

Opening Statement

by the

Minister for Social Protection

Joan Burton, T.D

on her Department's Priority Issues

Wednesday, 20th July, 2011

Introduction

Chairperson and members, I wish to thank the Joint Committee for the invitation extended to me to appear before you to consider my Department's priority issues for 2011 and beyond. When I appeared before the Select Committee on 12th July in connection with the Department's spending estimates, the discussion inevitably touched upon issues which members felt should be priorities for my Department, such as reducing waiting times for claim decisions and appeals. This is indeed a key priority for me, along with four other key priority areas:

- My Department's role in securing economic recovery, through the stimulus effect of welfare payments, which maintain economic activity, and its contribution to the achievement of fiscal sustainability;
- Activation and maximising employment;
- Tackling fraud and abuse; and
- Implementing the other commitments in the Programme for Government.

I look forward to discussing these five priority areas and other matters with you at this meeting.

Department's overall objective

Before going into each of the five priority areas, I think it would be useful to set out some general background. My Department's overall objective is to promote active participation in society through the provision of income supports and other services. These services impact on the lives of almost every person in the State. For example:

- In 2010, the Department processed some 2 million claims and made over 84 million payment transactions. Over 6 million telephone calls were received in head quarter sections and almost 935,000 control reviews were conducted by the Department last year;
- In 2011, an average of almost 1.4 million people will receive a social welfare payment each week;
- When qualified adults and qualified children are included, a total of more than 2 million people will benefit from weekly payments;
- In addition to this, child benefit payments will reach nearly 600,000 families, with nearly 1.12 million children, every month.

Priority Area 1: Department's service levels

Given that scale of business, it is a major challenge to provide a satisfactory level of service to the public in all parts of the Department at all times. One of my priorities is to improve processing times, especially in those parts of the Department which are problematic at present. It is not acceptable that people have to wait 4.4 weeks on average to have a claim for Jobseekers Allowance decided and nor is it acceptable that people have to wait 27 weeks on average to have an appeal determined.

These problems arise from the very large increase in the numbers of claims and appeals being submitted, as a result of the economic downturn. Staff numbers have increased as a result of redeployment from other areas of the civil service such as the Department of Agriculture and the Property Registration Authority. However, while staff numbers have increased from 4,439 at the end of 2007 to 4,836 at the end of 2010, an increase of 8.9%, this has not kept pace with the increase in workloads. For example, the number of claims received in Local Offices during 2010 was 548,500, compared to 302,200 in 2007, an increase of 82%. Similarly, the number of appeals lodged with the Social Welfare Appeals Office in 2010 was 32,432, compared to 14,070 in 2007, an increase of 18,362 (130%).

A number of initiatives have been taken to improve matters, including the introduction of more streamlined business processes, new computer systems and the appointment of an additional 9 Appeals Officers, representing a 31% increase. A lot of progress has been made as a result of these initiatives and through the sheer commitment of staff to providing the best possible service in these circumstances of unprecedented increases in claim numbers. For example, the number of people awaiting a decision on a claim for Jobseeker's Benefit or Jobseeker's Allowance is currently 31,000, compared to 44,000 twelve months ago, a reduction of 30%. **I attach a high priority to making further progress on further improving claim and appeal processing times this year.**

Priority Area 2: Economic Recovery

The Department is pursuing its overall objective of promoting active participation in society in the context of the Programme for Government, which includes a number of commitments that are specifically relevant to the Department of Social Protection and which of course determine my priorities.

Getting the economy back on its feet is the overriding concern for the Government and one of the core commitments in the Programme for Government in that regard is the restoration of fiscal stability. As we all know, overall Government spending in 2011 will be roughly €18bn. more than this year's overall Government income and that level of exchequer borrowing is clearly not sustainable. In round terms, the total income that Government will get from tax and PRSI in 2011 is €42bn. My Department is expected to spend is over €20bn or nearly half of tax and PRSI income combined. For that reason, the transition to a more balanced budgetary position simply cannot be made without affecting social welfare spending.

At the same time, it must be recognised that the reason why we have such fiscal imbalance is because so many people have lost their jobs over the last four years, leading to a fall in tax revenues and an increase in social welfare spending. As the economy recovers, we will see a reversal in that trend with a positive impact on the fiscal deficit. If someone loses a job and goes on Social Welfare, the average cost is €10,000 per annum plus the loss of tax and PRSI. If we get that person back to work the gain is very significant.

In the meantime, however, as people spend the income they receive in social welfare payments, it maintains employment and sustains economic activity at higher levels than would otherwise be possible. This "*economic stabiliser*" effect is a very important and positive contribution to economic recovery, provided of course it takes place as part of a viable overall plan leading the economy back to its full growth potential within a reasonable period of time.

