An Roinn Coimirce Sóisialaí
Department of Social Protection

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An Bille Leasa Shóisialaigh 2010
Social Welfare Bill 2010

Dara Céim / Second Stage

DAIL ÉIREANN

ÓRÁID/ SPEECH

AIRE COIMIRCE SÓISIALAÍ

MINISTER FOR SOCIAL PROTECTION

ÉAMON Ó CUÍV T.D.

8 December 2010

A Cheann Comhairle, tairgim go léifear an Bille Leasa Shóisialaigh 2010 an dara huair.

I move that the Social Welfare Bill 2010 be now read a second time.

The Bill will give legislative effect to certain Social Welfare measures announced in the Budget Statement of 7 December 2010, which are due to come into effect from 1 January 2011.

National Recovery Plan

Last month, the Government outlined, in the National Recovery Plan, the blueprint for a return to sustainable growth in our economy. In particular, it sets out the measures that will be taken to restore order to the Government finances, and specifies the reforms the Government will implement to increase employment and accelerate economic growth.

The Plan is necessary in order to bridge the gap between Government expenditure and revenue which is currently filled by borrowing. Unless the rate of borrowing is reduced, the burden of debt servicing will take up an increasing proportion of tax revenue. This would mean that expenditure on vital schemes and services, such as those provided by my Department, would become increasingly unsustainable.

My Department currently accounts for approximately 38% of the total gross government expenditure and, therefore, it is not possible to stabilise and reduce public spending without any impact on the Department’s budget. Accordingly, the Plan provides for significant reductions in expenditure by my Department over the next four years.

These will be achieved through:

1. reduction in the Live Register through economic growth

2. more intensive labour force activation measures designed help people get back into employment and therefore reduce Live Register costs;

3. enhanced control measures in order to better direct expenditure only to those who need it;

4. major structural reform of the welfare system in order to rationalise and simplify supports available to people of working age and to ensure that there is always an incentive to take up a job, and, lastly

5. through such reductions in rates of payment as may be necessary to ensure that the overall savings targets are met.

From my Department’s point of view, our focus will be on enhancing the Department’s current fraud and control measures to try to make the bulk of our savings there, on our labour activation measures which would lead to a reduction in the live register and on structural reform. If we can make substantial progress in these key areas, reductions in individual rates of payment can be limited over the period of the Plan.

Budget 2011

Budget 2011 is the first step in achieving the goals of the Recovery Plan. This will involve a €873 million reduction in expenditure by my Department. Even after this reduction, expenditure by my Department will still amount to €20.62 billion in 2011.

I want to say that as Minister for Social Protection, I am fully aware that the expenditure changes in this Budget will affect the living standards of many citizens in the short term. However, if we put off these changes there will be a greater burden in the future on those who can least bear it, including people with disabilities, families with children, the unemployed, carers and pensioners. I want to assure you, that the Government, in the context of a very tough budgetary environment has done its utmost to protect the most vulnerable people in Irish society.

These savings for 2011 will be achieved by;

- greatly enhanced control measures as I have said,
- proactive labour activation initiatives, including the introduction of a brand new Community Work Placement Programme called Tús operated by my Department;
- structural reform measures designed to deliver more effective income and housing supports in a sustainable way, and
- reductions in rates of payment.

Ensuring a minimum income guarantee for all pensioners

Before I detail the areas where changes are being made, I would like to outline first the supports which are being fully maintained at their current levels, so as to provide reassurance to people who had been concerned that they might be cut.

Similar to last year we have been able to maintain pensions and other payments to people aged over 66 at current levels. This includes payments for pensioners' dependent spouses who are aged under 66. This means that approximately 490,000 people aged over 66 are being fully protected in this Budget. Extra allowances which are paid to pensioners who live alone and those who are aged over 80 will continue at their current rates.

I have preserved welfare supports for pensioners generally as I believe that all pensioners are entitled to a minimum level of guaranteed support by the State. For many pensioners, social welfare pensions, be they contributory or non-contributory, are their only source of income and most do not have the ability to earn. However, pensioners who can afford to pay towards the economic recovery will contribute through the changes in the taxation system, which were announced by my colleague, the Minister for Finance, yesterday.

Preserving other additional supports for pensioners, people with disabilities, carers and others on low income.

