Budget 2009

Briefing by the

Minister for Social and Family Affairs

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Priority Being Given To Social Welfare – With Expenditure Up 15.5% or €2.6 Billion

Social welfare has been prioritised in this Budget. Next year, total funding for the Department of Social and Family Affairs will be €19.6 billion. This represents an increase of €2.6 billion or 15.5% over the Estimates allocation for 2008.

Over 1.7 million people and their dependents will benefit from this expenditure – including 440,000 pensioners, 345,000 ill and disabled people, over 80,000 carers, 30,000 low income working families availing of the Family Income Supplement and over 580,000 families that receive child benefit payments.

The Budget includes provision for an average live register figure of 290,000 next year. That compares with an average of just under 210,000 in the nine months to the end of September this year and an expected average of 220,000 for 2008 as a whole. The Government is of course doing everything that we can to keep unemployment as low as possible but it is prudent in the current economic environment to set aside funding in case it continues to rise.

Providing for the expected increase in the live register alone accounts for €1.25 billion of the planned increase in spending next year.

In addition to this, provision has been made for €515 million worth of improvements in social welfare rates and qualifying conditions.

At a time when it is essential that public expenditure be strictly controlled in the national interest, this increased provision for social welfare is an unambiguous statement of the Government's intent to protect the vulnerable and less well-off in society.

Savings of €125 Million To Be Achieved In 2009

Unfortunately, it has been necessary to take some steps to reduce expenditure but these have been kept to the absolute minimum and applied in a careful manner. As you will appreciate, there was no easy way to achieve the required savings. Consideration had to be given to a wide range of changes and very difficult decisions had to be made.
Neither I nor the Government have taken these decisions lightly.

In total, the new expenditure control measures contained in the Social Welfare Budget will amount to net savings of €124.9 million when compensatory measures are taken into account.

€72.7 million of this is accounted for by changes to the social insurance system.

Changes to Social Insurance Schemes

As you know, Ireland's social welfare system is based on two quite different types of entitlement – a social insurance system for people who have paid sufficient

PRSI contributions and a social assistance system for people without adequate contributions who have little or no household means of their own.

Social insurance is intended both to enable people to insure themselves against adverse life events such as illness or unemployment and to provide for their state pensions and other benefits, through contributions to the national Social Insurance Fund. Social insurance benefits are not means-tested. Instead, entitlement depends on having paid the required number of PRSI contributions relevant to the particular benefit you wish to claim.

For the past eleven years, the Social Insurance Fund has been in surplus, with more than sufficient income to the fund to cover the payments being made from it each year, without the State having to provide a subsidy. However, that is changing. As a result of further increases in the live register, expenditure is expected to exceed income to the Fund by over €200 million this year and about €900 million next year. Although these current deficits can be met from the accumulated surplus, it looks likely that the Exchequer may yet again have to subsidise expenditure from the Social Insurance Fund within a few years.

In that context, it is appropriate to look at some of the instances where people with a very limited or distant contribution record have been able to qualify for very significant benefits, regardless of their household income.

2 Changes To The Jobseekers Benefit, Illness Benefit and Health and Safety Benefit Schemes

Currently, people who have paid just 52 contributions in total can qualify for Jobseekers Benefit, Illness Benefit and Health and Safety Benefit.
This means, for example, that migrants or young workers who have only worked here for a total of one year are entitled to claim jobseekers payments for 12

months, without having to satisfy a means test. This will change from next January, when the number of required paid contributions will be doubled to 104 for new claimants.

A further anomaly that exists at present is that some people, who were previously working part-time, can receive a higher rate of payment from these schemes than what they were actually earning whilst at work. Again, this is considered to be inappropriate - and a disincentive to employment - and so, and from next January, this situation will be addressed by increasing the earnings thresholds which currently apply to the reduced or graduated rates of payment from €150 to €300 per week.

3 Further Changes To Jobseekers Benefit

At present, it is necessary to have made 13 paid contributions in the relevant tax year in order to qualify for Illness Benefit. However, this condition does not exist for Jobseekers Benefit, with the result that people who may not have paid PRSI contributions in the past number of years can qualify. Again, it is considered that this position does not adequately reflect the contribution-based rationale for social insurance and so from next January, new claimants for Jobseekers Benefit will be required to satisfy the same conditions as those on Illness Benefit and must have paid 13 contributions in the relevant tax year.

The other two changes being made to Jobseekers Benefit relate to the duration of the payment. At present, people who have 260 or more paid social insurance contributions can receive Jobseekers Benefit for up to 15 months. As of today, this is being limited to 12 months for current claimants with less than six months duration on the scheme as well as all new claimants. Where the claimant has less than 260 paid contributions, the maximum duration of Jobseekers Benefit will be

9 months (instead of 12 months) if the claimant currently has been in receipt of benefit for less than three months and in respect of all new claimants.

In summary then, new claimants for Jobseekers Benefit will in future have to have paid a total of at least 104 contributions to the Social Insurance Fund, with at least 13 of these paid in the relevant tax year. The rate of payment will more closely reflect what the individual was earning prior to becoming unemployed and the duration of the payment will be either 12 or 9 months depending on the number of social insurance contributions they have made in the past.

