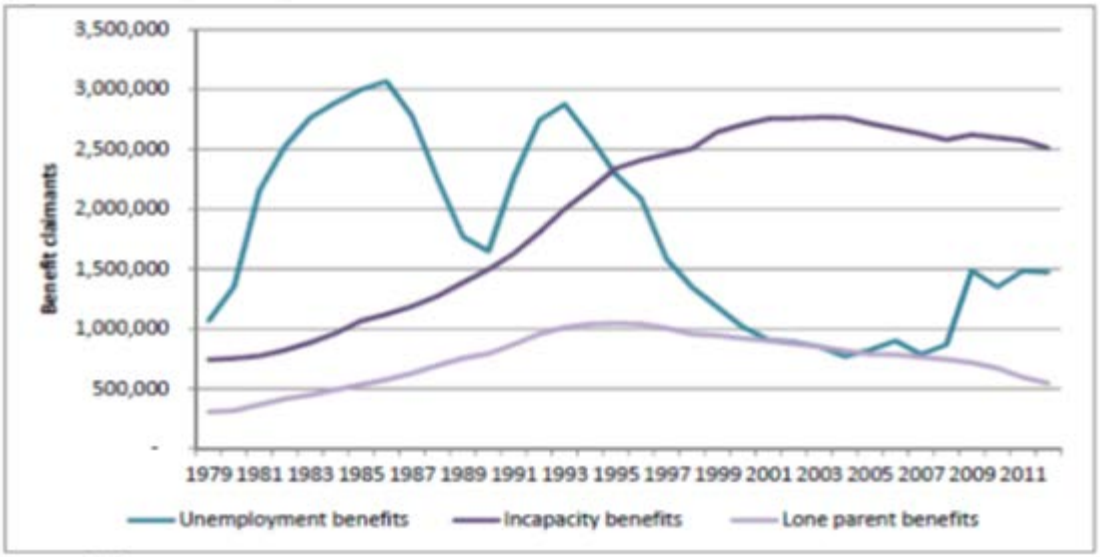
In terms of extending activation measures to people with disabilities the evidence is not encouraging. Martin JP (Feb 2015)[7] in a presentation to the Statistical and Social Inquiry Society of Ireland asserts that activation programmes for people with disabilities who have been out of work have not been successful in any of the jurisdictions he studied. In addition, Martin notes, from a political economy perspective, that the concept of activation for people with disabilities is difficult to sell to the general public.

The UK experience of activation has demonstrated a consistency of approach over the past ten years, despite contested outcomes. UK policy has focused on tightening conditionality together with an emphasis on activation, first under the Pathways to Work (2003 -2010) programme and now The Work Programme. Despite this consistency of approach a historically high figure of c.2.4m people received incapacity/disability-related income supports in the UK in 2014.

In the UK a significant increase in disability benefit numbers began in the 1980s with the numbers approaching 2m in the 1990s. The introduction of a new medical test in 1995 saw an easing in the rate of increase. Commentators have remarked on the fact that despite a period of sustained economic growth in the period 1993 to 2008, the numbers on incapacity benefit did not fall.

[7] Martin JP 2015

Figure (xiii): Benefit claimants numbers GB, 1979 – 2012



Source: DWP

Mont D[8] (2004) of the World Bank cites statistics for return to work of only 1-2%. However, Mont (2004) also claims that a few countries have seen higher numbers exit illness programmes citing the example of the Netherlands in the 1990s with exit rates of up to 7% under particularly rigorous retesting and the presence of a young population cohort. The evidence is also clear that the macro-economic climate influences inflows and outflows.

Lindsay et al[9] (2015) cite the Danish approach of "activation" of DB clients as a useful comparator to the UK experience in terms of the Danish social democratic tradition and practice versus the UK's liberal market-led approach. Whereas both countries are regarded as leaders in activation, their approaches show distinctive differences.

> *"whereas Denmark has made some moves towards marketization in activation there is not the same private sector dominance of service delivery" (Lindsay et al 2015).*

Relative to the UK, Denmark's DB rates may be considered generous. In addition, unlike the UK, Denmark provides a substantial workplace subsidy to employers who offer jobs to people with disabilities. However, in Denmark recent attempts to offer an integrated holistic support system has seen relatively low take-up. Whilst acknowledging the significant differences in policy approaches between the UK and Denmark, Lindsay et al (2015) note that *"large scale policy outcomes have similarly [to the UK] proved elusive."*

[8] Mont D 2004, Social Protection Discussion Paper. World Bank.
[9] Lindsay et al Social Policy Administration Vol 49 March 2015

3.5 Early Intervention the Key -PCB as an Employment Instrument

However, despite the mixed and generally disappointing results from activation measures, the literature is unanimous in concluding that early intervention is critical to support the client to get back to work at an appropriate level and prevent the inevitable drift into long-term dependency.

> *"At the heart of the issues identified is the repeated finding that as the duration of absence increases the likelihood of retention and re-integration decreases. ….the critical period within which the processes leading to either retention or non-retention in employment are played out between 6 and 12 weeks following initial absence from work. The core policy lesson is therefore, the need to intervene early in such a manner as to increase the probability of retention."* [10]

The evidence is very clear that the longer a recipient remains on Illness Benefit the greater his/her chance of losing his/her attachment to the employer. At the six-month threshold, 40% of recipients have effectively lost their jobs. The six-month threshold is important for the purpose of this review as a client must be in receipt of Illness Benefit for 6 months before they can apply for PCB.

> *"One of the key findings of the research is that the majority of long-term IB recipients do not have their former jobs available to them (39.5% of recipients crossing the six month threshold, rising to 54.5% at the 12 month threshold, and reaching 85.4% at the three year threshold). That is, a substantial proportion of IB recipients lose their job while in payment."*[11]

A 2001 study for the International Social Security Association concluded that:

> *"the findings, particularly those of Germany and Israel, suggest that the timing of medical and vocational interventions plays a critical part in whether work resumption is successful or not"*.[12]

Given the importance of early intervention, the question now arises as to whether PCB can be recalibrated to enable early intervention to support those who are able to effect a phased return to full-time employment while, at the same time, supporting those people with long-term illnesses who will only be able to work part-time?

