Minister Publishes New Bill to Introduce Significant Reforms of Social Policy and Pensions

Measures Will Lift 34,000 Pensioners Onto Higher Incomes, Assist in the Activation of Jobseekers and Extend Pensions Investigation Powers

The Minister for Social Affairs, Seamus Brennan T.D., today published the Social Welfare Law Reform and Pensions Bill 2006 which gives legislative effect to a range of significant reforms, increases and improvements in welfare entitlements and social policy, and also a number of measures to reinforce protection and extend investigative powers in the pensions area.

Welfare and social policy provisions in the Bill include:

- the introduction of standard and enhanced non-contributory pension scheme that will lift some 34,000 pensioners onto higher or full pensions;
- increased supports and entitlements for Lone Parents, Carers and Widows;
- changes to scheme names as part of a modernisation programme so that they more accurately reflect modern society and the underlying purpose of the entitlements
- increased emphasis on employment activation measures so as to ensure that no individuals potential is overlooked
- establishment of the legal structure for the payment of the Early Childcare Supplement - beginning later this year - to some 260,000 families in respect of 350,000 children under the age of six, and
- implementation of a range of Budget 2006 increases and improvements.

On pensions, new measures to strengthen protection for members' pension schemes include:

- Provision for the Pensions Board to impose a fine as an alternative to the prosecution of an offence.
- Allowing the Pensions Ombudsman to bypass the Internal Dispute Resolution procedure in such cases where there is clearly nothing to be gained from this process.

- Powers to make regulations requiring a scheme actuary to have his or her work reviewed to ensure that it complies with the provisions of the Pensions Act.

Minister Brennan said: "The improvements, increases and reforms in this Bill represent a further step in a wide-ranging programme of reforms of social policy. Ireland is now making steady progress in tackling the core issues that lead to poverty and leave people vulnerable and marginalised. Investment in welfare supports and entitlements now accounts for €1 in every €3 the State will spend this year. But payments alone will not solve our social problems. That is why we must go behind the payments and tackle the causes.

State Pension (Non-Contributory)

Minister Brennan said that ensuring that all older people, and particularly those most vulnerable, have decent pensions must be a priority of this Government and future administrations. It was also important that those reaching pension age who wished to continue work should be encouraged to do so. While pensions to older people have increased by over 80% in less than a decade, significantly ahead of increases in the Consumer Price Index and gross earnings over the same period, further improvements were now to be introduced.

This Bill makes provision for a number of important new measures which are designed to target resources - in addition to significant weekly increases announced in Budget 2006 - at particular groups of older people who are aged 66 or over. These measures include combining all non-contributory payments for people over 66 years of age into one standard and enhanced non-contributory pension scheme with a greatly improved means test that will lift some 34,000 pensions onto higher or full pensions. The means disregard for this standard pension is being increased from €7.60 to €20 per week. In order to allow pensioners earn more income without having the value of their pension eroded, a special earnings disregard of €100 per week will be introduced.

The weekly disregard of €20 ensures that a single person with no other means will be able to have up to €35,000 in capital and still qualify for a pension at the maximum rate. This rises to €70,000 in the case of a pensioner couple.

Widows/Widowers

The Bill also makes provision for the extension of the enhanced earnings arrangement in the new State Pension (Non-Contributory) to particular persons aged under 66 years who are in receipt of Widow/er's Pension, Deserted Wife's Allowance, and Prisoner's Wife's Allowance. This will introduce a special earnings disregard of €100 per week. It is estimated that this improvement will benefit over 3,000 recipients of these payments.

Modernising Scheme Names

The Minister announced that, from September, as part of the ongoing modernisation of the welfare system, the titles of some schemes will be changed to more accurately reflect modern Irish society and changed attitudes and expectations in relation to welfare schemes and entitlements. An example was the Old Age Contributory and Non-Contributory pensions, first introduced in 1908 by Lloyd George, which were being changed to the State Pension.