A number of valuable other payments have also been fully maintained. These benefit not alone pensioners but also people with disabilities, carers, and all on low income regardless of age. These include:

The household benefits package, which includes the free TV licence, electricity/gas allowance and telephone allowance, as well as the Fuel Allowance and the Free Travel scheme.

The half-rate carers allowance scheme and the extra payment for caring for more than one person are retained as well as the Respite Care Grant at its current value of €1,700 per annum. The half-rate Illness Benefit and Jobseekers Benefit payments for widows or lone parents will also remain. And the current payment arrangements for lone parents and people with a disability who participate on Community Employment Schemes are also being retained without change. The Family Income Supplement scheme which benefits lower income families with children is also unchanged.

Bearing in mind the recent bad weather, I am also providing for a special once of additional two weeks payment worth €40 of fuel allowance. This will be paid to most recipients in the next 2 weeks, with the remainder of recipients getting this payment in early January.

Changes to main Social Welfare rates

Unfortunately, in this Budget, it will be necessary to introduce a rate reduction in working age payments from January 2011 in order to produce the necessary savings required in 2011. While there have been some increases in inflation in recent months, consumer prices are back at April 2007 levels and we have managed to maintain the payment rates for all aged 25 to 66 in 2011 at rates higher than those paid in 2007. No reduction is being made to the Qualified Child rate which will remain at current levels. In addition, the reduced rate of €100 per week for Jobseeker's Allowance recipients, aged under 21 is also unchanged.

Accordingly, the weekly rates of payment to those aged under 66 are being reduced by €8 per week or an average of 4.1%. Increases for qualified adults on working age schemes are being reduced proportionately. This will bring the personal rates of jobseekers' payments, one parent family payment, illness benefit and associated schemes in 2011 to €188 per week or €2.20 per week in excess of the rate which applied in 2007.

The Bill provides for the new lower rates of payment for people of working age.

The Bill also provides for a reduction of €10 or 5.1% in the weekly rate of Supplementary Welfare Allowance. The Qualified Adult Allowance for a spouse or partner will reduce by 4.1% (or €5.30 in most cases). The rates of Maternity Benefit will also decrease by €8 a week.

Even taking into account the reductions that were applied in 2010 and 2011, this Government has delivered unprecedented increases in welfare rates since 2004. Over that period, Jobseekers' payments, Disability Allowance and One Parent Family Payment have increased by 39.5% while the cost of living has increased by 11.8%.

The Government appreciates that reductions in rates will be difficult for people but we also know that if action is not taken now we risk putting social welfare payments at greater risk in future.

The weekly rate of Supplementary Welfare Allowance will be reduced by €10 per week, i.e. 5.1%. Supplementary Welfare Allowance is normally paid to persons who are awaiting entitlement to another welfare payment.

The rate of the Rural Social Scheme and Community Employment Scheme will be revised in line with the changes in Social Welfare rates (€208 for a single person).

Issues have been raised in relation to Blind Pension, Invalidity Pension, Disability Allowance and Widows'/Widowers' Pensions and Carers. I have looked at the issue of disability in detail since I came into the Department of Social Protection. I accept that there is a need for long-term reform in relation to payments for people with disabilities that is much more tailored to individual situations and levels of disability. I will work to my last day in this Department to progress this agenda.

To exempt all of these from the rate reduction would have meant exempting approximately a further 260,000 people. The effect of this in order to achieve the same savings, would be to have required a cut of €11 per week in Jobseekers' personal payments and €18.30 per week for a couple. It must be remembered that people on Disability Allowance are also entitled to the full Households Benefit Package, Free Travel Pass and companion Free Travel Pass where appropriate. These are worth approximately €20 per week.

Disability Allowance, Blind Pension and Invalidity Pension are paid to over 150,000 people at present.

I have huge empathy for people with disabilities who have no capacity to work. It is urgent now that we would develop a system that would allow us to differentiate between various levels of disability in a way similar to the Partial Capacity Scheme coming before the Dáil in the Social Welfare (Miscellaneous Provisions) (No 2 Bill). This would allow for differentiated payments based on the level of disability and would allow for a more nuanced approach, based on people’s individual need. However, within the present schemes and within the timeframe that I have been in the Department, it has not been possible for me to bring such a proposal to fruition. I would urge whoever succeeds me in this Department to make the development of this type of approach a priority.