3.6 Early intervention benefits all stakeholders

In addition to the benefits for the client the literature strongly suggests that a proactive system promoting early intervention benefits the employer.

[10] Research Report On Acquired Disability And Employment - Prepared for Enterprise Jobs and Employment 2008 WRC Economic consultants.
[11] Ibid.
[12] Who Returns to Work and Why? A Six-Country Study on Work Incapacity and Reintegration

"Employers have substantially reduced disability costs by promoting early intervention concepts, including the systematic monitoring of workers with work restrictions. Early intervention strategies and programmes for an early return to work result in decreased lost time, increased employer productivity and decreased workers' compensation and disability costs. Whether the disability is work related or not, early intervention is considered to be the primary factor upon which the foundation of medical, psychosocial and vocational rehabilitation is established (Lucas 1987; Pati 1985; Scheer 1990; Wright 1980). However, the successful management of disability also requires early return to work opportunities, accommodations and supports (Shrey and Olshesky 1992; Habeck et al. 1991)." [13]

Supporting early return to work is good for the economy. In addition to increasing the supply of labour, it increases the tax take and reduces long-term welfare dependency and health costs.

[13] Shrey D E in *17. Disability and Work*, Momm, Willi,Ransom, Robert, Editor, *Encyclopedia of Occupational Health and Safety*, Jeanne Mager Stellman, Editor-in-Chief. International Labor Organization, Geneva. © 2011

CHAPTER 4: RECONFIGURING PCB

4.1 Distinguishing between Short-term Illness and Long-term Disability

As Lindsay et al point out:

> "People claiming [Disability Benefits] face a range of health and disability related barriers, which vary in their complexity and severity. Accordingly, there is a need to retain a system that separates out "a work-related activity group" who can be helped towards a return to work, from those facing the most severe barriers." (Lindsay et al 2015)[14]

A useful typology[15] to consider in classifying IB/IP clients in terms of this discussion is as follows:

- **Retention Candidates**: These are classified as clients who still have an attachment to their employer. The policy objective for DSP is to work with stakeholders – client, GP and employer - to develop a return to work plan.
- **Reintegration Candidates:** This client group presents a greater challenge as they have lost their attachment to their employer. The policy challenge for DSP is to assist the client, with the client's GP, to develop a return to work plan for a new employer. This client group may require additional supports such as education and training.
- (**Invalidity) Pension Candidates**: The needs of this client group fall mainly under the heading of income support.

Acknowledging the importance of early intervention and recognising the differing needs of potential PCB clients it is proposed to develop the PCB model by distinguishing, in the first instance, between short-term illness and long-term disability and tailoring the intervention accordingly.

 # Recommendation No 3

Tailor the PCB support to meet the differing needs of IB and IP recipients focusing on early intervention.

4.2 IB (short-term illness) clients: PCB as an "in-work benefit"

In terms of those in receipt of IB, clients will by definition have an attachment, or at least a recent attachment, to their employer.[16] The objective should be to assist the client to get back to work

[14] Lindsay et al Social Policy Administration Vol 49 March 2015
[15] Adapted from 2008 WRC report

according to their capacity and ultimately, if capacity allows, to get back to work full-time. In order to facilitate this process, it is recommended that the PCB offer to those on Illness Benefit should be classified as an *"in-work benefit"* whereas the PCB offer to those in receipt of Invalidity Pension should remain an *"income support".*

The evidence clearly demonstrates that the longer a person is in receipt of Illness Benefit the greater the possibility of losing the attachment to their employer. The requirement to be in receipt of IB for six months in order to be eligible for PCB does not facilitate early intervention. As discussed above, the evidence shows that the crucial period when decisions are made to return to work or not is 6-12 weeks. The objective should be to offer support to return to work as close to this period as is practicable.

Accordingly, it is recommended that, in terms of qualifying for PCB, flexibility be introduced into the duration (currently 6 months) on IB requirement to facilitate early intervention. The mechanics of how this can be done to align with the proposed unified system will be discussed later in this report.

 # Recommendation No 4

Facilitate early intervention and support by removing the "duration on IB" requirement to qualify for PCB

4.3 Working with all Stakeholders

Tailoring PCB support: IB recipients

Considering PCB as an in-work benefit for IB recipients places an obligation on all stakeholders to work together to facilitate a return to full-time work as early as possible. The stakeholders concerned are the client, the employer and the client's GP. DSP's role is to design and implement systems which facilitate phased early return to full-time work while ensuring that deadweight losses are minimised.

The model proposed is based on an existing practice (found mainly in larger firms with an occupational therapy service) which involves developing a return to work plan for the employee. A number of examples have been identified in the Medical Review and Assessment Section where such return to work plans have been submitted for periods which are shorter than the minimum PCB duration of one year.

[16] The exception being (pre 2009) Continuous Duration (CD) clients.

Example 1:
GP submitted to DSP Medical Assessor an 18 week return to work plan for a female insurance worker.
3 mornings per week x 6 weeks
3 full days by 6 weeks
4 full days for 6 weeks

Example 2:
Employer's occupational health physician submitted to DSP Medical Assessor an 8 week return to work plan for a female instructor who had been absent for almost a year after undergoing surgery for a back problem, complicated by depression.
½ day week 1
2 x ½ days week 2
3 x ½ days Week 3
4 x ½ days week 4
5 x ½ days for 4 weeks followed by review

Building on this operational model, it is proposed that PCB short-term illness be reconfigured to meet the policy objective of assisting the client to return to full-time work and mitigating the risk of drift into long-term illness schemes. In addition to relaxing the duration on IB requirement, a number of measures are proposed which will be required to support the overall objective.

