



BACK TO WORK ENTERPRISE ALLOWANCE (BTWEA), IRELAND

What?

The Back to Work Enterprise Allowance is granted to some previous welfare benefits recipients who start a business. Eligible participants receive a weekly payment for up to two years corresponding to a decreasing share of their previous benefits and are eligible to additional support.

Why?

The Department of Social Protection introduced the BTWEA in 1993 to encourage welfare recipients to enter the labour market through self-employment. Prior to the introduction of the scheme, the loss of benefits created an obstacle to business creation for the unemployed and other benefits recipients due to the risk of unstable income.

Key Activities

BTWEA recipients receive 100% of their social welfare and secondary benefits during their first year as an entrepreneur and 75% during their second year. The allowance provides a stable income for participants while they are establishing a business activity for up to 2 years, which would otherwise disqualify them from receiving benefits. It is not taxable as income and beneficiaries only pay taxes on their self-employment income.

The scheme is available for people under the age of 66 years old having received specific social welfare payments for at least 9 continuous months (e.g. different unemployment benefits, different disability and invalidity benefits, different benefits for single-parent families and caretakers and other benefits) or having received illness benefit 3 out of the last 5 years. The European Social Fund (ESF) + (2021-27) supports access to the BTWEA for youth (under 30 years old) who are beneficiaries of social payments as part of the Youth Employment initiative.

To apply for the BTWEA, applicants meet with a Case Officer (CO) to assess the suitability of the allowance for their personal situation. They are then referred to a Local Development Company (LDC) – which are not-for-profit, volunteer-led organisations that deliver community development and labour market services – to review the viability of the business idea and create a business plan. The plan is submitted to the CO who transmits it to

a Deciding Officer (DO) along with a recommendation. The DO can accept, reject or call for adaptation of the business plan. Accepted participants receive business development support from their CO and LDC during the two years of the allowance.

BTWEA recipients can also apply for the Enterprise Support Grant (ESG), a financial aid only available to BTWEA recipients to cover some expenses justified in the business plan. ESG can pay up to EUR 2 500 over 24 months with a 10% to 20% co-payment from the recipient. Businesses started under the BTWEA scheme before 31 December 2018 can also claim the Start Your Own Business Relief. The relief offers a 2-year exemption from income tax, up to EUR 40 000 per year to those who were unemployed for at least 12 months before starting a business.

How did the programme adapt to the Pandemic? Recipients of the COVID-19 Pandemic Unemployment Payment can apply for regular unemployment benefit. Once they receive it, they can immediately apply for BTWEA without the usual 9-month qualification period. In addition, some recipients of BTWEA suspended their benefits during the period because they stopped their entrepreneurial activity. Those who did so are still entitled to be supported for a full 24-month period, their remaining benefits are delayed and not foregone.

Impact

The scheme was reviewed in 2017 by the Department of Social Protection. As of December 2016, there were 11 386 beneficiaries and the total expenditure of the scheme in 2016 was EUR 126.2 million. The review included a comparison of the likelihood of participants being in employment after receiving the BTWEA against a group of non-BTWEA registered jobseekers and other welfare payments recipients. The review found that almost 75% of the participants were self-employed or employed 18 months after the end of the period on BTWEA, compared to 25% of the non-participants. The review also included a survey of 472 previous participants having benefited from BTWEA in 2014-15. The survey found that 7% of previous participants had employees but 50% anticipated hiring in the next 2 years. Satisfaction with the programme was strong.

The review also highlighted two success factors: the role of the COs and LDCs Enterprise Officers, as well as the importance of follow-ups after the first few months to help identify issues requiring further support. To improve these factors, the review recommended clarifying the respective roles of officers and further improving their relationship with the BTWEA recipients. It also recommended the introduction of mandatory follow-ups after three and nine months and learning from a similar scheme in the UK, the New Enterprise Allowance (NEA), notably by recommending trainings to beneficiaries and increasing the limit on grant aid for training under the ESG. Many of the recommendations have already been implemented in the new guidelines released later in 2017 for the Case Officers and the Enterprise Officers from the LDCs.

The number of BTWEA recipient decreased after 2016 due to a decrease in unemployment. There were 4 115 beneficiaries to the BTWEA for a budget of EUR 59.7 million in 2019. This number decreased again with the pandemic in 2020 (2 738 beneficiaries for a budget of EUR 39.27 million).

Sources

- [Citizens Information 2020, 'Back to Work Enterprise Allowance', available in English](#) [1]
- [Gov.ie 2019, 'Back to Work Enterprise Allowance', available in English](#) [2]
- [Department of Social Protection 2017, 'A Review of the Back to Work Enterprise Allowance', available in English](#) [3]
- [Central Statistics Office, 'What is the Live Register', available in English](#) [4]

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Links

[1]

https://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/social_welfare_payments_and_work/back

[2] <https://www.gov.ie/en/service/f215a4-back-to-work-enterprise-allowance/>

[3] <https://assets.gov.ie/39650/bfa48772d249476eaed2ce87c9a8a5ea.pdf>

[4] <https://www.cso.ie/en/interactivezone/statisticsexplained/labourmarket/whatistheliveregister/>