TSG 11/13

Department of Social Protection

Social Welfare Package – 2012 Budget Issues

Overall Approach to Budget 2012

1. The 2012 Department of Social Protection (DSP) Budget package will need to be considered having regard to the following:

    i. Ensuring an adequate and sustainable welfare system in the years ahead, particularly having regard to the challenges faced by demographic pressures;
    ii. Ensuring that the resources available to DSP in 2012 and later years are directed towards providing targeted support to those who are most at risk of poverty;
    iii. Ensuring that any measures introduced in Budget 2012 should be consistent with the medium to longer term development of the social welfare system or, at a minimum, should not make such progress more difficult;
    iv. Maintaining, as far as possible, a sustainable social insurance system, based on paid PRSI contributions with an appropriate level of entitlements in due course based on these contributions;
    v. The introduction of significant structural reform, along the lines proposed in the Value for Money Reviews[1] published in November 2010, in order to facilitate the move from welfare to work;
    vi. The refocusing of the DSP corporate structure and activities towards reducing long-term dependence on welfare payments through substantially more intensive interaction with individual clients with the goal of higher employment and participation levels;
    vii. Reducing the complexity of the system in order to simplify it for both clients and staff, particularly in the context of scarce and reducing administrative resources; and
    viii. Ensuring that payments are delivered only to those with an underlying entitlement, in the most efficient and effective manner.

2. These objectives can be achieved through:

    i. Concentrating available resources towards the maintenance of primary weekly and monthly income support;
    ii. Major structural reform of the schemes and services operated by DSP, including a critical examination of the continuation of entitlement to more than one primary payment, as well as the levels of other supplementary payments and benefits in kind;
    iii. Other structural changes to welfare schemes, such as the relatively generous disregards which apply to certain schemes, contribution conditions for some social insurance payments and arrangements relating to "late" claims; and
    iv. Ensuring that all Budgetary changes have regard to the cross-cutting impact of the totality of all measures, including taxation and other non-DSP changes, on individuals and families.

[1] Report on the desirability and feasibility of introducing a single social assistance payment for people of working age; A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes; Value for Money Review of the Disability Allowance Scheme.

3. Consideration of all options for Budget 2012 should be seen in the context of the very significant programme of change which has been and is ongoing in DSP, for example:

   - The merger of DSP with FÁS and the Community Welfare Service will form a new organisation focusing, not only on income support but also helping clients, on a case managed basis, to reduce their dependence on that support.

   - The development of new National Employment and Entitlements Service (NEES) announced by the Minister for Social Protection on 3rd August 2011 (as provided for in the Programme for Government).

   - The ongoing programme of continuous improvement to enable the organisation to work more efficiently and effectively, provide an improved client service and maximise the capabilities of DSP staff. This involves the redesign of office systems, business processes, procedures and work practices and the introduction of new technology solutions.

Policy Context

<u>EU / ECB / IMF</u>

4. The Memorandum of Understanding with the EU/ECB/IMF Funding Group includes a specific commitment that DSP will build on its recent studies on working age payments, child income support and Disability Allowance with a view to producing a comprehensive programme of structured reforms that can help better targeting social support to those on lower incomes, and ensure that work pays for welfare recipients[2]. A progress report will be made by end December 2011 and a programme of reforms will be submitted to Government at the end of the first quarter of 2012.

<u>Programme for Government Commitments</u>

5. For many years, the main factors influencing the budgetary strategy of the DSP have been the social welfare commitments contained in the various programmes for Government and anti-poverty plans. Policy commitments in the current Programme for Government which specifically relate to DSP are listed in Appendix 2. The Programme contains a commitment '*to maintain welfare rates*'. The priority, therefore, should be to avoid reducing primary rates of payment and achieve any savings required through structural reform.

<u>Comprehensive Review of Expenditure</u>

6. The Review has been completed by DSP and submitted to D/PE&R. The DSP Review is wide-ranging, given the scale and complexity of DSP expenditure, the key role it plays in the wider economy and its importance in any consideration of measures which will contribute to fiscal consolidation. A large number of options for changes in schemes and services have been identified for consideration by the Government. The critical importance of structural change generally is emphasised in the Review.

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[2] The main commitments in the MOU are detailed in Appendix 1.

