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An Roinn Coimirce Sóisialaí

Department of Social Protection

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Minister Éamon Ó Cuív - Older people fully protected in 2011 Social Protection Budget

- **Helping people back to work – 15,000 work placement positions**
- **Employer Job (PRSI) Incentive scheme – closing date for applications extended to the end of 2011**

Éamon Ó Cuív, TD, Minister for Social Protection this evening (7 December 2010) said that the expenditure in his Department in 2011 will be **€20.62 billion** and "that the Government has aimed to "protect older people as far as possible in the year ahead with no reduction to their State Pension." The Free Travel scheme for older people as well as their 'Household Benefits' package (i.e. Free Television Licence, Telephone Allowance, Electricity/Gas Allowance) will all be maintained at current levels.

The Minister also said: "Bearing in mind the recent bad weather, I am also providing for a special once-off additional 2 weeks payment, worth €40, of Fuel Allowances. This will be paid to most recipients in the next few weeks with the remainder of recipients getting this payment in early January."

Minister Ó Cuív also said: "The half rate Carer's Allowance will continue to be paid to people who are full-time carers and who are receiving another welfare payment. The extra payment for caring for more than one person will also be retained. Carers will also continue to get their annual Respite Care Grant of €1,700 for each care recipient. Although Child Benefit rates are to reduce in 2011, the following schemes have been fully maintained - Family Income Supplement (weekly income thresholds unchanged); Back to School Clothing and Footwear Allowance; Domiciliary Care Allowance (paid to parents and guardians of certain children with disabilities under 16 years of age) and the Widowed Parent Grant."

New lower rates of payment for people under 66 years of age are being introduced, with a rate reduction of €8 (or an average of 4.1%) and while the Carer's Allowance rates for carers aged 66 years and over will not change, rates for carers under age 66 years will reduce by 3.8%.

Minister Ó Cuív said: "Budget 2011 is the first step in achieving the goals of our recently published *National Recovery Plan 2011-2014.* As the biggest spending Government department it is not possible to stabilise and reduce our public spending without any impact on my Department's budget, therefore a **€873m** reduction in expenditure is necessary in Social Protection for 2011. Nonetheless the Government will still spend **€20.62 billion** (38% of all current spend) supporting over 1.3 million people, in addition to their children. As Minister for Social Protection, I am fully aware that the expenditure changes in this Budget will affect the living standards of many of our citizens in the short-term. However if we put off these changes there will be a greater burden in the future on all those who can least bear it. 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 in society."

The Minister added: "My focus, in the context of our *National Recovery Plan*, is to make as much savings as possible from my Department's fraud control measures, from labour activation measures, reductions in the live register through increased employment and structural reform. If we can make substantial progress in these key areas, reductions in individual rates can be minimised over the period of the Plan."

KEY ELEMENTS OF BUDGET 2011 (SOCIAL PROTECTION) INCLUDE:

HELPING PEOPLE BACK TO WORK – 15,000 NEW PLACES

"Helping people get back to work is a key priority for the Government," said the Minister. A new work initiative called *Tús* is to be launched with **5,000 places** providing work opportunities in the community. "The 52 Local Development Companies (LEADER/Partnership) will have local responsibility for delivering the work opportunities," said the Minister. Participants will work 19.5 hours a week for 12 months and their rate of payment will be the maximum rate of their social welfare payment plus a weekly €20 top up.

Ten thousand extra work place positions and internships will also be provided in the public and private sector – (through the Department of Education and Skills).

The Minister added: "I am pleased that the Employer Job (PRSI) Incentive scheme's closing date for new applications is being extended to the end of 2011. This scheme exempts the employer from paying their share of PRSI for 12 months and is a direct stimulus for the economy by saving employers money and shifting the balance in favour of job creation."

OLDER PEOPLE FULLY PROTECTED

Older people will continue to get their State Pension at current rates (the weekly rate of State Pension (Contributory/Transition) is €230.30 per week while the Non-Contributory rate is €219) as well as the Free Travel, Free TV Licence, Telephone Allowance and Electricity or Gas Allowance at current levels. Allowances such as the Living Alone Allowance, Over 80 Age Allowance, Fuel Allowance and the Islander Allowance will also not change.