The funding agreement with the EU and IMF commits the Government to a further adjustment of "*at least €3.6bn*" in Budget 2012, including a reduction in expenditure of €2.1bn. The Department of Social Protection necessarily has a major contribution to make in achieving a more balanced budget, as it accounts for 39% of gross current voted expenditure, equivalent to 16% of GNP.

The exact level of contribution that spending on social welfare will make to the overall reduction in expenditure will be decided by Government later this year, informed by the outcome of the Comprehensive Review of Expenditure that is currently underway in all Departments.

Another part of the funding agreement with the EU and IMF commits the Department to developing a comprehensive programme of reforms that can better target social support to those on lower incomes while at the same time ensuring that work pays for welfare recipients.

An interim report is due by the end of 2011 and a final report by March 2012. This will build on three reports published by the Department in November 2010 which dealt with child income supports, payments to people of working age and disability allowance. It will also be informed by the outcome of the Comprehensive Review of Expenditure in relation to social welfare spending.

My priority in this area will be to ensure that the required reduction in spending on social welfare is achieved in an equitable manner this year and next.

Priority Area 3: Activation and maximising employment

The most positive way that spending on social welfare can be reduced is by facilitating the maximum number of unemployed people to take up employment or self-employment. The Government expects the Irish economy to grow by an average of 3% per annum in the period 2013 to 2015, with growth on a smaller scale next year as we emerge from the prolonged recession. It is vital that we maximise the employment content of that economic growth. **I attach a very high priority to ensuring that my Department plays its full role in maximising employment** and have already taken a number of initiatives in that regard:

1. The rate of Employers' PRSI payable in respect of employees on the National Minimum Wage has been halved;

2. The National Internship Scheme, **JobBridge**, was launched last month, giving thousands of unemployed people work experience placements for a 6 or 9 month period. JobBridge will assist in breaking the cycle where jobseekers are unable to get a job without experience, either as new entrants to the labour market after education or training or as unemployed workers wishing to learn new skills. The scheme will also give people a real opportunity to gain valuable experience to bridge the gap between study and the beginning of their working lives;
3. I have established the Advisory Group on Tax and Social Welfare. The Advisory Group will harness expert opinion and experience to
 - examine the operation and interaction of the tax and social protection systems,
 - recommend cost-effective solutions as to how employment disincentives can be improved and better poverty outcomes, particularly child poverty outcomes, achieved and
 - to identify the specific practical institutional and administrative improvements to their operation.

As Committee members will be aware, the community and employment services operated by FÁS, and the Community Welfare Service which was formerly part of the HSE, are in the course of being transferred to my Department. These transfers are a key element of the new Programme for Government and, when fully completed, will in effect create a new organisation providing efficient and complementary income maintenance and related services to families with children, people of working age and retired and older people.

Activation will be a major priority for this new organisation which will now provide not only income support but also help customers, on a case management basis, to reduce their dependence on that support. In that regard, I will introduce a new National Employment and Entitlement Service to bring about a closer integration of job search and unemployment payment services. This service will offer users more personalised employment counselling with more frequent face-to-face interviews.

Priority Area 4: Tackling fraud and abuse

Another key priority for me is to increase our efforts to tackle fraud and abuse of the social welfare system, as this is another important way of reducing spending on social welfare. I will take a zero tolerance approach to welfare fraud and my Department will undertake a major anti-fraud enforcement drive to tackle this problem. I have already introduced some initial measures in the Social Welfare and Pensions Act which was passed by the Oireachtas and signed into law by the President last month but that is only a beginning. My Department is currently preparing a new Control Plan which will be finalised in the next few weeks. The Plan will include:

- Details of the key actions to ensure that social welfare fraud is prevented, detected and deterred;
- A series of targeted national projects aimed at prevention and detection of social welfare fraud in high risk sectors, schemes and cohorts will be undertaken;
- An emphasis on increasing home visits by investigators and comprehensive face to face interviews of persons suspected of fraudulent activity;
- Actions to ensure that appropriate sanctions are applied in instances where social welfare fraud has been detected; and
- Arrangements to work closely and collaboratively with other agencies (e.g. Revenue, NERA, An Garda Síochána) to ensure that Social Welfare abuse is comprehensively deterred and detected.

As well as more regular face to face interviews with an integrated employment and entitlements service for those of working age, other antifraud measures will be undertaken using the latest available technology and better sharing of data across government departments and agencies. I expect that some of these measures will require legislation and I will forward that legislation once the details have been finalised, following consultation with all relevant parties.

