



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

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

- Social Protection Budget 2013

5th December 2012

Introduction

As Minister for Social Protection I believe that the burden of resolving the financial crisis should not fall disproportionately on the shoulders of people who are dependent on social welfare for their income.

These people rely on Social Welfare as a cushion to fall back on when they become parents, when they retire or when they become ill or unemployed.

I also believe that Social Protection spending acts as a very important stimulus as the money we pay out to the people who turn to us for help is quickly recycled back in to the economy. That is because social welfare recipients generally spend their entire social welfare payments supporting themselves and their families. Their spending in turn supports shops and businesses in their local communities.

There is a shortfall of €13.5 billion in the Government's finances. The Department of Social Protection will spend €20.8 billion this year, or almost 40 per cent of all current government expenditure.



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It is vital that this Government secures economic recovery. To do this we must put the public finances back on a sound footing to help ensure the future of our country and its social protection system.

The Government has decided to make an adjustment of €3.5 billion between tax and spending in 2013.

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

Expenditure adjustment in 2013

As you will be well aware, the Comprehensive Expenditure Review for the period 2012 to 2014 - published exactly one year ago to the day - provided for a reduction of a further €540 million in expenditure by my Department in 2013.

Too much austerity may be counter-productive, particularly when it comes to Social Welfare. I am grateful that my cabinet colleagues collectively agreed that the people who rely on my department for help in this extraordinarily deep recession could not be expected to shoulder an additional burden of the size originally envisaged.



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I hope it will come as a small relief to our citizens that the adjustment I am announcing today is €150 million less than previously expected. This means that I am introducing savings measures of €390 million next year compared with the original figure of €540 million announced this time last year.

Accordingly, we are, once again, not reducing any primary weekly rate of social welfare payment. This means that all pensioners and all those under 66 such as people with disabilities and jobseekers will have their weekly payments fully maintained.

In addition, there will also be no change to:

- Weekly increases which are paid for spouses, partners and children
- Entitlements under the Family Income Supplement scheme;
- either the rate or duration of weekly fuel allowances where payable;
- Half-Rate additional payments to Carers;
- the Free Travel and TV Licence schemes
- the Living Alone and Over 80 Allowances, and
- The Bereavement Grant.



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I am also pleased to have secured almost €30 million in spending on employment programmes and childcare places.

This investment is consistent with this government's priority of getting people back to work, education or training.

However I am announcing spending reductions in nine main areas.

Children and Families

I turn now to the question of supports for families. In line with commitments contained within the Programme for Government, I established the Advisory Group on Tax and Social Welfare last year. The Group has presented its report to me. The issues involved are complex and require further consideration after the Budget. In the meantime, however, given the level of expenditure on Child Benefit – over €2 billion or 10% of all expenditure, it has not been possible to avoid some reductions in Child Benefit in this Budget.

The rate of **Child Benefit** will be reduced to €130 per month for each of the first, second and third child with effect from January 2013. The rate for the fourth and each subsequent child will be €140 per month for the entire of next year.

This was the rate set in Budget 2012 for next year and I am not imposing the additional €10 per week reduction for these children this year.



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However, the rate will reduce to €130 per month with effect from January 2014.

The **Back to School Clothing and Footwear Allowance** will be reduced by €50 from €150 to €100 for children aged between 4 years and 11 years. It will be reduced by €50 from €250 to €200 for children aged 12 years to 17 years or aged 18 years to 22 years if in full-time education.

Childcare Plus Initiatives

I have made specific provisions to re-use some of the savings from these measures on three targeted initiatives for families with children.

Firstly, I am announcing with Minister Frances Fitzgerald T.D., today an additional €14 million for afterschool childcare. This is funded directly from the savings on Child Benefit and Back to School Clothing and Footwear Allowance.

The joint initiative will provide over 6,000 afterschool childcare places targeted at children in primary school. This will begin with a pilot scheme in early 2013.

The places are aimed at low-income families where the parents are availing of an employment opportunity. This initiative is part of the



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Government's overall strategy to support parents in low income families to take up employment.

The additional funding of €14 million will build on existing supports including the Community Childcare Subvention (CCS) Programme where afterschool places are provided at a subsidised rate.

I am delighted we have been able to find €14 million to help kick-start this important initiative, which is a small step on the road to improving childcare services for people wishing to take up employment.

Secondly, I am providing for an additional two million to expand the School Meals scheme operated by my Department. The School Meals Programme aims to provide regular, nutritious food to children who are unable, by reason of lack of good quality food, to take full advantage of the education provided for them.

Finally, €2.5 million will be allocated to a new Area Based Approach to Child Poverty Initiative. This Initiative will be co-funded by the Department of Children and Youth Affairs with philanthropic partners and will work on a number of key areas including child development, educational disadvantage, health, well-being and parenting.



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Changes to Jobseeker's Benefit

I am introducing some changes to the Jobseeker's Benefit scheme. From April 3 next, the length of time during which people can avail of this scheme is being reduced. This involves a reduction in the duration of entitlement from 12 months to 9 months.

