SOCIAL WELFARE AND PENSIONS BILL 2011

SECOND STAGE SPEECH

DAIL ÉIREANN

BY THE

MINISTER FOR SOCIAL PROTECTION

JOAN BURTON T.D.

7th June 2011

Check against delivery

Tairgim go leifear an Bille Leasa Shoisialaigh agus Pinsean,2011 an dara huair
I move that the Social Welfare and Pensions Bill 2011 be read a second time.

Reforming the Social Welfare System so that expenditure in Social Welfare is targeted to those who are most in need and to those who have contributed to the system is one of the key challenges facing this country.

Maintaining citizens and taxpayers confidence in the fairness and effectiveness of the system is vital. Social Welfare is a social contract between the citizen and the State.

People contribute to the Social Welfare system during their working lives. They are supported by the State when younger and in school and education. They are supported again when older and retired or throughout their working life if they have a specific disability or need.

For those who are unemployed, Social Welfare should be in the popular phrase "a hand up, not simply a hand out". It is important that as a society, we do not accept a situation where a young person in their teens or twenties drifts on to Social Welfare and a year becomes two years, becomes a decade or more. As Minister I want to emphasise the value of work and the value of opportunity. In every society, being financially independent through employment is critically important for adults, particularly for young adults.

That is why as Minister, I am today introducing a National Internship Scheme which offers qualifying people the opportunity to get valuable work experience for six to nine months and break the catch twenty two, where people who have found themselves surprisingly unemployed as a result of the financial crash and the collapse of the construction sector cannot get a job because they have no experience and cannot get experience because they cannot get a job.

We have to reform the system so that work does indeed pay and that is why today's Bill provides for the restoration of the minimum wage by €1 per hour from the first of July.

Introduction

The purpose of the Social Welfare and Pensions Bill 2011 is to provide for changes to the social welfare code, to the Pensions Act and to a number of other enactments. The measures contained in this Bill can be grouped into 4 broad categories –

- Changes to give effect to 3 of the measures announced in the Jobs Initiative,
- A phased increase in the State Pension age to 68 years by 2028, in line with the National Pensions Framework,
- Implementation of Article 17 of Directive 2003/41/EC on the Activities and Supervision of Institutions for Occupational Retirement Provision, and

- A number of other changes to the social welfare code and to the Comhairle Act 2000.

Jobs Initiative

The Government places significant importance on building an environment for the creation and retention of sustainable jobs. Keeping people in work as well getting people into work through positive activation measures is essential. In last month's Jobs Initiative we took the first steps towards enhancing the functioning of the labour market to better facilitate the return to work of those who are currently unemployed. This Bill gives effect to 3 of these measures -

- Firstly, we are restoring the national minimum wage to its previous level of €8.65 an hour from the 1st of July.

- Secondly, we are halving the lower rate of employer's PRSI contribution from 8.5% to 4.25% from the 2nd of July this year until the end of 2013, and

- Thirdly, we are introducing a range of additional activation initiatives, including the introduction of a new National Internship Scheme from the beginning of July which will provide 5,000 work experience opportunities for jobseekers.

Restoration of National Minimum Wage

For people to stay in work there must be an incentive to do so in the form of adequate pay. Low paid workers are most at risk of becoming unemployed and falling into poverty. The restoration of the national minimum wage is a pledge made by Labour during our election campaign and it is a pledge that I am now happy to be able to honour. The Social Welfare and Pensions Bill provides for the necessary legislative changes to the National Minimum Wage Act so as to increase the minimum hourly rate by one euro. This will bring the minimum wage up from €7.65 to €8.65 an hour and represents a full reversal of the 2010 cut to the national minimum wage by the previous Government.

Reducing the rate of the minimum wage was a cut that had the most impact on the lowest paid workers. It imposed hardship on households at greatest risk of poverty, who could least afford it. By reversing the €1 cut, workers on the minimum wage stand to gain over €40 a week. This makes employment more attractive to people claiming jobseeker's allowance and provides a greater incentive to find work. Section 22 of the Bill provides for this change, which will come into effect from the 1st of July 2011.

PRSI Incentives for Employers

The Government is very conscious of the need to regain and enhance competitiveness within the economy if we are to be able to begin to create the levels of employment required to meet the challenges posed by our very high level of unemployment. With this aim in mind, we have indicated that any adverse effects on employment that may arise through the restoration of the national minimum wage to its previous level will be mitigated through targeted reductions in the level of PRSI contributions.