Structural Reform

7. The social welfare system has developed on an incremental basis over the years. While the system has been continuously improved, many of these improvements have been on an ad-hoc basis and have been targeted at specific groups or sub-groups of recipients. In addition, such an approach has added considerably to complexity generally, thereby consuming administrative and IT resources as well as the impact on clients.

8. Recent structural reform initiatives include the implementation of key features of the National Pensions Framework and the reforms introduced in the One-Parent Family Payment in April 2011.[3]

9. Further structural reform will be complemented by the reform of the Department's organisation. Key areas for structural reform include:

    i. Reform of Working Age payments so as to facilitate activation;
    ii. Continued implementation of the National Pensions Framework;
    iii. Reviewing eligibility criteria for access to social welfare schemes, in particular the contributions required for entitlement to Widow(er's)/Surviving Civil Partner Contributory Pension and the existing automatic entitlement of certain recipients to a State Pension Contributory.
    iv. Reform of Child Income Supports so as to facilitate the move from welfare to work;
    v. Re-focusing housing supports provided by DSP at present, into long-term housing solutions to be provided by appropriate bodies; and
    vi. Rationalisation of employment schemes, in particular, Community Employment, Tús and the Rural Social Scheme.

Previous Budgetary Changes

10. The extent and the scope of social welfare spending is such that the income and support services operated by the Department impact on the lives of almost every person in the State. The DSP operates some 70 separate social welfare schemes and services, and the needs and requirements of individual claimants can vary dramatically.

11. A series of changes to Social Welfare schemes were introduced in Budgets 2009, 2010 and 2011, for example:
    - Budget 2009 halved the entitlement to Child Benefit for 18 year olds, introduced a new personal rate for Jobseeker claimants aged 18 and 19 years and limited the payment of Illness Benefit to two years duration,
    - Budget 2010 and Budget 2011, respectively provided for a general reduction in weekly payment rates for all recipients aged under 66 (mainly €16.30 per recipient over the two Budgets).

[3] These changes include the abolition of the State Pension Transition in 2014, the increase in pension age to 67 in 2021 and 68 in 2028. In relation to OPFP, for new clients since 2010, entitlement is based on the youngest child being under the age of 14.

Appendix 3 sets out full details of DSP Measures in Budgets 2009 to 2011.

Levels of Weekly Income Supports

12. Over the period since 2004, the increases in the rates of weekly social welfare payments have been well ahead of price inflation (CPI), rising by about one quarter in real terms, as illustrated in the following tables.

Table 1: State Pension Contributory: Weekly Rates and Increases, since 2004

Year	Rate	Change €	Change %	Inflation Rate %
2005	179.30	12.00	7.2	2.5
2006	193.30	14.00	7.8	4.0
2007	209.30	16.00	8.3	4.9
2008	223.30	14.00	6.7	4.1
2009	230.30	7.00	3.1	-3.9
2010	230.30	0.00	0.0	-1.1
2011	230.30	0.00	0.0	2.5
2004-2011 €		€63.00		
2004-2011 %			37.7`%	13.4%

Table 2: Lowest Rate of Welfare Payment: Weekly Rates and Increases, since 2004

Year	Rate	Change €	Change %	Inflation Rate %
2005	148.80	14.00	10.4	2.5
2006	165.80	17.00	11.4	4.0
2007	185.80	20.00	12.1	4.9
2008	197.80	12.00	6.5	4.1
2009	204.30	6.50	3.3	-3.9
2010	196.00	-8.30	-4.1	-1.1
2011	188.00	-8.00	-4.1	2.5
2004-2011 €		€53.20		
2004-2011 %			39.5%	13.4%

13. The rates of Child Benefit have risen by €24.40 (19%) (Lower Rate) and €21.70 (14%) (Higher Rate) since 2004[4]. The rate of Qualified Child Increase has also increased substantially, as follows:

Table 3: Qualified Child Increase: Weekly rates and increases, since 2004

[4] When account is taken of the reductions introduced in Budgets 2010 and 2011.