"The Old Age pension reflected a time in history when life expectancy was in the early 70's. Today, the vast majority of people reaching pension age at 66 do not consider themselves old and regard the term 'old age' to be outdated and demeaning for people in their later years."

There has been widespread consultation with the relevant organisations and representative bodies in advance of decisions being made on the changes.

The scheme name changes provided for in the Bill are:

Current Name	**New Name**
Old Age (Contributory) Pension	State Pension (Contributory)
Old Age (Non-Contributory) Pension	State Pension (Non-Contributory)
Retirement Pension	State Pension (Transition)

Unemployment Benefit	Jobseeker's Benefit
Unemployment Assistance	Jobseeker's Allowance
Unemployability Supplement	Incapacity Supplement
Disability Benefit	Illness Benefit
Orphan's (Contributory) Allowance	Guardian's Payment (Contributory)
Orphan's (Non-Contributory) Pension	Guardian's Payment (Non-Contributory)

Early Childcare Supplement

This Bill provides the necessary legislative provisions for the payment of the Early Childcare Supplement which is being administered by the Department of Social and Family Affairs. It also contains the necessary amendments to the Taxes Consolidation Act to exempt the payment from assessment as taxable income.

Some 260,000 families receiving Child Benefit will be paid the Early Childcare Supplement in respect of approximately 350,000 children under the age of six. This is equal to about 50% of all families on Child Benefit and of some 33% of all children for whom payment of Child Benefit is made.

The rate of payment is €1000 per annum paid over four quarters, with 3 payments being made in 2006. In general, payments will issue early in the month following the end of each quarter. It is the intention to issue the first payment in August 2006 (for quarter April - June), with further payments in October (for July -September) and December (for October - December). Payments will issue for full quarters only which means that a full payment will be made in respect of an eligible child born during a quarter or a child reaching six years of age during the quarter. The estimated expenditure on the Supplement in 2006 is €265 million and the estimated full-year expenditure in 2007 is €357 million.

Childminding Income and PRSI

The scheme for childminding relief was announced by the Minister for Finance in Budget 2006 and the legislative approach will be underwritten as part of the Finance Bill. The scheme will exempt from taxation the childminding income of an individual who, subject to certain conditions, minds up to three children in his or her home, subject to a maximum income from childminding of €10,000 per annum. This Bill deals with the social insurance aspects of this measure.

To ensure that all of those who participate in this scheme are afforded the opportunity to build up a social insurance record which can, in turn and in time, have important advantages for benefits such as pensions and Maternity Benefit, this Bill will require that PRSI contributions at a rate of €253 are made in respect of this childminding income. This is in keeping with the Government's recognised policies of making every effort to encourage the extension of pension coverage, particularly to women who have emerged as especially vulnerable because of their lack of any, or adequate, pensions.

One Parent Family Payment

Minister Brennan said he was committed to significant reforms in this area and of the need to deliver a better standard of living and fresh opportunities for Lone Parents and their children with policies that are directed at the breaking down of existing obstacles to employment, increasing access to career enhancing education and training opportunities through targeted supports and enlightened social policies.

In this regard, reports and recommendations would be published within weeks for general debate before specific proposals were brought to Government. At present, income support is provided through the One-Parent Family Payment to over 80,000 lone parents at an estimated cost this year of over €847 million. There has been no change to the income limits applying to the payment since it was introduced in 1997. Now this Bill includes changes that will give lone parents an opportunity to continue to increase their earnings without raising fears about entitlement to the payment.

A provision in the Bill substantially increases the upper income limit for the One-Parent Family Payment from €293 to €375 per week. This should allow many lone parents to access employment and would also allow increased access to the Family Income Supplement support payment which was substantially increased in Budget 2006.

Employment & Opportunities Activation

Minister Brennan said that a wide range of reforms and initiatives are required as part of an overall activation strategy to ensure that Ireland can address the major challenge of meeting the projected employment demands of a surging economy over the next decade and further into the future. He said that Ireland was now close to full employment and, yet, at a time when the Central Statistics Office forecast that this country will require up to 50,000 immigrant workers per year for the next decade, in addition to home produced workers, to keep the economy going, there remains Irish people on the Live Register or elsewhere who may not have had their talent and full employment potential properly assessed.