As a consequence, the Jobs Initiative announced the halving of the lower 8.5% rate of employer's PRSI contribution until the end of 2013 on jobs that pay up to €356 a week. This measure, which is in line with the commitment given in the Programme for Government, is being provided for in section 3 of the Bill, with effect from the start of July. Section 23 also provides for a related halving of the National Training Fund Levy, to give a new lower employer PRSI contribution rate of 4.25%.

It should also be noted that the Employer's PRSI Exemption Scheme will remain in place until the end of this year for businesses that take on workers under this scheme.

<u>Activation Initiatives</u>

The Programme for Government provides for the establishment of a new National Employment and Entitlements Service under the management of my Department, with the objective of integrating the employment support services currently being provided by my Department and FÁS into a single service. The integration of employment services and related benefit payment services within the Department of Social Protection will provide a 'one stop shop' for people wishing to establish their benefit entitlements, seek employment and seek advice about their training options.

A key objective of the new service is to offer users a high level of personalised employment support and to prioritise the provision of more intensive support for those most at risk of long-term unemployment. A number of pilot projects have already begun to develop a case management approach, to identify those most at risk of falling into long-term unemployment and to provide appropriately tailored responses to their needs. These pilot projects will be completed and evaluated in the coming months, after which approaches will be developed for their rollout nationwide as part of the National Employment and Entitlements Service.

<u>National Internship Scheme</u>

In order to help break the cycle where jobseekers are unable to get a job without suitable experience or gain the necessary experience to get a job, the Government is introducing a new National Internship Scheme. This new scheme, which will start in July, will provide up to 5,000 work experience places for jobseekers in the private, public, community and voluntary sectors. Internships will range from six to nine months and during this time participants will receive a top-up allowance of €50 a week, in addition to their existing social welfare entitlement.

The National Internship Scheme will apply to people entering the labour market after education or training. It will also apply to unemployed workers whose existing skills are no longer in demand. Providing pathways to employment or re-employment is vital. This scheme will help young people to get that essential first step on the employment ladder and allow them to build a relationship with prospective employers. From the employers perspective it allows them an opportunity to train and develop potential employees at low cost and bring in new skills to enhance their workforces. In order to facilitate the introduction of the National Internship Scheme, the Social Welfare and Pensions Bill provides for a number of amendments to social welfare and employment legislation.

The Bill also extends to the existing stock of social welfare recipients the current requirements for new claimants to provide additional information that would be useful for profiling purposes. It is planned to implement enhanced activation arrangements based on a profiling system developed in conjunction with the ESRI, which will facilitate early targeted interventions for those who need them most, resulting in better outcomes and potential programme savings.

Pensions Developments

I am introducing a number of amendments to both the State and occupational pension provisions in this Bill. The most significant of these changes is the phased increase in State pension age to 68 years.

Increase in State Pension Age

The challenges facing the Irish pension system are significant.

The population share of those aged 65 and over is expected to more than double between now and 2050, from 11% to 26%. People are living longer and healthier lives with average life expectancy set to rise even further in the future, up to 88 years for women and 83 for men. In contrast, the share of the working age population is projected to decline gradually from 68% to 58%. There are currently six workers for every pensioner and this ratio is expected to decrease to less than two to one by mid-century. Therefore, the task of financing increasing pension spending will fall to a diminishing share of the population.

Spending on public pensions, that is social welfare pensions and public service occupational pensions, is projected to increase from approximately 5½ % of GDP in 2008, to almost 15% by 2050.

Growing numbers of people want to work, or may need to work beyond State pension age. Increasing the State pension age is one of the ways in which we can sustain the pensions system, maintain the value of the State pension and support people to remain in the workforce.

The approach I am legislating for today is for the gradual increase of State pension age to 68 years. This will begin in 2014 with the standardisation of State pension age at 66. State pension age will be increased to 67 years in 2021 and to 68 in 2028.

It is worth noting that, until the early 1970s, the qualifying age for SPC was 70 years of age.

The standardisation of State pension age at 66 in 2014 and the abolition of State pension (transition) also removes the retirement condition associated with State pension (transition) which acts as an incentive to leave the workforce and has been widely criticised as a barrier to older people remaining in employment. There is no retirement condition attached to the State pension (contributory) which is currently payable from age 66.

By gradually increasing the qualifying age for State pension people will be further encouraged to remain in employment beyond 65 years of age. The numbers currently at work drop dramatically at 65 years of age. The Quarterly National Household Survey showed that 77.2% % of people aged 45-54 years were at work. This drops to 64.3% for 55-64 year-olds and to just 8.7% % for people aged 65 years or older.

For the future, arrangements are being examined which would enable people to postpone receipt of State pension and receive an actuarially increased pension at a later date. In addition, changes are also being considered which would allow people with a shortfall in their PRSI contribution record at pension age to continue to make contributions beyond State pension age, if they continue in employment or self-employment.

