



**SOCIAL WELFARE BILL 2006**

**SECOND STAGE**

**SEANAD ÉIREANN**

**SPEECH**

**by the**

**MINISTER FOR SOCIAL AFFAIRS**

**SÉAMUS BRENNAN, T.D.**

**14<sup>th</sup> December 2006**

**NB CHECK AGAINST DELIVERY**



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### **Introduction**

I move that the Social Welfare Bill 2006 be now read a second time.

I am very pleased to introduce this, the first of two Bills intended to implement the largest social welfare package in the history of the State of €1.41 billion announced last week in Budget 2007. This substantial investment brings total expenditure on social welfare in 2007 to €15.3 billion, or €1 for every €3 of Government day to day spending.

In total, week in, week out, some 1.5 million people will benefit from the significant increases and improvements in the Budget that will protect and improve the living standards of social welfare recipients.

This Budget is about delivery. Delivering on this Government's commitments by bringing the State Pension (Non-Contributory) to €200 per week and realising the 2007 target for the lowest social welfare rates. With increases in the Qualified Adult Allowances, a pensioner on State Pension (Contributory) will be better off by almost €40 per week. In addition, the lowest rate of Social Welfare payments have increased by 12.1%, far in excess of the expected increase of 4.5% in private sector earnings and almost three times the forecast rate of inflation for 2007.

As well as massive income support improvements of over €970 million, another €430 million, or nearly one third of the total package, is being directed to support a range of significant reform measures including-

- confronting and tackling remaining child poverty;
- increasing income supports for all pensioners,
- recognising and supporting carers and those with disabilities, and
- increasing the status and incomes of women.

These are major structural reforms which, when taken with a number of other reforms and changes that are being implemented or progressed, particularly in the areas of Lone Parents and pensions, will contribute greatly to the overall policy reform agenda that I have been pursuing for the last two years.

These reforms are about more than just increasing incomes. They are important and necessary structural reforms that create change, open up fresh opportunities and deliver enlightened social policies.

### **Child Poverty**

On many occasions I have described child poverty as totally unacceptable in the prosperous and progressive Ireland of the 21<sup>st</sup> century. Childhood deprivation can leave lasting marks on children

by impeding their development and curbing their life chances. It is a complex area that overall requires an integrated, joined-up Government response, such as the programme of priority measures envisaged in *Towards 2016*.

However, in the meantime, I am determined that further progress must be made. That is why at the core of this welfare Budget is the commitment to an even stronger and more focused campaign. We



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have already travelled some distance towards eliminating hardship and deprivation. In recent years we have lifted more than 250,000 people, including 100,000 children, out of poverty. But there is still a distance to travel.



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I have long held the view that implementing a second tier of payment for children in low income and welfare families is the most effective method of significantly reducing remaining child poverty. Overall, Child Benefit remains the main universal support for families with children.

I now intend introducing in this Bill, a new single high rate Qualified Child Allowance (formerly Child Dependent Allowance) targeted specifically at families on welfare where, naturally, children are most at risk of poverty. The current three Qualified Child Allowance rates will be combined into a single rate of €22 per week to be paid for over 340,000 children of welfare families.

For those on the current lower rates of €16.80 and €19.30 per child per week, this represents a substantial improvement, particularly when taken with Child Benefit and other increases. The Allowance has remained unchanged since 1994 because it was viewed as a disincentive in moving people from welfare to work.

But Ireland's labour market has changed dramatically in the 12 years since. Initiatives such as the introduction of the National Minimum Wage, the National Employment Action Plan and the re-focussing of the Family Income Supplement scheme have all served to further reduce the impact of the loss of qualified child allowance in the decision to take up full-time employment.

I view this improved and targeted allowance as representing a substantial move in the direction of a second tier payment and that is why in this Budget, I have deliberately taken the decision to focus increased child supports in this area.