This will apply to:

- New claimants from 3 April, 2013;
- Existing recipients at 3 April, 2013 who have been getting Jobseeker's Benefit for less than 6 months. These existing recipients will receive a minimum of a further 3 months JB if they continue to be unemployed.
- Claimants at 3 April, 2013 in excess of 6 months duration will be unaffected – their benefit will run to 12 months (312 days).

Similar changes are being introduced for people who currently have duration of 9 months only (those who have less than 260 contributions). This will now go down to 6 months.



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These changes reflect the increasing pressures on the financial position of the Social Insurance Fund which will have a deficit of €1.5 billion in 2013. It is important to state that the people affected by these changes can continue to access Jobseeker's Allowance which is a means tested payment for jobseekers (and their families) with an income need.

Major Expansion of Employment Programmes

I am using some €11 million of the savings from the Jobseekers measure to expand our employment and internship programmes, as follows:

- An additional 2,500 places for JobBridge internships are being provided in 2013
- An additional 2,500 places are being made available for Tús in 2013
- The Community Employment Scheme is to benefit from an additional 2,000 places in 2013
- A new Local Authority Social Employment Scheme offering an initial 3,000 places will be introduced in 2013

These additional places on employment and internship schemes complement the childcare measures I have referred to earlier. Overall,



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expenditure on working age employment supports has been increased by €95 million to **€1.05 billion in 2013**.

Carers

The Department will spend **€775 million** on carers in 2013. There are no changes to the Half-Rate Carer's Allowance scheme which is highly valued by over 20,000 carers. However, the Respite Care Grant will reduce from €1,700 per annum to €1,375 per annum. This will mean that the rate will still be ahead of the €1,200 which applied in 2006, when the economy was at its peak.

Household Benefits Package, Fuel Allowance and Free Travel

- There are no changes to the Fuel Allowance, Free Travel, Free TV Licence schemes and Living Alone Allowance. Their values are being maintained.
- The Electricity/Gas Allowance will be set at a single rate based on the average market rate across all suppliers currently available (for an unchanged 150 units per month). The new rate of €35 per month will show as a cash credit for those who receive a bill or be paid as a cash



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allowance. Expenditure on the Electricity and Gas Allowances in 2013 will be over **€176 million**.

- The value of the Telephone Allowance will be reduced. The new monthly rate of €9.50 will show as a credit on the customer's bill or be paid as a cash allowance. Expenditure on the Telephone Allowance in 2013 will be just over **€48 million**.

Other Changes

I am also introducing a number of other changes, as follows:

- The employer rebate element of the statutory redundancy scheme will be discontinued with effect from January 2013.
Currently, an employer who pays statutory redundancy payments to its employees is then entitled to a rebate of 15% of that payment from the State.
- The means test for Farm Assist will be brought into line with that which applies to the Jobseeker's Allowance scheme.
- The €300 Cost of Education Allowance will be discontinued for new and existing participants and there will be some other technical adjustments to the rates payable for certain participants.



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- My Department has recently completed a review of activation schemes, including the Back to Education Allowance, which I will publish in the New Year.
- Measures to tackle fraud and control are to be intensified with effect from January 2013. In addition, I will be introducing measures in the imminent Social Welfare Bill to enable the Department to recover overpayments quicker from those who have incurred them. These measures will yield savings of €60 million in 2013.

PRSI

- From January 2013, the Employee's PRSI-Free Allowance of €127 per week (for those paying PRSI Class A, E and H) and €26 per week (for those paying PRSI Class B, C and D) will be abolished. Employees who earn €352 or less per week continue to have no liability to make a PRSI contribution and are **not** affected by the abolition of the weekly PRSI-Free Allowance.

It is also important to note that for families in receipt of Family Income Supplement (FIS), their reduction will be mitigated so that they will experience a loss of €2.04 per week rather than €5.08.



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- Currently, employees who pay PRSI at Classes B, C and D (a minority of the civil and public sector) are exempt from PRSI in respect of self-employed earned income (from a profession or trade) and any other unearned income e.g. rental income. This exemption will be abolished from next year and all such income will become liable to PRSI at the rate of 4%. In the following year (2014), the exemption from PRSI applying to all employees with unearned income only, will be abolished. Also, from next year, the minimum annual PRSI contribution for people with annual self-employed income over €5,000 will increase from €253 per annum to €500 per annum.

Conclusion

The transition to a more balanced budget simply cannot be made without reductions in social welfare spending. However, we have tried to protect the most vulnerable by maintaining the primary weekly social welfare rates and the main child benefit rates. I would also like to point out that even after these changes our key social welfare rates compare favourably with rates in Northern Ireland. If you are unemployed in Northern Ireland, you get €87.37 a week compared with €188 in the Republic.

The Child Benefit rates also compare very favourably with the rates payable in Northern Ireland. The woman in Blanchardstown is still getting



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€130 in Child Benefit compared with the woman in Belfast who gets just €108.24.

The details of the other savings I am announcing today are contained in your factsheet. Even after these savings, this Government will spend €20.25 billion on Social Protection in 2013 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.

SPEECH ENDS