Child Benefit

I will now turn to supports for children. Between 2000 and 2010, the monthly rates of payment for Child Benefit increased from just €53.96 for the first child and €71.11 for the third and subsequent children to €150 and €187 respectively. In the same period, overall expenditure on Child Benefit grew from just €638 million to approximately €2.2 billion per year. As a result, approximately 10.6% of gross social welfare spending in 2010 went on Child Benefit.

This Government is proud to have been able to deliver such significant increases in payments to families when the resources were available. However, in the current economic environment, we simply cannot afford to keep spending at the same level as we did when our tax revenue was much higher. In that context, we have decided to reduce overall expenditure on Child Benefit.

In considering the various options for making savings in this area, we were conscious that the payment can be an important source of income for all families, for different reasons. Accordingly, the Government has decided against withdrawing Child Benefit completely from any family.

From January, the lower rate of Child Benefit which is paid in respect of the 1st and 2nd child is being reduced by €10 to €140 per child per month. The payment for the 3rd child is being reduced by €20 to €167 per month and the payment for the fourth and subsequent children is being reduced by €10 to €177 per month.

I appreciate that cuts in Child Benefit will be difficult for some families. But it should be recognised that the payment will still be very generous compared with other countries and that the Government is also making a substantial contribution towards childcare provision, including the continuation of a free pre-school year.

As I have already stated, the Qualified Child Increase payable with welfare payments is fully maintained. The Domiciliary Care Allowance, paid to parents and guardians of certain children who are ill or who have a disability under 16 years of age, is also unaffected and the Family Income Supplement and Back to School Clothing and Footwear schemes are unchanged.

Reforming Housing Expenditures

My Department will be initiating a number of reforms to the Rent Supplement Schemes in order to generate savings of €60m in the next year. These reforms include;

1. Entering discussions with the Department of Environment Heritage and Local Government with a view to more closely aligning the minimum contribution payable by household couples with that paid by equivalent households under the local authority differential rent scheme;

2. Reviewing entitlement of people who refuse local authority housing.

3. The reduction of payments made to landlords with a corresponding reduction in rent limits, where appropriate, and

4. Increased control activities through efficiencies arising from the transfer of the Community Welfare Service staff to the Department of Social Protection.

In addition, the introduction of a €2 differential between the rate of basic SWA and other schemes from January 2011 will generate over €10m in savings in the Rent and Mortgage Interest schemes. These will arise as entitlement to Rent and Mortgage Interest Supplement is based on the weekly rates of Supplementary Welfare Allowance. Pensioners, carers and people on Supplementary Welfare Allowance will not be affected by this change.

Following these reforms it is estimated that the Rent Supplement scheme will still cost €465 million in 2011.

Energy and communications

The value of the Household Benefits Package is being fully maintained in 2011. However I am considering a number of reforms, some of which may require legislative change, to make schemes work on a more efficient and less costly basis.

Also, as announced in the National Recovery Plan, expenditure on the Free TV Licence and Free Travel schemes respectively, will be capped at the levels provided for in the 2010 Revised Estimates Volume. This will not affect individual entitlement but does generate savings in the long term.

The Importance of Work

The availability of job opportunities with real financial incentives to take these up is of crucial importance over the next few years. Beyond the immediate financial benefit to the worker, work benefits individual's psychological and general health as well as the wider community and the economy generally.

Activation and support for those who are unemployed is a key priority for Government. Earlier this year, the Taoiseach announced a number of changes to improve the delivery of employment, training and community services to the public by bringing together related responsibilities in these areas. These changes included the restructuring of Departmental responsibilities with the aim of providing a stream-lined integrated response to the income support and job search needs of people who are unemployed.

In this regard, the Employment and Community services operated by FÁS are transferring to my Department in January and the Budget Day Estimates provided for this. As part of this integration, the National Employment Action Plan is already being revised in order to provide more efficient interventions with jobseekers on a more frequent basis and this process has already commenced last October. A key element of the new initiatives will be more intensive and more regular engagement by our Department's services with unemployed people in helping them get back to work and ensuring that all Jobseekers are genuinely available for and seeking work.