Firstly, flexibility should be introduced in relation to the period for which PCB can be awarded. Typically, returns to work plans have a duration of 4-6 weeks. A simple return to work plan may include:

- the goal of the plan;
- the time period of the plan;
- information about alternative working arrangements;
- information about changes to terms and conditions;
- the checks to be made to make sure the plan is put into practice;
- dates when the plan will be reviewed.[17]

Critically, it is recommended that the duration of award of PCB is aligned with the time period of the return to work plan. Aligning the PCB payment with the agreed return to work plan shifts the responsibility for the capacity assessment from the current medical assessment system to the three partners - client, employer and GP. The agreed return to work plan will determine the duration of

[17] Adapted from Health and Safety Executive UK Guidance to Employers on Back to Work Planning. http://www.hse.gov.uk/sicknessabsence/step5.htm

PCB and the level of the PCB payment. DSP's role would be to assist the return to work planning, supported by PCB, with the client and employer at the Intreo Centre or through a third-party contractor.

Access to the scheme and minimising the risk of losses through dead weight (i.e., where the client would have returned to work in any case) will be controlled by requiring a tripartite agreement between the client, employer and GP and targeted promotion of the scheme by DSP to clients who demonstrate the potential to return to work on a phased basis.

 # Recommendation No 5

PCB support for Illness Benefit clients conditional on producing a time-bound phased return to work plan involving client, employer and client's GP.

 # Recommendation No 6

Align duration of PCB payment to return to work plan.

4.4 Proposed PCB Rate of payment and "phasing out" rate to support return to work

Commentators agree that the issue of the rate of payment of in-work benefits and when they should be withdrawn is challenging to address and critical to the scheme design. In this case, the withdrawal date will be determined by the Return to Work Plan. The in-work support (PCB) will cease to be paid when the client returns to full-time work in accordance with the Return to Work Plan.

> "*The level of in-work benefits and phasing-out rates (i.e. the speed at which benefits are withdrawn as incomes rise) should be set depending on the objective that governments want to achieve. If the main objective is that of getting individuals into work, a moderate benefit withdrawn at relatively low rates may be most appropriate."*[18]

[18] OECD Employment Outlook 2005

Given that the objective is to incentivise Illness Benefit recipients to return to work on a phased basis and recalling that the Benefit is not linked to employment capacity, the question now arises as to what rate the payment should be set at.

The literature acknowledges that this is very difficult to address. However, adopting the following principles will assist in arriving at recommended rates.

- The rate set should incentivise the Illness Benefit recipient to consider returning to work on a phased basis.
- The rate should be transparent and simple to understand.
- The rate should be straightforward to administer.

Accordingly, it is recommended that two rates only apply: set at 75% and 50% of full-rate IB.

PCB would terminate when the client returns to work full-time. Again the RTWP will guide the reduction from 75% to 50% and the termination date. It is recommended that any increases for qualified adults and children remain at the standard rate.

Currently the personal rate of payment is based on the assessment of the restriction on the client's capacity for work and whether they were in receipt of Illness Benefit or Invalidity Pension. It is proposed to adjust this methodology for determination of the rate of payment for PCB/Illness Benefit and to offer a flexible payment scale aligned to the client's return to work plan. Accordingly the revised payment rate would not be capacity determined on the basis of a Medical Assessor assessment; but rather agreed with the client at the Intreo Centre (or with a contractor, if appropriate) based on the timescale for the phased return to work.

 # Recommendation No 7

In the case of PCB short-term illness two payment scales to apply 75% and 50% aligned to client's Return to Work Plan.

4.5 Requalification for PCB after 13 weeks

The current rules permit a person to requalify for IB (and consequently for PCB) after their initial entitlement to benefit expires after two years if they work for 13 weeks. This issue has been highlighted by the PCB client survey and stakeholders as a cause of concern and uncertainty for PCB clients. In practice, the client is left without any social welfare payment for 13 weeks while they wait to requalify.

An example[19] illustrates the point.

Client was in receipt of PCB, having been previously in receipt of Illness Benefit. Her 2 years on Illness Benefit was soon to expire and she had received a letter from PCB stating that her claim was to cease when her entitlement to IB ceased. The woman was still working in her employment and still had her disability but was not clear about whether or not she would have to work for 13 weeks in order to requalify for IB and then reapply for PCB.

A core recommendation of this report is to support and enable early intervention. Recommendation No 4 facilitates early intervention and Return to Work Planning by removing the requirement to be in receipt of IB for six months before qualification for PCB. Accordingly, in the majority of cases it is envisaged that early intervention will facilitate development of a Return to Work Plan in advance of Illness Benefit expiring.

In addition, it is proposed that candidates for Invalidity Pension be identified at an early stage, post expiry of the certification guidelines. These clients can then be invited to apply for PCB based on the Invalidity Pension criteria, (see Appendix 3 for illustration).

However, despite the above measures there may still be a small cohort of PCB (short-term illness) recipients whose IB may expire and who require 13 weeks of insurable employment to requalify. In order to address the needs of this cohort it is proposed that these clients be referred for medical examination six months in advance of their 'benefit expiry' date to determine if they meet the criteria for Invalidity Pension. If Invalidity Pension is awarded, the client can transfer to PCB (long-term illness).

It may be appropriate to revisit this issue on foot of the experience of the reconfigured system.

 # Recommendation No 8

Address the 13 weeks requalification anomaly by early intervention and referral of those who remain on IB/PCB at 18 months for assessment.

4.6 IP (Long-term Illness) clients

Long-term illness clients present with more complex health problems and needs. Nevertheless the current PCB scheme has seen some, albeit modest, take- up which proves that there is a demand

[19] CIB Submission Example 2

for a partial capacity scheme for this cohort**.** It is proposed that PCB for long-term illness (IP) recipients should remain classified as an income support and the current capacity assessed system should be retained. In addition, it is envisaged that PCB for this cohort would continue indefinitely subject to capacity review.

However, if a client feels that s/he is ready to return to work full-time on a phased basis the IP client should be offered the PCB return to work scheme. It is envisaged that a majority of IP clients will not have the capacity to return to full-time work. Accordingly, the broad provisions of the existing PCB scheme should continue to apply for IP clients.