The Budget included a number of other targeted measures:-

The Back to School Clothing and Footwear Allowance, a vital additional income support for poorer families at a particularly difficult time of the year, is being increased by €60 and €95, an increase of 50%. Over just two budgets this allowance has nearly doubled in value.

The Family Income Supplement (FIS), which provides cash support for employees with families on low earnings, while at the same time maintaining incentives to employment, was refocused by me last year to concentrate on larger families, as all the evidence suggests that is where poverty is rooted.

These improvements, coupled with the response to the nationwide awareness campaign, has resulted in an increase of over 20% - to 21,400 families - receiving FIS. In the Budget I am continuing this approach by re-focusing the FIS weekly earnings thresholds in favour of larger families. Consequently, average payments per child will increase to nearly €50 and changes in the thresholds will entitle around 5,600 additional families to the payment.

### **Pensioners**

Everyone is entitled to a decent pension and security and dignity in their later years. We have a responsibility to assist those who for reasons of age, health or other circumstances need the financial lifeline that is welfare support. At the core of the Government's commitment to delivering a number of specific, and ambitious, improvements in social welfare rates by 2007, was the pledge to bring the basic State Pension to €200 per week. I am pleased to have been able to deliver on that promise, increasing the State Pension (Non-Contributory) by €18 per week to €200 with effect from next January, and the State Pension (Contributory) to over €209 per week.



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The needs of older people have been, and will remain, a priority for this Government. For instance, since 1996, pensions have increased by almost 119%, or about 57% in real terms, faster than both price and wages growth over the period.



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All the more recent indicators, including the latest EU Survey on Income and Living Conditions for 2005, show the progress which is being made in significantly improving the well being of older people, with the consistent poverty rates for older people very low at 3.7%, even before the many benefits flowing from Budget 2006 are taken into account.

Budget 2006 increased, for the first time in many years, the basic income disregard for the means test for State Pension (Non-Contributory) to €20 per week. At the same time, I introduced incentives for pensioners on means-tested payments to earn up to €100 per week and retain their pension entitlements.

In Budget 2007, I am building on these improvements by increasing the disregard to €30 per week, and doubling the allowed earnings to €200 per week. These measures will benefit approximately 26,000 pensioners each week who are currently in receipt of a reduced rate of pension. They will, of course, also benefit from the general €18 per week increase in the personal rate of payment and, where relevant, the €11.90 increases in the qualified adult rate.

In other words, many non-contributory pensioner couples will gain by over €46 per week from these combined measures, with effect from next January.

Meeting household heating costs, particularly through the winter months, can be a cause of concern and anxiety for older people. Increases in energy and fuel prices only add to these anxieties. That is why we have taken actions to protect older people from the impact of price increases. Last year, I increased the fuel allowance to 274,000 recipients by €5 per week to €14 and this year I am again increasing it by a further €4 to €18 per week, a doubling of the allowance in just two years.

In addition, to address fuel poverty and to alleviate the worries of elderly people, from next January, the number of free units of electricity and gas paid under the Household Benefits Scheme will increase significantly by some 700 units a year to over 2,500 units, at a cost of €50m.

In this Budget, I am introducing a number of further improvements to the Household Benefits package. From next April, it will be possible for pensioners and others who qualify to have the free telephone allowance paid in respect of mobile phones as well as fixed landlines.

I am also extending the automatic entitlement to a Free Travel Companion pass to pensioners aged under 75 who are medically unfit to travel unaccompanied. Also, from early 2007, there will be the start of the introduction of all Ireland Free Travel which will deliver all-island free travel for all pensioners, North and South.

### **Carers**

Carers make a valued and valuable contribution to society by devoting their time and energy to improving the quality of life for others. I am determined that their dedication and sacrifice will be recognised and acknowledged through increased benefits and improved support measures.