I am also announcing the creation of a new community work placement programme – called Tús and it is intended that this will become operational in the near future. It will provide up to 5,000 places and will provide quality targeted short-term working opportunities for people who are unemployed while at the same time carrying out beneficial work within communities. The 52 Local Development Companies (LEADER/Partnership companies) will have responsibility for delivering the work opportunities. Community and voluntary organisations will be asked to provide quality working opportunities for potential participants and a number of national, sporting, cultural, social organisations as well as caring and disability services will also be given the opportunity to participate.

Participants will work for 19 ½ hours per week for a duration of 12 months and there may be some degree of flexibility in terms of the schedule of hours. The rate of payment will be equivalent to the maximum rate of the person's underlying social welfare payment plus an additional top-up of €20 per week. The employment will be insured for all benefits under the social insurance system.

Participants will be selected through the processes used for the National Employment Action Plan. My Department will contact people on the Live Register who satisfy the scheme criteria and offer them the opportunity to participate. Those interested in participating will be referred to the Local Development Company who will maintain a panel from which recruitment will be made. As is required by law, persons in receipt of Jobseeker's Allowance must be genuinely and actively seeking employment. Where a person refuses a work opportunity including a work opportunity on the new scheme, that person's continuing entitlement to a payment will be examined.

This is an important new initiative to provide quality short-term working opportunities for people who are unemployed. It is essential that:

- it is properly targeted on those that will most benefit;
- can be easily accessed and administered;
- does not impose excessive burdens on community organisations and
- provides quality suitable work opportunities and beneficial outcomes to the community.

It is anticipated that this scheme will cost up to €30 million in 2011 and provision is made for this in the Budget Day Estimates. Overall, it is anticipated that activation measures generally, including the refocused and reinvigorated National Employment Action Plan will save up to €100 million next year.

In addition, the ***Skills Development and Internship Programme*** and the ***Work Placement Programme*** operated by the Department of Education and Skills will provide up to 10,000 places in the private and public sectors.

Cracking down on welfare fraud

Welfare fraud is theft. It is a serious crime and the Department of Social Protection is doing everything that it can to crack down on people who abuse the system.

There are over 600 staff working in areas related to control of fraud and abuse of the welfare system.

Between January and the end of October this year, over 585,000 individual claims were reviewed.

The level of fraud on most schemes is very low. As reported by the C&AG, the percentage of expenditure resulting from fraud identified in the Department's Fraud and Error surveys was 0% for pensioners, 0.1% for Illness Benefit, 0.8% for the Family Income Supplement, 1.8% for Child Benefit and 2.3% for the Disability Allowance.

When high risk areas are identified targeted control measures are put in place to reduce the risk of fraud and abuse of the system, for example certification was introduced in relation to child benefit claims from non-Irish nationals and to other customer segments in schemes where any form of high risk has been identified.

Next year my Department will begin the phased introduction of the Public Services Card, with key security features, including a photograph and signature, which will be used to authenticate identity of individuals. One of the anticipated advantages of the Public Services Card is that it will help to reduce fraud and error which result from the incorrect identification of benefit claimants. These cards will issue to approximately 3 million people over the next number of years. They will replace cards currently in use, such as the Social Services Card and the Free Travel card.

Fraud detection systems have also been improved through data matches with organisations such as the Revenue Commissioners on commencement of employment data, the General Registrars Office on Marriages and Deaths information, and many other organisations including the Departments of Justice, Environment, Education and other state bodies.

I want to assure you that my Department will continue to use every available means to crack down on welfare fraud and savings will be generated by streamlining our approach in line with international best practice.

Structural Reforms

I would now like to look ahead to the welfare system of the future. Structural reform of the welfare system is crucial in the short to medium term in order to deliver better targeted supports while always encouraging participation in work. If we do not reform our systems, we will have no alternative but to make further cuts to achieve these savings. I favour making savings from structural reform when and where possible.

In the past couple of weeks my Department has published three reports, which will assist with key areas of reform.

The reports cover important areas of social welfare namely child income support payments, as well as payments to people of working age and to people who are ill or have a disability. These reports will make a valuable contribution to the transformation agenda and share common themes with the main objective being the improvement of outcomes for people and their families who are dependent on my Department's support.