The continued participation of older people in the labour market must be encouraged and facilitated to meet the challenge of an ageing society. Employees and employers need to be persuaded to change their attitudes to working longer. In the workplace, employers should try to retain older employees and create working conditions which make working longer both attractive and possible for the older worker. Where this is not possible and people leave paid employment before State pension age, they may be entitled to apply for another social welfare payment until they become eligible for a State pension. Opportunities for older people to participate in education, employment and other aspects of economic and social life must be maximised.

Implementation of Article 17 of the IORPS Directive

Article 17 of the IORPS Directive is designed to ensure a level regulatory playing field between insurance companies and pension schemes, referred to in the Directive as institutions for occupational retirement provision, which offer similar pension products. Insurance companies that offer pension products which underwrite death or disability benefits or which provide guaranteed benefits are required under their regulatory framework to maintain additional solvency margins. Such additional solvency requirements do not currently apply to institutions for occupational retirement pension provision offering similar products. The purpose of Article 17 the IORPS Directive is to ensure that institutions for occupational retirement provision are required to meet the same additional solvency margins as insurance companies offering the same products.

Chapter 2 of Part 4 of the Bill makes the necessary amendments to the Pensions Act 1990 to implement Article 17 of the IORPS Directive. However, it is expected that there will be few, if any, pension schemes in Ireland that function in the manner described in Article 17 of the Directive.

Other Changes Contained in the Bill

The Bill contains a number of other changes to the Social Welfare Acts and to other enactments, some of which are simply clarifying existing legislative provisions. I would now like to outline the main changes involved.

The Occupational Injury Benefit scheme provides for a range of payments for people who are injured at work or who contract an occupational disease. Among the benefits available are pensions for the surviving dependants of a person who dies as a result of such an accident or disease, including pensions for surviving widows, widowers and civil partners, as well as for surviving dependant parents. However, with the development of the social welfare system over the years, the Dependent Parent's Pension scheme has effectively become obsolete. There are now only 3 people receiving this pension, with no new applications having been received since 1987. In the circumstances, section 5 discontinues the Dependant Parent's Pension scheme for new applicants. Existing recipients will continue to be paid for the duration of their claims.

Sections 6 and 7 provide for the necessary amendments for a phased increase in the State pension age up to 68 years by 2028, in line with the National Pensions Framework. This involves the discontinuance of the State Pension Transition, which is paid at 65 years subject to a retirement condition, from the 1st of January 2014. The State Pension age will be increased from 66 years to 67 years from the 1st of January 2021 and it will be further increased to 68 years from the 1st of January 2028. The legislative changes being included in sections 6 and 7 also fulfil one of the commitments in the EU/IMF Programme of Financial Support for Ireland.

Section 9 makes a number of amendments to the one-parent family payment to clarify the operation of the revised qualifying criteria for that payment following the change in the conditions to restrict the payment to families where the youngest child is under 14 years. The changes in section 9 ensure that payment of the one-parent family payment will continue up to 16 years where the Domiciliary Care Allowance is being paid in respect of the youngest child. They also ensure that the general qualification criteria will apply to cases where one-parent family payment is retained for limited periods under transitional measures and in the case of recent bereavements.

Section 11 amends certain means assessment provisions as a consequence of the abolition of the income levy and the health contribution. In addition, the provisions of the Family Income Supplement scheme, which is calculated by reference to the net income of the family, are being amended to include the Universal Social Charge in the list of deductions when determining the net income of the family.

Section 14 clarifies the provisions relating to the allocation of Personal Public Service Numbers so as to allow parents and guardians to apply for PPS numbers for children under 18 years and to allow personal representatives to apply for PPS numbers on behalf of people who are unable to act, for example, because of a disability. Section 15 strengthens the provisions relating to the use of Public Services Cards by providing for the cancellation and surrender of these cards where evidence becomes available that they are being misused. It will also be an offence to fail to surrender a Public Services Card, without reasonable excuse, when requested to do so.

Section 16 makes a number of amendments to the social welfare code in order to facilitate the introduction of the National Internship Scheme. It extends to recipients of this new scheme provisions that deemed participants on the proposed Skills Development and Internship Programme which was announced late last year, not to be employees for the purposes of labour legislation generally. Following advice from the Revenue Commissioners, the provisions deeming participants on the new internship scheme not to be employees will not apply in the case of the Tax Acts.

Section 20 extends the list of bodies that are authorised to use the Personal Public Service Number for the purposes of carrying out transactions with members of the public to include the Probate Office and the Sustainable Energy Authority of Ireland.