As the policy matures and the Intreo support network develops, it may be appropriate to consider additional supports for this cohort.

 # Recommendation No 9

Retain existing capacity assessment PCB scheme for IP clients. Subject to client capacity, offer return to work option to IP clients.

Additional Supports and Secondary Benefits

The PCB survey revealed a strong demand for additional supports to encourage claimants to return to work. There was strong support for a case worker to assist the applicant through the application process. It is recommended that the Intreo Centre develop the capacity to promote the PCB scheme and to assist interested candidates to apply for PCB.

#Recommendation No 10

Intreo Centre to promote PCB scheme locally and assign named Case Officers to work with PCB candidates through the application process.

The loss/reduction of secondary benefits was highlighted by stakeholders and in the PCB survey as a source of serious concern to potential PCB applicants and recipients.

The consultation process highlighted an issue whereby in certain circumstances PCB recipients may be worse off on PCB and their earnings from employment than they would have been on full-rate Invalidity Pension and the related secondary benefit. An example[20] illustrates the point:

A woman in receipt of Invalidity Pension applied for Partial Capacity Benefit. Due to the nature of her illness she felt she would not be able to work more than 10 hours/week. She took up employment of 10 hours with weekly earnings of €86.50. Her medical condition was deemed MODERATE and she was awarded PCB of €96.75 - her weekly rate bringing her total weekly income to €183.25, which is €10.25 less than when she was on Invalidity Pension. She only came to realise after she started working that she lost eligibility for the full Living Alone allowance and the Fuel Allowance. She felt that she should have been advised by the DSP that she could be financially worse off by taking up Partial Capacity Benefit.

#Recommendation No.11

Case Officers at Intreo Centres to outline all options to PCB candidates, including Disability Allowance for candidates who may be in a position to work a limited number of hours per week only.

The Living Alone Allowance and PCB

The Living Alone Allowance (LAA) is a weekly payment for people aged 66 or over who are receiving certain payments, including Blind Person's Pension, Invalidity Pension, Disability Allowance and Incapacity Supplement, and who are living alone.

Currently the Living Alone Allowance is reduced on award of PCB in line with the reduction in the underlying payment (Invalidity Pension). It is recommended that the PCB client retain full rate LAA for the duration of PCB for the following reasons:

- The underlying policy rationale for the LAA is to compensate for the additional individual costs of living alone when compared to a couple or family; these additional costs remain after award of PCB.

- Reduction in LAA may act as a disincentive to apply for PCB.

[20] CIB submission Example No 1

#Recommendation No 12

PCB recipients to retain entitlement to Living Alone Allowance on transition from Invalidity Pension.

Fuel Allowance and PCB

Currently a PCB recipient is not entitled to Fuel Allowance and must surrender same on award of PCB. As illustrated by the example above this loss can result in PCB recipients who work less than 10 hours a week on the minimum wage can significantly impact on their net income.

It is proposed to admit PCB/Invalidity Pension recipients to the Fuel Allowance Scheme subject to the standard means test qualifying conditions. This proposal specifically targets PCB candidates who have the capacity to work a limited number of hours per week at or about the minimum wage. The rationale for this recommendation is that it will:

- Incentivise those with only limited work capacity to choose PCB.
- Ensure equity across the range of qualifying schemes.

 # Recommendation No 13

PCB/Invalidity Pension recipients to retain entitlement to apply for Fuel Allowance subject to the standard means test qualifying condition.

Free Travel and PCB

Currently a PCB/Invalidity Pension recipient can retain Free Travel for two years after award. The allowance is subject to a means test after two years and annually thereafter. Feedback from the PCB survey suggested that Free Travel is an important support for those with limited capacity to work and to enable them to get to and from their place of employment. It is proposed that the free travel facility be extended from two years without a means test to cover the duration of the PCB/ Invalidity Pension payment.

The rationale for this recommendation is:

- To provide additional supports to PCB/Invalidity Pension recipients to help them return to work according to their capacity.

- To recognise the additional cost of travelling to and from employment.

 # Recommendation No 14

PCB/Invalidity Pension recipients to retain Free Travel for duration of PCB.

PCB and the Medical Card

The potential loss of the medical card was an issue raised by a number of respondents to the PCB survey and was also raised by stakeholders. In view of the ongoing review of the medical card scheme by the Department of Health it is proposed to wait until the outcome of this review before consideration of any recommendations.

Household Benefits Package and PCB

Currently a PCB/Invalidity Pension recipient can retain the Household Benefits package for two years after award. The Package is subject to a means test after two years and annually thereafter. Stakeholders highlighted means testing of this Package after two years as an issue for potential PCB applicants. It is proposed to extend the period before means testing from two to three years. The rationale for this recommendation is:

- To provide a longer time frame to retain the package in order to provide certainty to the potential applicant so that recipient can become established in the labour force.

 # Recommendation No 15

Household Benefits Package to be extended from two to three years for PCB/Invalidity Pension recipients.

Island Allowance and PCB

Currently a PCB recipient may retain the Island Allowance. It is recommended that this provision be retained.

PCB and the Wage Subsidy Scheme (WSS)

The Wage Subsidy Scheme is a scheme that offers financial support for employers who employ certain people with disabilities on a full-time basis (21 hours or more). The scheme is one of the

workplace supports for employers provided by the Department of Social Protection to encourage the employment of people with disabilities. (Public service employers or any employers or schemes where wages are funded by the Department are not eligible for this scheme.)

A December 2013 review of the WSS conducted by DSP concluded that:

> *"There would appear to be no general policy reasons that cut against extending the WSS to employers of PCB recipients. However, it would seem that an extension of the WSS to employers of PCB participants would need to be confined to employers of PCB recipients from the IP group. Confining the WSS to employers of individuals from the IP stream of PCB would serve to complicate the rules governing the PCB. Moreover, given no changes to the WSS, 'WSS + the IP stream of PCB' would be unlikely to have an appreciable impact upon IP claimants' interaction with the Scheme. This arrangement would also involve increased costs to the Exchequer; a cautious estimate puts those costs at €2 million per annum."*

Two of the consulted groups made specific reference to the fact that the employers of PCB recipients are not eligible to apply for WSS. The general point made is that these recipients are at a disadvantage in the labour market. The largest employer of disabled in the market notes that this is not an issue that they have really encountered to date but would be happy to explore further.