Year	Rate €	Change €	Change %	% Inflation Rate
2005	16.80	0	0.00	2.5
2006	16.80	0	0.00	4
2007[5]	22.00	5.2	31.00	4.9
2008	24.00	2	9.10	4.1
2009	26.00	2	8.30	-3.9
2010[6]	29.80	3.8	14.60	-1.1
2011	29.80	0.0	0.00	2.5
2004-2011 €		€13		
2004-2011 %			77.40%	13.40%

Prices

14. Movements in prices are an important factor in any consideration of social welfare rate adjustments. In the twelve months to end August 2011 inflation has increased by 2.2%.

Table 4: Consumer Price Index by Commodity Group, CSO, August 2011

	2011 – August	
	Percentage Change over 1 month for Consumer Price Index (%)	**Percentage Change over 12 months for Consumer Price Index (%)**
All Items	0.2	2.2
Food and Non-Alcoholic Beverages	0.0	1.4
Alcoholic Beverages, Tobacco	0.2	-0.5
Clothing and Footwear	3.3	-1.2
Housing, Water, Electricity, Gas and Other Fuels	0.6	7.2
Furnishings, Household Equipment and Routine Maintenance of the House	0.6	-2.3
Health	-0.1	3.4
Transport	0.3	3.2

[5] Prior to 2007, there were two other rates of QCI (€19.30 and €21.60). All three rates were standardised at €22 in 2007.
[6] The 2010 increase fully compensated for the reductions In Child Benefit in that year.

Communication	0.0	0.1
Recreation and Culture	0.1	-0.8
Education	-0.2	-1.6
Restaurants and Hotels	0.0	-0.7
Miscellaneous Goods and Services	-0.8	6.2

15. The rate of inflation in certain commodities is of particular importance for lower income groups. In this regard,

- The bottom two income deciles spend between 30 and 35 per cent of net household income on food while the average expenditure is 17 per cent.
- Low-income cohorts spend between 9 and 13 per cent on domestic fuel, compared to an average of 3.5 per cent.[7]

16. The rate of inflation in food and non-alcoholic beverages was 1.4% in the twelve months to end-August. While the cost of housing, water, electricity, gas and other fuels has increased by 7.2%, price movements within this group have varied widely with, for example, mortgage interest increasing by over 14.6%. While electricity, natural gas and solid fuel prices are up by 7.9%, 1.4% and 0.9%, respectively on a year on year basis, the cost of liquid fuels has increased by 19.3%.

Pressures on the Social Welfare System

17. The following charts demonstrate the increasing pressures on the Social Welfare system in terms of increasing demand resulting from the increased numbers of older people and children, and the significant increase in the percentage of the working population in receipt of a weekly primary Social Welfare payment. For example, the average weekly number of recipients of SPC/SPT is estimated to increase by circa 19,500 in 2012 over the projected out-turn for 2011.

[7] Central Statistics Office (2007), *Household Budget Survey 2004-2005 final results*.

Chart 1: Working Age Social Welfare Recipients as a percentage of Working Age Population