Since 1997:-

- weekly payment rates to carers have been greatly increased,
- qualifying conditions for Carer's Allowance have been significantly eased,
- coverage of the scheme has been extended, and
- new schemes such as the Respite Care Grant and Carer's Benefit have been introduced and extended.

As a result of these improvements there are now almost 28,500 carers in receipt of either Carer's



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Allowance or Carer's Benefit. We are committed to the development and publishing in 2007, of a National Carer's Strategy which will focus on supporting informal and family carers in the community. Now, I am pleased to announce further reforms, increases and improvements.

As I have said on many occasions, the primary objective of the social welfare system is to provide income support and so the rules specify that only one weekly welfare payment can be paid to any



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individual. I am aware that this has been a cause of particular concern to people in receipt of a welfare payment when they become carers. Indeed, the Joint Oireachtas Committee on Social and Family Affairs made very specific recommendations in this regard which I have taken into account.

Accordingly, I am introducing fundamental structural reforms in this area. In future, people in receipt of certain social welfare payments, who are also providing full time care, will be able to retain the main welfare payment and also receive another payment, equivalent of up to half-rate Carer's Allowance.

I expect some 18,000 carers should qualify for a half rate Carers Allowance of up to €109 per week under the new dual-payment system. The precise details of the new arrangement are currently being examined by my Department and will be set out in the next Social Welfare Bill.

The reforming of the system and the abolishing of the old rule on two welfare payments means that for the first time people who are caring will have some real recognition of their caring duties. It also means we will be starting to recognise the Carers Allowance less as a welfare income payment and more as a direct support for caring duties and responsibilities. I consider this reform to be an important step forward and I am now determined to press ahead with other needed reforms and improvements. Overall, the Budget delivered an investment of over €107 million in a comprehensive carers package.

### **People with Disabilities**

This Bill achieves one of the principal commitments in my Department's Disability Sectoral Plan.

People in residential care prior to August 1999, or those who entered residential care after that date without an entitlement to Disability Allowance, are disqualified from receipt of the Allowance solely because of their residency. This situation was partially addressed in Budget 2005 when I introduced a new Disability Allowance Personal Expenses Rate, currently payable at €35 per week to 2,700 people in residential care.

I am now providing for the eligibility to full Disability Allowance from next January of all persons resident in institutions as a matter of right. In further advances in the area of disability, the Citizens Information Bill 2006, which is due to complete its progression through the Dáil later today and which will be before this House early next session, lays the statutory foundation for the provision of a personal advocacy service to people with disabilities, for which a further €1.9m is being allocated to continue the development of this and related services next year.

### **Supporting Women**

In delivering on the commitment to greater gender equality in the welfare system, and in making the welfare code fairer to women, this Bill includes important reforms that will lead to more enlightened social policies in the pension's area. Increasing the rate of Qualified Adult Allowance for the spouses and partners of contributory pensioners by €23.70 per week will benefit some 35,500 couples. It will bring the rate of Qualified Adult Allowance payments for those aged 66 years of age, and over, to 86.5% of the target rate contained in the Government



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commitment of bringing the rate up to the rate of the State Pension (Non-Contributory). There is now a €60 million commitment to reaching that target inside the coming three years.

I also intend to introduce legislation, in the next social welfare Bill to be presented to this House in March next year, to provide for the qualified adult's entitlement to the Qualified Adult Allowance for the duration of the entitlement of a State pensioner. As most qualified adults are women, this decision will be of enormous benefit to them as it will, in most cases, transform the payment into what is, in effect, a woman's pension in her own right. I also intend to provide for this payment to be made directly to the qualified adult. I am also proposing to significantly reform the manner in



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which spouses and partners are assessed as Qualified Adults across a range of social assistance schemes. The proposed reform involves assessing both members of a couple in a similar manner, with common disregards and assessments applying to both.

