



**An Roinn Coimirce Sóisialaí
Department of Social Protection**

www.welfare.ie

Statement by Minister for Social Protection, Joan Burton T.D.

**Social Protection Budget 2012
5th December 2011**

(Check against delivery)

Introduction

This Government has faced very tough decisions in agreeing the measures contained in this Budget.

At the moment, there is a shortfall of €16 billion in the government's finances. The Department of Social Protection will spend €21 billion, or almost 40 per cent of all current government expenditure, this year.

To be precise: four in every ten euros that the government spends are spent on social protection.

It is vital that this Government secures economic recovery. To do this we must put the public finances back on a sustainable footing.

We have decided to make an adjustment of €3.8 billion between tax and spending in 2012.

Of this, €1.45 billion is to come from day to day spending including health, welfare and education.

As the biggest spending Department, the Department of Social Protection must play its part in that adjustment.

Expenditure adjustment in 2012

Previously, it was proposed to reduce the Department of Social Protection's spending by €665 million in 2012.

However, this government was unwilling to impose such a devastating level of cutbacks at a time of such severe economic difficulty.



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We have decided to limit the adjustment in Social Protection spending to **€475 million or just over two per cent of the Department's spend.**

Our decision to limit the spending reduction in Social Protection also recognises the stimulus effect that welfare spending has on the economy.

Delivering on our commitments

I recognise the severe impact on families, individuals and communities as a result of the economic collapse. I want to protect them from the worst consequences of this very deep recession by delivering on the promise not to cut primary social welfare payments.

To be clear: the personal rates of all weekly payments such as Jobseeker's Benefit and Allowance, Illness Benefit, Invalidity Pension, Disability Allowance, Blind Pension, Carer's Benefit, Carer's Allowance, State Pensions, Widow(er)'s Pensions and One Parent Family Payment will **not** be reduced next year.

In addition, increases which are paid for spouses and partners as well as child dependants are fully protected. The Living Alone and Over 80 allowances are also unchanged.

Children and Families

I turn now to the question of supports for families.

Supporting families and children represents a statement about our values – that this country is a good place to raise children. Even to take a hard-nosed economist's look at it, it represents the means through which we guarantee our future prosperity and well-being.

What I and my colleagues have been wrestling with is not the principle of such supports, but with how we might put this principle into practice given the economic and fiscal realities that we face.

The Budgetary measures that directly affect child related payments are measured. They continue to ensure that payments genuinely address the needs of families.

The standard rate of child benefit will remain unchanged at €140. There will be **no** reduction in Child Benefit for the first and second child.



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Even after the loss of our economic sovereignty, our core welfare rates remain generous by comparison with our nearest neighbours.

For example, rates of Child Benefit in Northern Ireland are €102.50 per month for the first child and then €67.70 per month for each additional child.

The adult rate of Jobseekers Allowance and Benefit in Northern Ireland is €78.33 for an individual and €122.95 for a couple. The rate here will continue to be €188 for an individual and €312.80 for a couple.

Reform

Since being appointed as Minister for Social Protection in March this year, I have looked with fresh eyes at the existing social protection system. One of my key priorities has been to balance the books, in particular by starting to put the Social Insurance Fund on a sustainable footing. The fund is expected to have a deficit of €1.9 billion this year.

A core principle of sustainable social protection systems in advanced economies is that citizens receive benefits in proportion to their contributions.

Some of the changes that I am announcing today in the area of pensions put this principle in to practice. For example, recipients of the State Pension who have contributed more will receive a more generous pension.

I expect my colleague Michael Noonan, Minister for Finance, will have something to say tomorrow about widening the PRSI base in order to help plug the hole in the Social Insurance Fund.

One Person One Payment

Another principle is that we should gradually move towards a system where everyone should have an entitlement to one weekly income support payment only -- with no special arrangements or top-ups for particular groups.

It is no longer possible to have a social welfare system where some people get more than one primary weekly payment, if we want to avoid reducing the level of weekly payments generally.

We have delivered on our promise to retain core rates, but we are discontinuing entitlements to certain concurrent payments.



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Just over half the savings I am announcing today come from **five main measures**. First, I am reducing the rebate for companies who make staff redundant from 60 per cent to 15 per cent of the statutory redundancy payment.

Given the low level of employer PRSI payable in Ireland, I do not see why we should dip in to a fund that is already in deficit to compensate often profitable companies for the cost of making their employees redundant in Ireland and, in some cases, transferring their employment abroad.

Second, the winter fuel allowance will in future be payable for 26 weeks, a reduction of six weeks. The size of the allowance and the duration of the allowance have greatly increased during the last ten years. The scheme is unsustainable, given the increase in numbers and costs and the fiscal position of the State.

Of course, we are still paying the fuel allowance for the coldest six months of the year (mid-October to mid-April). It has always been the case and will continue to be the case that a person in difficulty with fuel or energy costs can go their Community Welfare Service. They are now in my Department and they are ready to assist people in difficulty.

Third, I am reducing Child Benefit to €148 for the third child, while the rate for the fourth child is reduced to €160.

Fourth, I am increasing the minimum contribution to rent or mortgage interest supplement by €6 a week for a single person and €12 a week for a couple.

Curtailing access to the Mortgage Interest Supplement scheme is consistent with the Keane Report on Mortgage Arrears. I also intend to reduce rent limits to ensure that state support for rent supplement tenants does not give rise to inflated rental prices.

Fifth, the amount of earnings disregarded for the purposes of the One Parent Family Payment means test will be reduced from €146.50 per week to €130 per week next year. There is a view that the disregard may have had the effect of trapping lone parents in low paid part-time employment in order to keep their earnings below the disregard.

I am announcing a number of other changes to the One Parent Family Payment scheme. The scheme cost €1.1 billion in 2010, up from €751 million in 2005. Despite



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these significant levels of spending on one parent families, the results have been poor in terms of tackling poverty and social inclusion.

Conclusion

The transition to a more balanced budget simply cannot be made without reductions in social welfare spending. However, we have endeavoured to protect the most vulnerable by maintaining the primary weekly social welfare rates and the main child benefit rates.

The details of the other savings I am announcing today are contained in your factsheet. Even after these savings, this government will spend €20.5 billion on Social Protection in 2012 sending a very strong signal that we place a very great value on the role of welfare in protecting our citizens at this extraordinarily difficult time. Now, I will take questions.

ENDS