Taken together, these changes to Jobseekers, Illness and Health & Safety benefits are expected to generate €72.7 million in savings next year and €119 million a year from 2010 on.

I would like to stress that people who will be affected by these changes will be able to claim Jobseeker’s Allowance or Supplementary Welfare Allowance instead, if they have limited means. The maximum rate of these two schemes is paid at the same rate as JB.

New Limit on the Duration of Illness Benefit Payments

The final social insurance change involves a new limit on the duration of Illness Benefit payments. Illness Benefit was intended to provide income replacement for insured persons during short spells of incapacity or illness, while other payments are available to people who can’t work long-term because of a disability or a medical condition.

However, there is currently no limit on the amount of time for which Illness Benefit can be paid to people who have more than 260 social insurance contributions. Over 28,000 persons have been receiving the payment for more than two years. As a forthcoming OECD review notes, and I quote, "…*paying sickness benefit without time limitation is very unusual across the OECD, for good reasons.*"

The report points out that there is a great risk that people in such circumstances will never return to the labour market.

Accordingly, the Government has decided to confine entitlement to Illness Benefit to two years (or 624 days) duration for claims arising after the 5th January 2009. Persons currently in receipt of Illness Benefit will not be affected by the change.

Some 8,500 persons on IB pass the threshold of 2 years' duration on IB each year and such persons are likely to be affected by the proposed ceiling on duration. It is likely that about two-thirds of these will satisfy the medical criteria to access either Invalidity Pension or, subject to a means test, Disability Allowance. Medical criteria for both of these schemes require certification that the condition is likely to last for a further 12 months.

This measure will not result in any savings in 2009 or 2010, but should save up to €101 million in a full year after the 2 year rule has fully come into effect, which will not be for a number of years.

Raising The Qualifying Age For The Disability Allowance

Changes are also being made to the Disability Allowance. Currently this can be paid from age 16 to young people with a disability and is worth about €200 per week. Domiciliary Care Allowance is a payment to the parents of children who have a severe disability requiring continuous care and attention which is substantially in excess of that normally required by a child of the same age. It is worth about €300 per month.

It is considered that the payment of Disability Allowance at age 16 carries with it the risk of creating a dependency on social welfare at a very young age and can generate disincentives to taking up education, training or employment opportunities.

The Government has, therefore, decided to raise the age of eligibility for entitlement to Disability Allowance (DA) from 16 to 18 for new claimants. This change will not affect existing 16 and 17 year olds on DA. As an alleviating measure, the age for entitlement to the Domiciliary Care Allowance (DCA) is being increased from 16 to 18 years.

It is estimated that a weekly average of 539 persons will be affected by this measure in 2009 and 2,115 in a full year. These changes are expected to save €5.6 million in 2009 and €16.6 million a year from 2010.

The changes being made this year to Illness Benefit and Disability Allowance are intended as only the first steps in the modernisation of the illness and disability schemes. A comprehensive approach will be developed when the reports of the current review of the Disability Allowance scheme and the OECD review are finalised and the Department has had the opportunity to assess them fully.

Increase in Personal Contribution To Rent & Mortgage Interest Supplement

The final expenditure control measure relates to the Rent and Mortgage Interest supplements. All recipients of these payments are expected to make a personal contribution towards their accommodation costs from their own resources. The minimum level of this contribution is currently set at €13 per week. This rate has not been increased since January 2004, despite the fact that the lowest rate of social welfare payment has risen by nearly €70 per week since then. It is also significantly less than the minimum rent paid by local authority tenants – which, for example, is €24.87 in Dublin City & €26 in Limerick County.

As of 1 January 2009, the minimum personal contribution to rent and mortgage interest supplement is being increased by €5 to €18 per week.

With about 72,000 people in receipt of rent and mortgage interest supplements, this measure is expected to generate €19 million per annum from 2009 onwards.

Reducing The Child Benefit Age to 18

Turning now to Child Benefit, as the Minister for Finance has announced, the Government has decided that from now on it will no longer be paid in respect of those who are 18 years old. At that stage, they are effectively treated as adults in most respects. This change will be phased in gradually. A half payment will be made in respect of existing and future qualifying children from January 2009 and from January 2010 the payment will cease from the 18 birthday.

Special alleviating measures are being introduced for young people in social welfare dependent and low income families, with a special increase of €15 per week in the qualified child payment for those aged 18. It is expected that some 10,000 young people will benefit from this measure. In addition, the Back to School Clothing and Footwear Allowance will be increased by €215 to €520 per annum for eligible 18 year olds and recipients of Family Income Supplement will receive additional payments of up to €15 per week for each dependent aged 18 where they are not otherwise being compensated.

These transitional measures will cease in January 2011.

The net savings from this change to Child Benefit entitlements is expected to be €27.6 million in 2009, €67.2 million in 2010 and €79 million per annum from 2011 onwards.

Budget Improvements

I would now like to move on to social welfare improvements provided for in Budget 2009.