The Widow's/Widower's (Contributory) State Pension/Deserted Wife's Benefit aged 66 and over will be maintained at current levels.

CARERS

The half rate Carer's Allowance will continue to be paid to people who are full-time carers and who are receiving another welfare payment. The increased payment for those caring for more than one person will also be retained. Carers will continue to get the annual Respite Care Grant of €1,700 for each care recipient.

The weekly Carer's Allowance rates for carers aged 66 years and over (€239) will not change. Rates for carers under age 66 years will reduce by 3.8%. (From €212 to €204).

NEW LOWER RATES OF PAYMENT FOR PEOPLE UNDER 66 YEARS OF AGE (I.E. JOBSEEKERS PAYMENTS, ONE PARENT FAMILY PAYMENT, DISABILITY ALLOWANCE ETC)

Weekly personal rates of the main social welfare payments for people under age 66 will reduce by an average of 4.1%. The main rate in 2011 will be €188 per week, a reduction of €8 on 2010. "This 2011 rate is still higher than the 2007 rate which was €185.80," said the Minister.

The weekly rate of Supplementary Welfare Allowance will reduce by €10 or 5.1%. 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.

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

The rate of Jobseeker's Allowance payable to those aged 21 and under is unchanged at €100 per week.

CHANGE TO CHILD BENEFIT RATES

Child Benefit (paid in respect of the 1st and 2nd child) is being reduced by €10 per month to €140. The payment for the 3rd child is being reduced by €20 to €167. The payment for the 4th and subsequent children will reduce by €10 to €177. Currently over 585,000 households receive Child Benefit in respect of 1.11 million children. The additional benefit and grants for multiple births will continue to be paid. There will be no change to the weekly Qualified Child Increase paid to those getting weekly social welfare payments.

The following schemes have been fully maintained: Family Income Supplement, Back to School Clothing and Footwear Allowance, Domiciliary Care Allowance and Widowed Parent Grant.

STRUCTURAL CHANGES

The Minister said: "The Social Welfare system will be reformed to ensure that there is an improvement of outcomes for people and their families reliant on my Department's support and that there will always be an incentive to move from welfare to work."

On the 24 November, the Department published three reports which will assist with key areas of structural reform of the social welfare system. "They cover important areas," said Minister Ó Cuív, "namely child income support payments, as well as payments to people of working age and to people who are ill or have a disability. The three reports will make a valuable contribution to the transformation agenda and should be placed in this broader context of reform of the social welfare system."

The reports (accessible on www.welfare.ie) are entitled:

1. *A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes*
2. *Report on the Desirability and Feasibility of introducing a Single Social Assistance Payment for People of Working Age*
3. *Value for Money Review of the Disability Allowance Scheme*

ASSISTING THOSE WITH DISABILITIES TO PARTICIPATE IN THE WORK FORCE

Policy and operational changes are planned that will assist people with disabilities, who choose to work, to do so. As part of a change agenda, the Social Welfare (Miscellaneous Provisions) (No 2) Bill provides for a Partial Capacity Scheme which will allow people return to work and retain all or part of their social welfare payment.

PRSI SYSTEM - MEASURES

The Minister said: "Significant changes are being made to the PRSI system. 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. In tandem with this measure, the rate of PRSI for pre-95 civil and public servants is being increased from 0.9% to 4% on income over €75,036. The self-employed PRSI rate is also being increased by 1% to 4% and the point above which self-employed persons are required to pay PRSI on all income moves from €3,174 to €5,000. 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, a halving of the relief on these contributions for employers, and the application of PRSI to share options and gains. In addition, a 4% charge to the social insurance fund, with no benefits accruing, will apply to holders of public offices.

The Minister added: "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."