The author of this report agrees that any consideration of extending WSS to PCB clients should be confined to PCB/Invalidity Pension clients. However, further enquiry with employers to determine the demand for such an extension together with a cost benefit analysis is recommended before decision.

 # Recommendation No 16

Conduct a cost benefit analysis before consideration of the extension of the Wage Subsidy to PCB/Invalidity recipients.

4.7 PCB to Remain Voluntary

Participation in the scheme should remain voluntary for both short-term and long-term clients.

However, in relation to the IB client in particular, the return to work option should be promoted extensively with employer groups, GP representatives and clients. The objective should be to effect cultural change so that the focus is on returning to work as soon as possible.

In terms of IP clients PCB should be promoted as part of a suite of supports which DSP can develop over time.

 # Recommendation No 17

It was the clear intent of the PCB scheme that participation should be voluntary and it is recommended that the voluntary condition remain.

4.8 Scheme Promotion

Client and stakeholder consultation confirms the lack of knowledge amongst potential candidates of the existence of the scheme.

"The speaker from Citizen Information went through the detail with us. Only for this we would have known nothing about it." PCB survey respondent.

In addition, client feedback suggests that the absence of information about the medical assessment in particular may act as a deterrent to pursuing an application.

 # Recommendation No 18

A comprehensive communication strategy is required to support and promote a reconfigured PCB.

CHAPTER 5: ADMINISTRATIVE AND OPERATIONAL ISSUES

5.1 Application Process and Process Map

PCB Application Process

The PCB application process involves two main elements, an eligibility test and a medical assessment (see figure (xiv) below).

When applying for the PCB, applicants must request an application form from the Partial Capacity Benefit Section of the Department of Social Protection. The Section will verify the eligibility of the applicant before sending a hard copy of the application form to the applicant. In the case of Illness Benefit applicants, in order to be eligible they must have been in receipt of the Illness Benefit for a minimum of six months prior to application.

Once the application has been processed by the Section, and the applicant has been found eligible, the applicant is referred to the Medical Assessor of the Department. The Medical Assessor will assess the capacity of the applicant for work. At the assessment the applicant is also required to provide their medical evidence with their application.

Once the medical assessment has been completed, a Deciding Officer (DO) will then make a decision whether or not to approve the application.

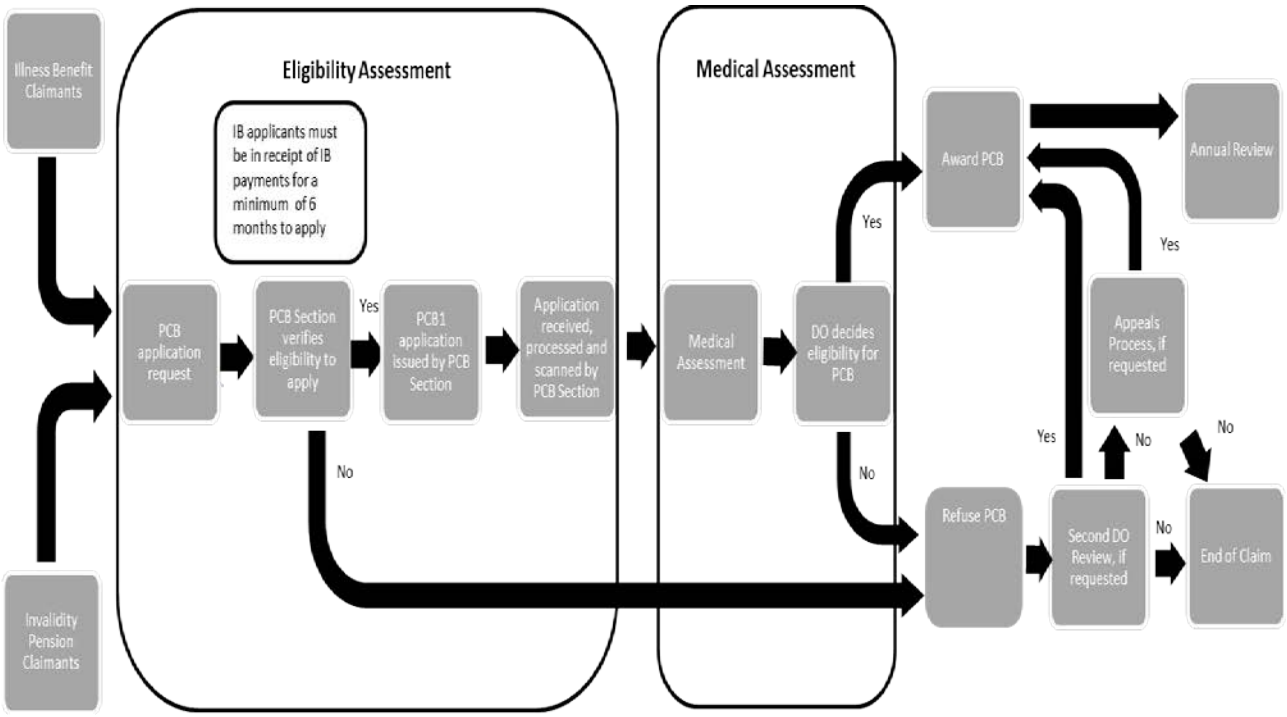
If the applicant wishes to appeal the decision, there are two options:

1. The applicant has recourse to having their claim reviewed by another Deciding Officer.
2. The applicant can appeal to the Social Welfare Appeals Office within 21 days of the date of decision, if he/she is not satisfied with the decision of the second Deciding Officer.