Section 21 amends the Comhairle Act 2000 so as to apply to the Citizens Information Board the standard provisions disqualifying people who have been nominated for or elected to the Oireachtas, the European Parliament or to a local authority from membership of State Boards and Agencies. This section also applies these standard disqualifications to staff members of the Citizens Information Board. These changes will apply to the Citizens Information Board in the case of anyone who is nominated for or elected to the Oireachtas, the European Parliament or to a local authority on or after 1 July 2011.

Section 24 provides that section 7 of the Official Languages Act 2003 does not apply in relation to this Act. This will enable any necessary Orders and Regulations that need to be made under the Bill by early July, including the Order to restore the National Minimum Wage to its former level, to be made without having to wait for the Irish translation of the Act to be made available.

Tá morchuid altanna sa Bhille seo agus deirtrear liom nach mbeidh leagan Gaeilge ar fáil le roinnt seachtainne. Dá bhrÍ sin, tá sé beartaithe againn Alt 24 a chuir chun cinn chun a bheidh cinnte de go n-éiroidh linn an iosphá náisiúnta a árdú o tosach na mÍosa. Tá aistriúchán Gaeilge den Bhille a reachtáil faoi láthair agus beidh leagan Gaeilge den Acht ar fáil ar an idirlinn agus i gclo go gairid – nÍ bheidh aon mhoill ar sin.

The text of this Act will be made available electronically in each of the official languages as soon as practicable after its enactment and it will be published in hardcopy in both languages as soon as possible.

Part 4: Amendments to Pensions Act 1990

Part 4 of the Bill provides for the necessary amendments to the Pensions Act 1990 to implement Article 17 of the IORPS Directive. The substantive elements of Article 17 of the Directive are provided for in section 35 of the Bill.

The existing provisions of the Pensions Act require defined benefit pension schemes to satisfy a funding standard by maintaining sufficient assets to enable them discharge their accrued liabilities in the event of the scheme winding up. Where schemes do not satisfy the funding standard, the sponsors or trustees must submit a funding proposal to the Pensions Board to restore full funding within three years. This period can be extended at the discretion of the Pension Board. Section 35 of the Bill builds on this process to secure the additional reserves required to implement Article 17 of the IORPS Directive by inserting a new Part into the Pensions Act which provides, inter alia, for -

- The application of the provisions of this new Part to regulatory own funds schemes and to regulatory own funds trust Retirement Annuity Contracts, subject to certain exceptions that are provided for under Article 5 of the IORPS Directive,

- The preparation and submission to the Pensions Board of technical provision certificates by regulatory own funds trust Retirement Annuity Contracts,

- A requirement for relevant schemes and trusts to hold additional reserves, and

- The amount of regulatory own funds required,

The other measures contained in Chapter 2 of Part 4 of the Bill make consequential amendments to the provisions contained in the Pensions Act relating to regulatory own funds schemes and regulatory own funds trust Retirement Annuity Contracts. These include, for example, the exemption of regulatory own funds schemes from the requirement to submit funding proposals or to restructure scheme benefits where a scheme fails to satisfy the funding standard under Part IV of the Pensions Act. The requirement to submit funding proposals and to restructure scheme benefits is set out in a new Part of the Pensions Act, which is being introduced by section 35.

In addition, Chapter 3 of Part 4 of the Bill clarifies the responsibility of the Pensions Board in relation to the certification by the Board of certain policies or contracts of assurance as being suitable for pension purposes. Sections 40 to 43 amend the Pensions Act to provide that such policies or contracts of assurance will now require to be certified by the Pensions Boards instead of getting the approval of the Board.

Committee Stage Amendments

I wish to inform the House that I intend tabling a number of amendments to the Bill at Committee Stage. The Minister for Finance announced in the Jobs Initiative that the extension of PRSI liability to income arising from share-based remuneration would only apply to the employee element of the contribution and not to the employer PRSI contribution. Details of the operation of this measure are being finalised with the Revenue Commissioners and I would intend bringing forward any necessary amendments to the Social Welfare Acts by way of Committee Stage amendment, if the details are finalised within the Bill timeframe.

I will also be bringing forward two further Committee Stage amendments, firstly to ensure that participants on the TUS programme cannot concurrently receive a jobseekers payment and secondly to align the commencement dates for the halving of the lower rate of employer PRSI contribution set out in the Tables to sections 3 and 23 with the commencement date of the 2nd July 2011.

Conclusion

I commend the Bill to the House and I look forward to an informed debate and to hearing your views on the measures contained in the Bill over the next two days.

CRÍOCH/ENDS