The Bill includes provision for the phasing out over the coming decade of the Pre-Retirement Allowance (PRETA) scheme in view of the changed labour market condition since the introduction of the scheme in 1990 at a time of extremely high unemployment. It was introduced originally for long-term recipients of Unemployment Assistance who were aged 55 years and over and who had effectively retired from actively seeking employment. PRETA numbers have decreased from a high of almost 15,300 in 1994 to 11,000 at the end of 2005.

The Bill proposes that no new person will join the scheme, from a specified date, and that as a result the scheme will be phased out without impacting on any of the existing recipients. This would mean that those currently on the Live Register aged 55 to 66 who might have transferred to PRETA will no longer be able to do so and as a result this will lead in the short term to an increase of about 2,000 on the Live Register. However, this increase should, in time, be offset by the inclusion of the over 55’s for intervention and support in the Government's Employment Action Plan.

The Minister said his Department and other agencies have developed a wide range of employment support payments, services and initiatives to assist jobseekers, and others who may feel vulnerable, to return to employment, education and training.

Recognising Carers

Minister Brennan said that recognition of, and support for, carers was at the very core of a welfare society. In recognition of the valued and valuable work of carers this Bill makes provision for increasing the rate of the annual Respite Care Grant by €200 to €1,200 from June. In 2005, more than 36,000 grants were awarded and it is expected that the number of beneficiaries in 2006 will further increase.

The duration of the Carers Benefit scheme has been extended from 15 months to 2 years for each care recipient. In addition, regulations will provide for increasing the number of hours which a person can work and still receive a Carers Allowance, Carers Benefit or Respite Care Grant from 10 to 15 hours per week.

The Bill also contains the necessary amendments to the Carers Leave Act 2001 to provide for the extension of the duration of carer's leave from 15 months to 2 years.

Child Benefit

The Minister said that ending the unacceptable blemish of child poverty in an Ireland of considerable affluence in the 21st century was a target that must be achieved by the Government and society in general. A number of measures, in addition to substantially increasing in Budget 2006 the lower social welfare weekly rates by €17 per week, have been taken to confront head on child poverty. The investment of over €100 million in additional increases in Child Benefit will lift payment rates to €150 for the first two children and €185 for the third and each subsequent child.

The Bill gives legal effect to the increases in Child Benefit announced in Budget 2006. These increases, which come into effect from April, will benefit over 540,000 families in respect of over 1 million children and will also fully honour the Government's commitment on Child Benefit payments.

Occupational Pension Scheme Measures

Minister Brennan said that he has repeatedly brought attention to the pensions challenge facing Ireland with almost half of our existing workforce of 2 million being without a personal pension. So stark are the future options that he had asked the Pensions Board to bring forward its statutory review of progress by more than a year. That report was published recently and was now out for national debate and a number of proposals are the subject of full social and economic assessment.

While this report is considered and debated, the measures introduced by the Minister for Finance recently, which are designed to incentivise the transfer of SSIAs funds into pensions, will hopefully successfully tap into the savings habit fostered under the SSIA scheme. In this Bill, a number of measures are being introduced by way of amendment to the Pensions Act to reinforce protection for members of pension schemes by strengthening the regulatory regime. These include:

- Introducing an alternative to summary prosecution by the Pensions Board where the default is remedied and a fine is paid.
- Also, taking power requiring an actuary to a pension scheme to have his or her work reviewed regularly to ensure that it complies with the provisions of the Pensions Act and any professional guidance issued by the Society of Actuaries of Ireland.
- The Bill also makes provision allowing the Pensions Ombudsman to bypass the Internal Dispute Resolution (IDR) procedure and investigate complaints in such cases where there is clearly nothing to be gained from the IDR process.

Ends