Structural reform changes could include:

- The development of a rebalanced and integrated child income payment system;
- The development of a single social assistance payment to replace the different means tested working age payments, including some secondary and supplementary payments, as part of a more purposeful labour activation strategy;
- This new single working age means tested system would help to minimise the existing benefit traps and incentivise recipients to move back to work or move from part time employment to full time employment. Implementation will have to be done on a step by step basis in order to make the system more friendly to atypical working.
- The Disability Allowance review proposes that customers should have their employment capacity assessed at the point when they first apply for the Allowance in order to facilitate a greatly improved matching of services and needs.

Sovereign Annuities

The Minister for Finance announced yesterday that new bonds which will facilitate a sovereign annuity will be available for pension schemes from January 2011.

I now want to set out further details of this initiative. The NTMA will issue bonds which will assist in the creation of sovereign annuities. The bonds will be available for purchase by any investor, including pension funds. The interest rate applying to the bonds will be announced in January in the light of prevailing market conditions. Any sovereign annuities issued by the insurance industry on the basis of these bonds will be certified by the Pensions Board.

I want to emphasise that this is a voluntary initiative and based on proposals from the pensions industry itself. It gives scheme trustees new options to deliver higher yields and improve the funding position of their schemes. They can buy the bonds for their scheme – in other words invest in bonds rather than equities. They can also buy sovereign annuities from insurance companies - either in the name of the scheme trustee or in the pensioner's name. Or they can do any combination of these. It is up to scheme trustees to decide whether or not to avail of these options. I will be making changes to the funding standard to allow pension schemes that purchase these bonds or sovereign annuities to re-price their liabilities to the extent of their purchase and thereby benefit from the higher yield. I'm also examining further changes to facilitate greater smoothing for financial reporting purposes.

By purchasing the bonds or scheme annuities, the pension scheme continues to be responsible for investments made; in the event of scheme wind-up, the current priority given to pensioners continues to apply. However, where sovereign annuities are purchased in the pensioner's name this marks the end of the scheme trustees' responsibility. Every pension scheme is different in terms of their membership profile and current funding status. Therefore, we have ensured that scheme trustees are given a number of options to decide what is best for their particular scheme.

People may say that investing in Irish bonds is risky but there is absolutely no risk of Ireland defaulting on its sovereign debt. The Government has stated this on many occasions and I want to be absolutely clear about this – it simply will not happen. In fact, moving from equities to bonds puts schemes on a more secure footing and minimises the risk of losses and over reliance on equities which they've experienced in the past.

I also wish to inform the House that I will be bringing forward the details of a new defined benefit model in January. The introduction of sovereign annuities; changes to the funding standard; and the new defined benefit model are complementary measures integral to the longer term pension policy as outlined in the National Pensions Framework. Their introduction, along with the many measures we've taken in the last two years, marks the completion of the measures that the Government intend to take to support pension schemes. The new deadline for submission of funding proposals will be re-introduced early next year by the Pensions Regulator and I would urge scheme trustees, employers and unions to move quickly thereafter to address their liabilities, their risks and their investment strategies in order to ensure that they are properly funded and more secure for the future.

This initiative is an opportunity for pension schemes and an opportunity for the Irish economy. We are unusual in the EU in that Irish pension funds have significant assets under management but hold relatively little Irish debt. We are now providing greater opportunities for Irish pension schemes to invest, not just in Irish bonds but in Ireland generally and benefit from this investment. This is something that we should all be doing anyway – now more than ever. We want people to buy Irish goods and to use Irish services. Investing in this type of investment will also assist our national recovery.

PRSI changes

Significant changes are being made to the PRSI system in this Bill. As we know the social insurance fund (SIF) is in deficit and faces significant liabilities, particularly from rising pension costs, over the coming years. These measures will increase social insurance fund income and work to safeguard the future sustainability and integrity of the social insurance system.

Among the measures being put in place is the abolition of the employee PRSI ceiling, a progressive measure which will increase fund income by some €145m in a full year. The self-employed PRSI rate is also being increased by 1% to 4%. State benefits, particularly the contributory pension, are very valuable and we must ensure that those in receipt have made adequate contributions to the fund.

A number of changes to the base of income on which PRSI is being charged are also being put in place. These include the abolition of PRSI relief on employee pension contributions and a halving of the relief on these contributions for employers.