Priority Area 5: Other commitments in the Programme for Government

As I said earlier, the Programme for Government sets out the policy context for my Department's priorities. It contains a wide range of commitments specifically relevant to my Department, including 20 that fall primarily to my Department to implement. Many of these 20 commitments relate to the four key priority areas I have set out above. Others relate to areas that I know are of interest to members of this committee, such as housing supports and pensions.

In relation to Rent Supplement, the Minister for the Environment, Community and Local Government and the Minister for Housing & Planning announced a new housing policy framework statement on 16th June 2011. It included an announcement in relation to the transfer of responsibility for providing for the housing needs of long term rent supplement recipients to housing authorities on a phased basis. This will help achieve a key Government commitment of removing barriers to employment and return rent supplement to its original intention of a short –term income support payment.

In line with the commitment in the Programme for Government, it is intended to examine the anti social behaviour arrangements for rent supplement tenants in the context of the discussions with the local authorities for the transfer of responsibilities for rent supplement tenants as outlined above.

With regard to Mortgage Interest Supplement, the Department's review of the administrative, policy and legal aspects of the scheme was published in July 2010, while the review of the Mortgage Arrears and Personal Debt Review Group was published in November 2010. The Department is currently examining these recommendations having regard to the Programme for Government. Some of the recommendations and commitments, particularly the change to the 30 hour rule, would require changes to both primary and secondary legislation and would have financial implications which would have to be considered in a budgetary context.

My main priority in relation to Pensions is to implement the National Pensions Framework (NPF). Provisions in relation to changes to state pension age were carried in the Social Welfare and Pensions Act, enacted last month. The National Pensions Framework Implementation Group is examining the options to bring greater simplification and transparency to the issue of pension charges. Work in relation to progressing other areas of the NPF is underway. This includes changes to defined benefit pension provision and development of proposals on auto-enrolment.

I will not go on to mention all 20 commitments individually here but I have listed them in an appendix to this Note (Appendix 1).

Conclusion

To conclude, I hope that my opening statement has given you a good overview of my priorities for 2011. As you will appreciate, the enduring importance of these matters is such that they will still be priorities in 2012 and later years. I look forward to discussing the Estimates with the Committee.

ENDS

Appendix 1 – DSP-specific commitments in the Programme for Government

1	Halve the lower 8.5% rate of PRSI up to end 2013 on jobs paying up to €356 per week – announced in the Jobs Initiative;
2	Establish a Tax and Social Welfare Commission
3	Maintain Social Welfare rates
4	Maintain the standard 10.75% rate of employers PRSI;
5	The development of a new graduate and apprentice internship scheme, work placement programmes and further education opportunities for our young unemployed providing an additional 60,000 places across a range of schemes and initiatives – announced in the Jobs Initiative.
6	Replacing FÁS with a new National Employment and Entitlements Service so that all employment and benefit support services will be integrated in a single delivery unit managed by the Department of Social Protection.
7	Introduce a range of measures to tackle the problem of welfare fraud.
8	A zero tolerance approach to welfare fraud, underpinned by a major anti-fraud enforcement drive.
9	As well as more regular face-to-face interviews with an integrated employment and entitlements service for those of working age, other anti-fraud measures will be undertaken using latest available technology and better sharing of data across government departments and agencies.
10	Convert the Money Advice and Budgeting Service into a strengthened Personal Debt Management Agency
11	Make greater use of Mortgage Interest Supplement to support families who cannot meet their mortgage payments.
12	Progressively reduce reliance on Rent Supplement, with eligible recipients moving to the Rental Accommodation Scheme.
13	Amend the 30 hour rule for Rent Supplement and Mortgage Interest Supplement for people moving from welfare to work.
14	Review the operation of the Rent Supplement Scheme and introduce a code of conduct for rent supplement eligibility similar to that which operates for local authority tenants.
15	Pay rent supplement to tax-compliant landlords registered with the PRTB and offering decent quality accommodation, to root out fraud.
16	Reform the pension system to progressively achieve universal coverage, with particular focus on lower-paid workers, to achieve better risk sharing, and to provide for greater flexibility for those who wish to retire on a phased basis.

17	Raise the issue of payment of Child Benefit in respect of non-resident children at EU level, and seek to have the entitlement modified to reflect the cost of living where a child is resident. We will examine all possible flexibility within European legislation to reduce the cost of this payment.
18	Over time, One Parent Family Payment will be replaced with a parental allowance that does not discourage marriage, cohabitation or work.
19	Divert staff from elsewhere in public service to clear the social welfare appeals backlog, and introduce a consolidated appeals process.
20	Put the household benefits packages out to tender, so that the Exchequer benefits from reduced prices.