Once awarded, eligibility for the PCB will continue as long as the claimant continues to meet the underlying entitlement to Illness Benefit. Specifically, as long as the claimant maintains the prerequisite PRSI contributions to qualify for Illness Benefit, the claimant will be able to retain PCB.

The claimant will be medically reviewed at least once a year thereafter.

Figure (xiv) PCB Process Chart



5.2 Administrative and Operational Issues

PCB was envisaged to be a stand-alone scheme. However due to IT constraints at the time it mirrors Illness Benefit and Invalidity Pension resulting in a host of problems concerning requalification and various other systematic work arounds. The current administrative system is unwieldy and the Section has difficulty coping with the existing workload. Average time from application to award is 10 weeks

The scheme in its current form is labour intensive. There is continuous maintenance/reviewing of claims. Claims are requalified following ben-ex (benefits exhaustion). Customers in seasonal employment are uplifted during periods of unemployment. Customers on sick leave from work are uplifted to full rate IB. In these particular cases because the PCB is on ISTS, there is no mechanism for paying both PCB and IB. The scheme is based in IB and many of the processes mirror the IB scheme. PCB is on the ISTS system which has limitations and due to this there is a requirement for workarounds for certain processes.

Any significant promotion and extension of the PCB scheme will require an investment in IT systems and a Business Process Improvement Exercise.

5.3 Issues Arising

Selected issues which have arisen illustrate the difficulties in the current scheme.

- PCB term is not aligned to the underlying scheme. Accordingly when entitlement to the underlying scheme (IB) expires the client is required to work 13 weeks to requalify before the PCB payment is reinstated. This issue was highlighted in the client survey. Additionally, clients with an underlying IB entitlement can and do stay on the scheme indefinitely by requalifying after 13 weeks without PCB support.

System Problems

- PCB claims are registered and maintained on the computer system under the Illness Benefit and Invalidity Pension schemes.
- Claim processing issues with PCB under IB Scheme code on the computer system rather than having a stand-alone PCB Scheme.
- A number of different category codes are used on the computer system to identify different groups of customers i.e. INVP customer with 100% rate or IB customer with 50% rate and so on.

Manual Intervention Required

- PCB is a sub-category on Illness Benefit. This presents difficulties in retrieving statistical information. A number of spreadsheets are kept to record/track claims - Claim Status spreadsheet (all initial claims); claim re-assessment spreadsheet; Review/Appeals spreadsheet. There are also spreadsheets for sick leave uplifts and seasonal uplifts. This requires multiple entry of information into systems. It is time consuming and an inefficient method of drawing statistics.
- When awarding claims, PCB rates aren't pre-programmed on the system, meaning personal and qualified adult rates can't be easily read to answer a simple query such as: "what's the breakdown of my rate? Calculators have to be used to work out reduced rate benefit and uplifted rates of benefit for INVP customers.
- Scanning medical reports to the computer system. Because PCB is not a stand-alone scheme code there are different workarounds required for IB and INVP claims.
- Manual intervention. All PCB letters are sent manually (unlike IB), e.g. application form, award letter, medical re-assessment form, etc.
- Sick and seasonal uplifts need to be keyed manually.

A significant investment in IT and business process improvement is required to enhance the quality of customer service and to facilitate scheme expansion. Building the current system onto the IB/IP schemes systems creates a range of issues outlined above.

Short of making the investment as recommended the scope for improvement in the administrative systems is limited.

 # Recommendation No 19

An investment in IT and business processes is required to enhance the quality of customer service and to facilitate scheme expansion.

5.5 Do Not Refer Again

A DNRA (do not refer again) option for those clients who will never be able to return to work in a full-time capacity is recommended along the lines of similar determinations in other scheme areas. This would serve to reduce the administrative burden and reduce client distress.

 # Recommendation No 20

Introduce a Do Not Refer Again option for suitable clients.

5.6 Appeals

The number of Appeals received is relatively low as detailed below. No significant issues have arisen at Appeals stage.

Table 4

PCB AO Decisions				
	Allowed	**Part Allowed**	**Disallowed**	**Total**
2012	**-**	**-**	**-**	**-**
2013	7	3	18	28
2014	27	4	37	68
2015	6	0	8	14
Total	**40**	**7**	**63**	**110**

5.7 Indicative Costing

The Current scheme (1,400 clients) yields c. €6m savings.
An additional 1,000 clients on current scheme would potentially yield an additional €4m savings.

A recalibrated scheme along the lines proposed would demonstrate potentially significant savings for short-term illness PCB. For long-term illness PCB the additional costs (extension of secondary benefits) would be less than the savings on IP that would arise.

Other savings include reduced costs for employers, higher tax take and reduced long-term health costs.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 Client Satisfaction and Scheme Take-up

- The existing PCB scheme has proved the demand for a partial capacity scheme for those persons who have some capacity to work. Generally, recipients report a positive experience of returning to work under the current scheme. In addition, stakeholders consulted are unanimously supportive of scheme development with a view to expansion.
- The research has demonstrated that there is little knowledge of the existence of the scheme amongst potential candidates. In addition, the information deficit would appear to deter those who may be suitable candidates from applying because of a fear of losing benefit entitlement. The lack of information and promotion has contributed to the low take-up of the Scheme.
- A reconfigured Partial Capacity Benefit scheme can more effectively deliver the policy intent of assisting those who can to return to work on a phased basis and according to their capacity.

6.2 Early Intervention

The evidence is clear that early intervention is a key instrument in preventing drift into long-term welfare dependency. The rules for PCB/IB are not supportive of early intervention. Applying the principal of early intervention and supporting clients to remain in the work force, according to their capacity, benefits the client, employers, the labour market and the taxpayer. In addition, supporting clients to return to work at an early stage has the potential to reduce long-term health costs.