Irish social insurance contributions are low by international standards. These measures go some way towards achieving the necessary balance between contributions into the SIF and expenditure from it. They also increase the fairness of the system.

Finally the Bill provides for the abolition of the Health Contribution, commonly known as the Health levy, with effect from 1 January 2011.

The Bill also provides for miscellaneous amendments to the Social Welfare code.

Main provisions of the Bill

I will now outline the main provisions of the Bill.

Section 3, together with Schedule 1 to the Bill provides for the reduction in the weekly rates of social insurance benefit payable to people of working age, as provided for in the Budget, with effect from the beginning of January 2011.
Section 4 together with Schedules 2 and 3 to the Bill provides for the reduction in the weekly rates of social assistance payable to people of working age, as provided for in the Budget, with effect from the beginning of January 2011.

Section 5 provides for reductions of €10 each in the monthly rates of child benefit for the first and second child and for the fourth and subsequent children, as well as for the introduction of a new rate of child benefit for the third child, with effect from 1 January 2011.

Section 6 clarifies the legislative provisions in relation to the payment of various increases with disablement pension so as to ensure that the increases of disablement pension for qualified adults, children etc. can only be paid where the disablement pensioner is entitled to an incapacity supplement.

Section 7 provides for changes in the reduced rate of jobseeker's benefit for claimants who refuse to participate in an appropriate course of training or to participate in a programme under the National Employment Action Plan. This change is consequential on the reduction in rates provided for in sections 3.

Section 8 provides for changes in the reduced rate of jobseeker's allowance for claimants who refuse to participate in an appropriate course of training or to participate in a programme under the National Employment Action Plan. This change is consequential on the reduction in rates provided for in section 4.

Section 9 provides for changes in the reduced rate of supplementary welfare allowance for claimants who refuse to participate in an appropriate course of training or to participate in a programme under the National Employment

Action Plan. This change is consequential on the reduction in rates provided for in section 4.

Section 10 provides for repeals consequential on sections 7, 8 and 9.

Section 11 provides for the abolition of the income ceiling of €75,036 applying to the PRSI contributions payable in the case of employees, voluntary contributors and optional contributors (who are engaged in share fishing), with effect from 1 January 2011. The section also provides for a number of consequential amendments to the Social Welfare Consolidation Act 2005.

At present PRSI is levied on gross income, less any superannuation contributions payable. Section 12 provides for the abolition of PRSI relief on employee superannuation contributions payable with effect from 1 January 2011.

At present both employer and employee PRSI is levied on gross income less any superannuation contributions payable. While section 12 provides for the abolition of PRSI relief on employee superannuation contributions payable, Section 13 provides for a reduction of 50% in the PRSI relief available for employer PRSI contributions arising from the employee superannuation contributions payable.

Section 14 increases the rate of PRSI contribution payable by self-employed contributors by 1% to 4%.

Section 15 provides for the abolition of the Health Contribution payable under the Health Contributions Act, 1979, with effect from 1 January 2011. This section also provides that any liability for health contributions assessed after 1 January 2011 in respect of tax years before 2011 are payable and that matters relating to the estimation, collection, recovery or refund of those contributions or of interest thereon or other proceedings relating to those contributions or that interest can be enforced.

Committee Stage amendments

I have already outlined a number of changes to the PRSI system which are included in this Bill. In addition to these changes I will be introducing amendments at Committee Stage to provide for the application of PRSI to share options and gains and for a 4% charge to the social insurance fund, with no benefits accruing, which will apply to holders of public offices.

Conclusion
The Department of Social Protection currently accounts for approximately 38% of the total gross government expenditure, and will account for 39% in 2011 and therefore, it is not possible to stabilise and reduce public spending without any impact on my Department's budget.

Failure to take action now in relation to the level of expenditure by the Department of Social Protection would mean that supports to pensioners, carers, people with disabilities and jobseekers amongst others, would become increasingly unsustainable. If we do not make these changes we risk making the economic situation far worse for everyone including welfare recipients – in the long term.

I commend the Bill to the House and look forward to an informed debate.

Molaim an Bille don Teach and tá mé ag súil le bhur gcuid tuaraimí a chloisteáil maidir leis na míreanna atá ann sa dá lá seo atá romhainn.

CRÍOCH / ENDS