REFORM TO RENT SUPPLEMENT

The Rent Supplement Scheme will be reformed. This will include an additional €2 per week contribution by certain welfare recipients towards the cost of rent, consequential on the reduction in the rate of Supplementary Welfare Allowance. Discussions will also be entered into with the Department of the Environment, Heritage and Local Government with a view to more closely aligning the minimum contribution payable by households, with that paid by the equivalent households under the local authority rent scheme.

Efficiencies arising from the transfer of the Community Welfare Service staff to the Department of Social Protection allowing improved and more targeted resources to control activities will generate additional savings.

CAPS TO RTÉ AND CIÉ

Payments to RTÉ and CIÉ for TV licences and Free Travel respectively will be capped at 2010 REV figures for the duration of the *National Recovery Plan*. "This does not affect recipients," said the Minister, "but does generate savings in the long term."

SOVEREIGN ANNUITIES

Minister Ó Cuív said: "The Government is very conscious of the impact the financial crisis has had on pension funds. The purpose of this proposal announced this evening is to broaden the range of options available to pension scheme trustees to restore the solvency of their schemes by providing scheme trustees with a choice to match their scheme liabilities against an Irish bond or sovereign annuity."

New bonds which will facilitate a sovereign annuity will be made available by the NTMA for purchase by investors and pension schemes from January 2011.

The Minister said: "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 that will deliver higher yields and improve the funding position of their schemes. It also gives pension funds new opportunities to invest in Irish Sovereign Bonds thus keeping their funds in the country. It will also act as a new source of funds for the NTMA."

(A separate press release has been issued today on this proposal). See www.welfare.ie

FRAUD CONTROL

"Ensuring that the Department is doing everything possible to protect the resources needed to pay those who are genuinely entitled to social welfare payments is a key priority," said the Minister. "The Department will continue to use every available means to eliminate social welfare fraud." The Department's fraud control saving this year will be €533 million.

The new *Public Services Card* will act as a key for public services in general. Card issue for customers will commence rollout early in 2011 and continue over a few years. The Card, which will include a photograph and signature, will ensure that people can access services across multiple channels (e.g. at a front desk, online, by phone) with a minimum of duplication and effort while preserving their privacy to the maximum extent possible. The Public Services Card will, in time, replace cards which are currently in use, such as the Social Services Card and the Free Travel Card. Security features of the card, which will help in authenticating a person are also expected to minimise the rate of fraud and error in social welfare schemes.

Certification by Electronic Means

As set out in the Social Welfare (Miscellaneous Provisions) (No.2) Bill 2010, the Department is exploring the potential for certain people who receive Jobseeker's Allowance and Jobseeker's Benefit to complete their certification ("signing-on") process by electronic means. "We will be changing the current signing process in the Department's Local and Branch Offices to collect signatures via a digital signature pad and we are exploring the possibility of using electronic channels for certification such as online through the internet or by using the mobile phone. These measures would free up staff resources to concentrate on client, claim, payment and control issues and would reduce pressure on Local Office facilities and accommodation," said the Minister.

ENDS

EDITOR'S NOTE

PRSI Changes Budget 2011

There are changes to the PRSI system and Levies in **Budget 2011**

- A charge to the Social Insurance Fund is being levied on Office Holders – this will apply at a rate of 4% of all income, where income is above €100 p.w. or €5,200 p.a.
- The employee PRSI ceiling for employees, which had stood at €75,036, is being abolished.
- The self-employed PRSI rate is being increased by 1% to 4% and the exemption threshold (Over this amount self-employed pay PRSI on all income for Class S moves from €3,174 to €5,000).
- The rate of PRSI for pre-95 civil and public servants (Classes B, C and D) is being increased to 4% on income over €75,036.
- The Health Contribution is being abolished.
- Employee PRSI relief on employee pension contributions is being abolished.
- Employer PRSI relief relating to employee pension contributions is being reduced by 50%.
- Employee PRSI relief on public service pension-related deductions (the pension levy) is being abolished.
- PRSI will now be levied on:

- Approved Profit Sharing Schemes

- Approved SAYE Schemes
- Share awards
- Unapproved share option gains

ENDS

Issued by the Department of Social Protection. For more details see the Budget Factsheet 2011. Click here.