Even in these difficult economic times, the Government has prioritised ensuring that increases in the basic rates of social welfare payments will be ahead of the projected rate of inflation and in line with the wage increases agreed by the social partners in the 2nd phase of the National Pay Agreement.

Older People

The maximum personal rates of payment for State Pension Contributory and Non-Contributory and State Pension Transition are being increased by €7 per week from the start of January 2009. State pensioners will also receive an extra €6.30 per week for a qualified adult dependent such as spouse aged over 66 and an extra €4.70 per week for contributory qualified adults under 66 years.

As each of you will be aware, the price of fuel is an issue of major concern for many people but especially the elderly and the ill. I am pleased to be able to announce that the value of the fuel allowance is being increased by €2 to €20 per week, or 11%, with effect from January. The duration of the fuel season is also being extended by another two weeks from April 2009, bringing it to 32 weeks in total. These improvements to the fuel scheme will cost almost €30 million extra in 2009 and will benefit nearly 300,000 households.

Working Age Schemes – Jobseekers & Illness Payments Etc

The maximum personal rate of payment for all working age schemes is being increased by €6.50 per week with effect from the first week of January 2009 with proportionate increases applying to people on reduced rates. The rates of Qualified Adult payments are also being increased on all schemes by €4.30 except for the Invalidity Pension scheme where a €4.60 increase will apply.

Child-Related Payments for Welfare Dependent and Low Income Families

Social welfare-dependent parents currently receive an extra €24 per week for each child on top of their basic social welfare payments, through what is termed the 'qualified child increase'. This is being increased by €2 to €26 per child with effect from January 2009.

In the case of qualifying children of 18 years of age, the total rate will come to €41 per week, including the special payment in lieu of child benefit.

Improvements are also being made to the Family Income Supplement which is paid to low income working families. The income limits for the FIS are being increased by €10 per week in respect of each child giving an average extra payment of €6 per child per week.

The income thresholds for entitlement to Back to School Clothing and Footwear Allowance are also being increased to enable 18,000 more families to benefit from the scheme. These increases are in addition to the special measures already mentioned in relation to 18 year olds.

Extra €500,000 For Parenting Support Programmes

In addition to these improvements in social welfare schemes, the Budget also provides an extra €500,000 for the Family Support Agency to support programmes to promote positive parenting skills.

Combat Poverty Agency & Money Advice and Budgeting Service

I now want to address the future of the Combat Poverty Agency and the Money Advice and Budgeting Service.

As you know, a review of the CPA was undertaken on foot of a Government Decision on 6 June 2007.

The purpose of the review was to examine the role of the Agency in light of the emergence since 1986 of comprehensive strategies and new institutional arrangements to promote social inclusion (such as the Cabinet Committee on Social Inclusion, the Office for Social Inclusion and the voluntary pillar in Social Partnership).

The Government, having considered the review report, has decided to integrate the Combat Poverty Agency with the Office for Social Inclusion. It is not my intention that Combat Poverty will simply be absorbed into the Office for Social Inclusion in its existing form. Rather a new strengthened division will be created which will make the best use of the considerable experience and expertise of the staff of both existing bodies and will seek to address the weaknesses identified by the Review in relation to both. I believe that this new division will provide a stronger voice for those affected by poverty and social inclusion issues.

I am conscious of the concerns about the need for independent scrutiny of public policy that have been expressed by some interest groups. I absolutely agree that independent critique is very important and this move is no way intended to reduce the scope for such work. As the review report notes, the function of independent reporting on poverty is no longer as dependent on Combat Poverty as it was in earlier years. This is due for example to the emergence of other independent data sources such as the statistics on poverty reported by the CSO, and independent analysis by bodies such as the ESRI and NESC and on the international by the EU and OECD. And of course, Ireland is well-served by the social partners, and a wide range of NGOs and other groups who have a strong voice in public debate about poverty and related issues.

I intend to prioritise putting in place procedures to ensure that the views of these and other stakeholders, including people experiencing poverty, continue to be available to Government in developing and monitoring the social inclusion strategies. The Department is currently finalising proposals as to how this might be achieved.

As part of the review of the state agencies, the Government has also agreed on a new structure for the Money Advice and Budgeting Service. This will involve placing MABS with the Citizens Information Board and thereby making the most of the complementarity between their respective roles.

Conclusion

Those are the main elements of the financial and other changes incorporated in the Social and Family Affairs part of Budget 2009.
With extra funding of €2.6 billion next year, a range of improvements will be made in social welfare schemes, including –

- €7 extra per week for State pensioners;
- €6.50 extra per week for welfare recipients of working age, such as jobseekers and those on illness benefit;
- An extra €2 per week on the fuel allowance, with payment also being made for an additional 2 weeks;
- Increases in child-related payments to those dependent on social welfare and improvements in the Family Income Supplement for low income working families; and
- 18,000 more families becoming eligible for the Back to School Clothing and Footwear Allowance.

As I detailed at the start, in order to fund these improvements along with making payments to increasing numbers of people on the live register, it has been necessary to make savings in some areas. However, we have kept these expenditure control measures to an absolute minimum.
Ends

SPEECH ENDS