6.3 Barriers to Expansion

- The average time of 10 weeks between application and payment is problematic and is not aligned with the realities of the open labour market. This is a concern for recipients and stakeholders consulted.
- The current administrative systems could not cope with an expansion without investment in IT and streamlining of business processes.
- In respect of Invalidity Pension recipients, the loss of certain secondary benefits and the means testing after two years of Free Travel and the Household Benefits package were identified as significant issues by stakeholders and PCB survey respondents.

6.4 Recommendations

Investment

- An investment in IT and business process improvement is necessary before any expansion can be considered. The objective should be to streamline the systems and to reduce the delay between application and approval to four weeks or less to align with labour market realities. Currently there is no system tracking outcomes for clients. This needs to be addressed.

The Intreo Centre

- Promote the Intreo Centre as the preferred first point of contact for PCB candidates. The assignment of a personal case worker at the Intreo Centre would assist candidates to progress through the application process. This proposal received significant support from those surveyed and stakeholders. In addition, the research highlighted the importance of the local (Intreo) office as a source of information for PCB recipients.

Early Intervention

- Align resources to focus on early intervention.

Tailor the Intervention

- In order to deliver the potential of Partial Capacity Benefit, it is recommended to segment candidates with a long-term illness from candidates with a short-term illness and classify partial capacity payment to the former as “an income support” and the latter as “an in-work support”.

Short-term illness (IB) clients

- Classify PCB (short-term illness) as an in-work support.
- Focus on early intervention.
- Remove minimum duration on IB (currently 6 months) qualification requirement.
- Remove minimum duration on PCB (currently 1 year).
- Assign case worker at Intreo Centre to PCB candidates.
- Promote return to work planning with client, employer and GP.
- Return to Work Plan determines PCB duration and phased rate.
- Align duration of PCB payment to Return to Work Plan.
- Align phased payment rates (75% and 50%) to Return to Work Plan.
- No upper income limit.

Long-term illness (IP) clients

- Classify PCB (long-term illness) as an income support.
- Focus on early intervention.

- Assign case worker at Intreo Centre to PCB candidates.
- Retain certain secondary benefits.
- Consider additional supports as policy matures.
- Retain capacity based assessment.
- Unlimited duration subject to capacity review.
- Upper income limit.

Other Stake holders

- Promote Back to work planning with employer groups.
- Promote back to work planning with GPs.
- Above in the context of an overall communications plan to promote the reconfigured scheme.

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Appendix 1: Terms of Reference

1. Review the policy intent and legal provisions underpinning the Partial Capacity Benefit scheme on foot of experience to date and wider policy and legislative developments at both national and international level. Consider whether it is appropriate to have the same policy for IB and INVP customers.

2. Develop a comprehensive customer profile to include occupation type, employments, family status, geographical location, age, gender. Explore customer satisfaction levels with the scheme.

3. Consider review and requalification conditions including the duration that customers remain on the scheme. Consider if DSP should have a role in advising on suitability of employment choice and examine the issues around providing targeted activation and support measures to PCB clients.

4. Review the efficiency and effectiveness of the administration of the Scheme.

5. Make recommendations on foot of the findings to include, as necessary, additional legislative and or administrative provisions to strengthen the overall policy objective.

Appendix 2: Consultation: Summary of Submissions Received

Submissions were invited from members of the Department of Social Protection Disability Consultative Forum. Written submissions were received from The Disability Federation of Ireland, Citizens Information Board and the Rehab Group. The NDA was consulted on Questionnaire Form Design. A summary of the main points made and themes emerging follows.

1. The Application Process

A consistent theme emerging is the delay in processing applications. Employers are not in a position to wait the average ten weeks for a decision. This delay serves to disadvantage PCB applicants in a competitive labour market. A system of pre-employment approval was suggested to ameliorate the position. The most receptive employers are those who have had previous experience of incapacity.

2. Knowledge of the Scheme

There is little knowledge of the existence of the scheme amongst potential candidates. This reflects the absence of scheme promotion either locally or nationally. Lack of clarity around the 13 week requalification practice on expiration of IB was highlighted.

3. The Medical Assessment

Insufficient information on how capacity is measured was raised as an issue. The view was expressed that clients find the review a very daunting process in the absence of information of how the medical condition is defined**.** Self-assessment was the preferred option suggested by one party. Concern was expressed that the medical assessment may lead to the payment being terminated if the disability is judged mild.

4. Barriers to Application

The potential loss of the Medical card, loss of the fuel allowance, reduction in Living Alone Allowance and means testing for the household benefits package and Free Travel after two years were all identified, along with non-qualification for FIS, as significant barriers to application for potential candidates.

Concern was expressed that if the employment didn't work out that it would be difficult to return to the underlying payment. Conversely concern was expressed that if the employment worked out very well that the payment may be reviewed.

Clients who work a small number of hours every week and are deemed "moderate" will be worse off on the PCB scheme than if they had remained on the underlying benefit. Clients did not fully understand the implications and potential loss before payment was awarded.

6. Other Issues

The fact that Disability Allowance, Blind Pensioner and Community Employment are not qualifying payments for PCB was also raised. In addition, the issue was raised about a person with a disability who works part-time and does not claim any social welfare payment.

The argument was advanced that the fact that employers of PCB clients cannot apply for the Wage Support Scheme disadvantages PCB clients.

Person with high risk of relapse aren't very employable. The scheme needs to be very accessible to employers.

6. Suggestions

Principal suggestions included proactive promotion of the scheme with detailed explanation of the medical assessment process in particular, with appropriate examples. The provision of a named case worker to guide the candidate through the process was proposed.

Appendix 3: Client Survey

Methodology

A listing of all Partial Capacity Benefit claims (1,462) awarded and in payment at week ending 10 April 2015 was compiled. A stratified random sample of 500 people was produced to ensure that the key population characteristics were captured in the sample. The variables controlled for were sex, age, county, payment type and scheme type (Invalidity Pension and Illness Benefit). This sample was sent to the Partial Capacity Benefit section for review and was agreed. The 500 claimants on the sample were issued with the survey. 49% returned. The survey was anonymised.