Also, I will be removing the poverty traps that are present in the current method of assessment. Under the reforms proposed, increases in labour market participation will instead be rewarded and this will facilitate women in moving beyond the occupational cul-de-sac of indefinite part-time employment with earnings kept below €100 per week. I am confident that these proposals will significantly reduce the complexity in the present system, while recognising and rewarding increased labour market participation by all, and particularly by women.

### **Widows and Widowers**

This Bill introduces two beneficial measures which will assist widows and widowers at a particularly difficult time in their lives, in the immediate aftermath of the death of their spouse. To help in easing the financial strains at this sensitive time, the Widowed Parent Grant is being increased by €1,300 to €4,000 while the Bereavement Grant will be increased by €215 to €850.

### **Provisions of the Bill**

I will now outline the main provisions of the Bill.

#### **Pensioners – Personal Rates**

Sections 2 and 3, together with Schedules 1 and 2 of the Bill, provide for an increase of €16 for State Pension (Contributory) recipients, Widow(er)'s (Contributory) pensioners, those in receipt of Deserted Wife's Benefit who are aged 66 years and over and for people on State Pension

(Transition) and Invalidity pensions aged 65 years and over. An increase of €18 per week is provided for those in receipt of State Pension (Non-Contributory) and those in receipt of Carer's Allowance. Recipients of Invalidity and Widow(er)'s (Non-Contributory) pensions as well as those

in receipt of Deserted Wife's Benefit and Carer's Benefit will receive an increase of €20 per week. Payments such as Jobseeker's Benefit and Allowance, Illness Benefit, One-Parent Family Payment, Disability Allowance, Supplementary Welfare Allowance, Carer's Allowance, Farm Assist and Guardian's Payment are all increased by €20 per week.

#### **Qualified Adult and Child - Increases**

Weekly increases in respect of qualified adults, ranging from €23.70 in the case of State Pensions (Contributory and Transition) where the qualified adult is over 66 years of age, to €10.70 if under 66, will ensure that the existing proportional relationship between all personal rates of payment and that of their associated qualified adult allowances is either significantly increased to almost 83% in the former or maintained at over 66% in the latter.

These sections of the Bill also provide for increases in the qualified child allowance rates to bring the existing 3 rates up to a single standard rate of €22 per week. Where reduced rates of payment apply, proportionate increases apply. All personal, qualified adult and qualified child increases take effect from the first week in January 2007.

#### **Payment of Increases**



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Increases for recipients of Jobseeker's Benefit and Allowance, Illness and Maternity Benefit, One- Parent Family Payment, Family Income Supplement, Farm Assist and Supplementary Welfare Allowance will be paid from the first payday in January 2007.

Due to the lead-in times involved in the production of Personal Payable Orders for certain long-term payments such as pensions, it will not be possible for Budgetary increases to be paid



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immediately, in such cases, from January next. Some 142,000 recipients (of, for example, Widow(er)'s, Carer's and Invalidity payments) will receive their new order books in mid-February. This group will receive 6 weeks arrears of their Budget increase which will be included in the first order of the new book and the weekly increase will be incorporated in their normal weekly payment thereafter.

Certain other long-term recipients (such as State pensioners and those in receipt of Disability Allowance – some 276,000 customers) will receive new pension order books at the end of March. This group will receive a special once-off payment in mid-February representing 12 weeks of their budgetary increase. This will cover retrospection of the increase to January plus an advance payment of the increase to the end of March. From the book renewal date at end of March, the increase will be incorporated in the normal weekly payment.

### **Family Income Supplement**

As already mentioned, Section 4 provides for increases in the weekly income thresholds applied in determining entitlement to Family Income Supplement with effect from 4 January 2007. The new thresholds will range from €480 for a family with one child to €1,090 for a family of 8 or more children. For example, a family with 3 children on €500 or about two thirds of gross average industrial weekly earnings will receive €75 in 2007 compared to €39 currently - an increase of €36 per week.

### **PRSI**

Sections 5 and 6 of the Bill provide for changes in PRSI. In Budget 2006, the position was achieved whereby the threshold for liability to the employee element of PRSI was set at €300 per week. This was equivalent to the entry point to taxation. The measure ensured that an employee earning up to this threshold amount, which was slightly higher than the annualised equivalent of the minimum wage rate for 2006, would not be subject to tax or PRSI. With a view to maintaining this position in 2007, the weekly threshold is, at Section 5 of this Bill, being set at €339, which is, at €17,628 per annum, slightly above the threshold of €17,600 for payment of income tax for employees aged under 65.

In addition, Sections 5 and 6 provide that the earnings ceiling for employees' social insurance contributions and the income ceiling for optional contributors are increased, by €2,200 from €46,600 to €48,800 per annum with effect from 1 January 2007. This is an increase of approximately 4.8% and is in line with projected earnings increases.

### **Maternity and Adoptive Benefit**

Section 7 of the Bill provides for an increase of 4 weeks, from 22 weeks to 26 weeks in the duration of Maternity Benefit. Section 8 provides for an increase of 4 weeks from 20 to 24 in the duration of Adoptive Benefit. These improvements take effect from 1 March 2007.

### **Bereavement**

As already mentioned, Section 9 and Schedule 1 of the Bill provides for an increases of €1,300 to €4,000 in the Widowed Parent Grant and €215 to €850 in the Bereavement and Death Benefit Grants. All increases take effect from Budget Day.



**Means Test Disregard**

Section 10 provides for an increase of €10, from €20 to €30, in the weekly means disregard for State Pension (Non-Contributory) means testing purposes from January 5, the same day the Budget increase of €18 per week also comes into effect.

**Disability Allowance**



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Section 11 makes provision, as outlined earlier, for the payment of full-rate Disability Allowance to those resident in institutions prior to 1 August 1999. A partial rate of €35 has been payable to some 2,700 such persons since 1 June 2005. Entitlement to the full-rate Allowance will commence in January.

### **Self-Employed Social Insurance Contributors**

The legislation providing for the introduction of self-employed or class S contributions in 1988, excluded from liability self-employed workers whose total income was below a threshold of £2,500, equivalent to €3,174 per annum. At the time, those who engaged in self-employment but were entitled to Unemployment Assistance were excluded from liability for PRSI in view of their low income levels.

Over the years, the threshold for class S liability has remained unchanged while there has also been significant improvements in disregards for means tested schemes, notably in relation to Farm Assist. Added to this is the fact that there is no provision for the award of credited contributions to self-employed workers. Therefore, a self-employed worker who is in receipt of Farm Assist, or Jobseeker's Allowance may only maintain his or her contribution record through opting into the voluntary contribution scheme.

In this context, it is desirable to improve access to social insurance coverage and enable continuing social insurance protection, specifically the accrual of contributions towards a State Pension (Contributory), by removing the exemption from PRSI liability for those in receipt of Farm Assist and Jobseeker's Allowance.

I am providing for this at Section 12 of this Bill.

### **Health Contribution**

To ensure that the position of those on lower incomes is protected, the Health Contribution Levy threshold is being increased by €40 from €440 per week to €480 per week with the corresponding annual threshold being increased from €22,880 to €24,960. Furthermore, an additional 0.5% is being introduced in respect of income to the extent that it exceeds €100,100 per year or equivalent to €1,925 per week. This increase, which is expected to affect only the top 10% of earners, is effective from 1 January 2007.

### **Conclusion**

This Social Welfare Bill, the first of two instalments, builds further on the considerable progress that has been made in recent years through a range of Government measures. It safeguards the living standards of those who rely on social welfare income and other supports and prioritises the allocation of resources at those most in need. This Bill is also about solid and fundamental structural reforms of welfare policies. Reforms that will modernise. Reforms that will make the welfare system more fairer to all. And reforms that will deliver more enlightened social policies.

I commend the Bill to the House and look forward to a constructive debate.