Analysis of Key Findings from Client Survey

Client Satisfaction

53% of respondents reported that things are working out quite well or very well since going back to work, 40% of respondents reported that things are going neither well nor badly, whilst 7% reported things are working out badly or very badly.

When invited to comment generally on the Scheme, 84% of those who responded were broadly positive.

The following comments by a 38 year old female PCB client with acquired brain injury is illustrative.

> *"Without PCB I would not be able to afford to return to work, the stroke I suffered in 2005 has left me incapable of working full-time – I am physically unable due to fatigue as a result of my brain injury.*
>
> *"I felt it necessary for my mental health to contribute to society at some level."*

It can be concluded that PCB clients experience of the scheme has been broadly positive.

Returning to work

56% reported returning to the same employer and 36% to a different employer, (balance unspecified/self-employed). 83% returned to work on reduced hours. Respondents reported applying for PCB because they felt well enough to return to work (35%), client's doctor agreed or client and doctor agreed that application should be made for PCB (29%) and 15% for rehabilitative purposes.

How did clients hear about PCB?

Clients heard about PCB from a wide variety of sources including doctor/health professional, Citizens Information, colleague/family/friend and disability organisation. The largest single source was the local Intreo Centre/SWO at 35%.

Whilst this report notes that the PCB scheme has not been publicised, the data suggests that the local Intreo Centre is an important source of information for potential PCB candidates.

Getting help in applying for PCB

The three most significant sources of help in applying for PCB are Doctor or Health Professional (27%), Intreo Centre/local SWO (23%) and colleague/family/friend (20%).

The data highlights the importance of the local (GP/Intreo Centre) in supporting applications for PCB.

The Application Process

60% of respondents agreed or strongly agreed that their application was dealt with quickly, 27% disagreed/strongly disagreed. 53% agreed or strongly agreed that the application process was straight forward and their application was dealt with quickly, 18% disagreed or strongly disagreed. Significant majority of respondents agreed or strongly agreed that there was enough room on the claim form and that the claim form was easy to complete.

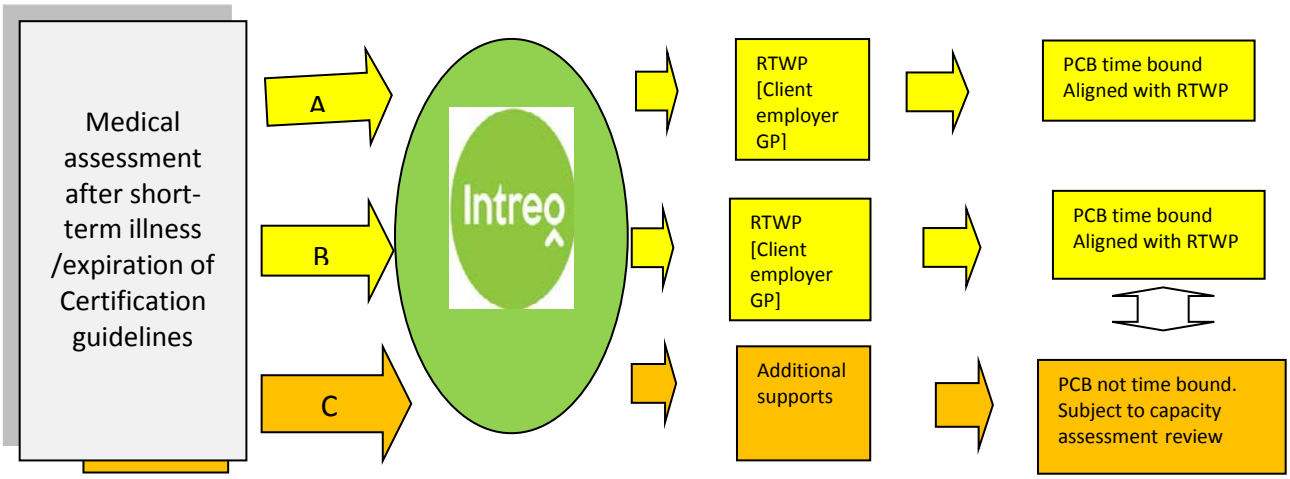
Overall it would appear that clients are largely satisfied with the application process. However, some caution should be exercised around this finding as 42% of respondents were in effect transferring from the previous exemption scheme to PCB.

Additional Supports

When asked if there are any other supports that would help you when returning to work respondents identified a wide range of supports including, supplementary benefits (Medical Card, Free Travel Pass etc.)(28%), higher rate of payment (16%). In addition counselling, employer support and personal case manager were highlighted.

The data suggests that supports in addition to financial supports are rated as important by PCB clients.

Appendix 4: Model of Reconfigured PCB



PCB	Classification	Duration	Rate	Income limit	Compulsory Consulation with case worker	Additional Suportrs Offer	Employer Subsidy Scheme
Retention Candidate	In work support	Aligned with RTWP	Graduated, Aligned with RTWP	N	Y	N	N
Reintegration Candidate	In work support	Aligned with RTWP	Graduated Aligned with RTWP	N	Y	Y	N
Pension Candidate	Income support	Indefinite	Fixed, Medical assessment Capacity based	Y	N	y	Further enq

Notes

- A: Retention Candidate: retains attachment to employer.
- B: Reintegration Candidate: lost attachment to employer
- C: Pension Candidate: Long-term illness /injury.
- RTWP: Return to Work Plan.

Appendix 5: List of Charts

Appendix 6: List of Tables

Appendix 7: List of Abbreviations

AO:	**Appeals Officer**
CD:	**Continuous Duration**
DB:	**Disability Benefits**
DNRA:	**Do Not Refer Again**
DO:	**Deciding Officer**
DSP:	**Department of Social Protection**
FIS:	**Family Income Supplement**
IB:	**Illness Benefit**
ILO:	**International Labour Organisation**
IP/INVP:	**Invalidity Pension**
NDA:	**National Disability Authority**
RTWP:	**Return to Work Plan**
SWO:	**Social Welfare Officer**
WSS:	**Wage Subsidy Scheme**