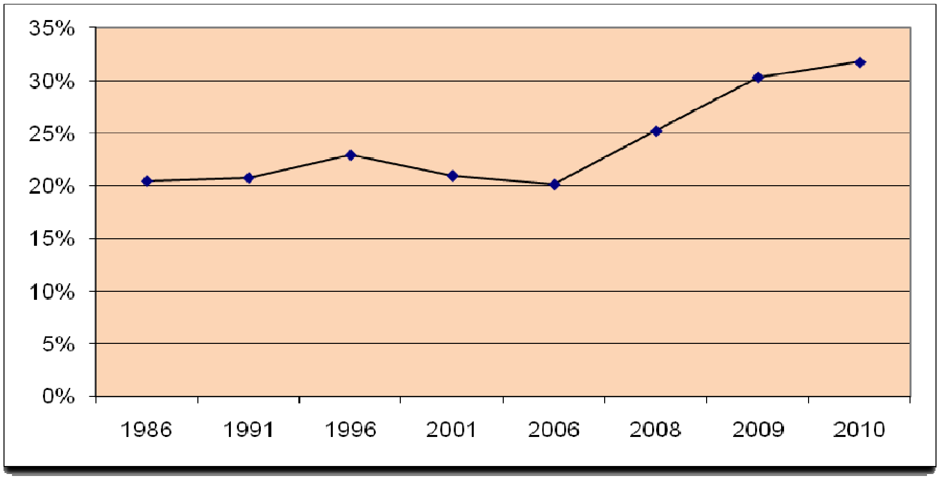
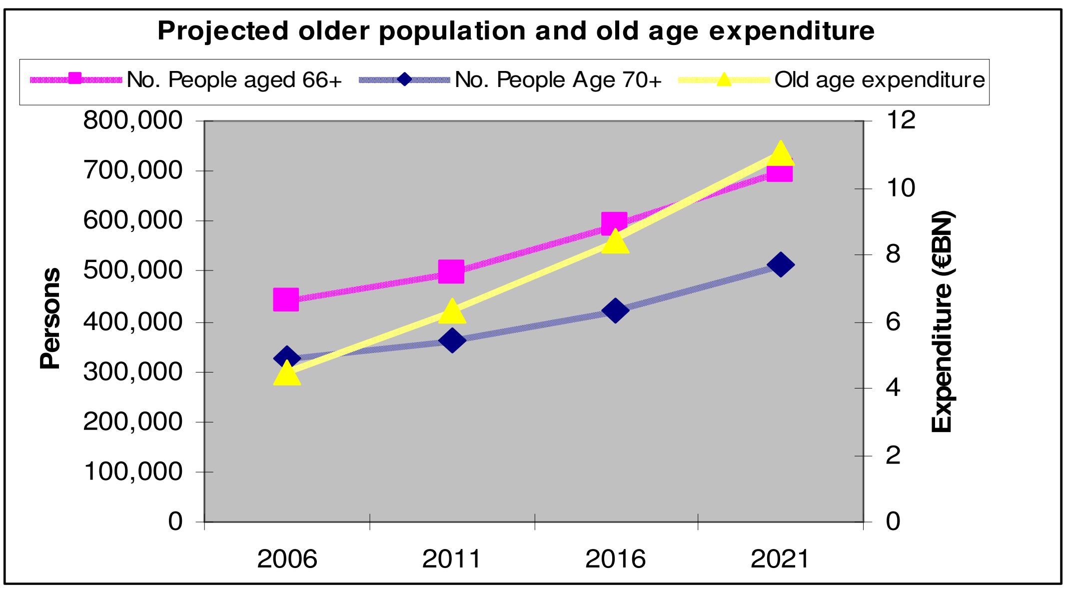


Chart 2: Projected older population and old age expenditure



Key point; 90% of older people benefit from DSP payments and this proportion will increase, especially following the extension of full rate PRSI to all new civil and public servants in April 1995. Source; Actuarial Review 2007.

Economic and Social role of DSP Expenditure

18. Social protection along with the tax system plays a key role in redistributing resources between income groups and over the lifecycle The design of social transfers is crucial in determining the way, and the extent to which, income inequalities are moderated and resources are distributed to those in poverty. Important features include the composition of

social transfers and the degree of targeting. This role is intensified during a period of economic recession, when social transfers help to cushion households against the effects of unemployment and falling incomes.

19. Accordingly, the necessity to reduce overall Government current expenditure must be balanced against the primary redistributive role of the social protection system. While DSP is being transformed into a new organisation focused on helping clients to reduce dependence on income support, it has to be recognised that, in the short to medium term, the income supports provided will play a crucial role in the lives of clients and in helping to partially offset the effect of the downturn on the wider economy. In this regard, the options chosen to reduce overall expenditure will need to be carefully balanced having regard to any potential poverty impacts and the effect on demand in the wider economy. While there are a wide range of options to reduce social protection expenditure, choosing specific policy instruments to achieve that balance presents particular challenges.

The stabilising effect of social protection

20. The economic crisis has had a major impact on disposable household incomes and on private consumption. This is especially evident through the reduction in consumer demand across all sectors of the economy, thereby creating knock-on effects in terms of higher unemployment and reduced government revenue. In this context, expenditure on social protection can play an important role in stabilising the economy by supporting the overall demand for goods and services in the domestic economy. In turn, this supporting role can contribute to mitigating the societal consequences of the recession.

21. The stabilising effect of social protection is also examined in a recent study for the European Parliament on the role of social protection as an economic stabiliser (IZA Research Report, 2010). This estimates that half of a large unemployment shock is absorbed by the welfare system in the EU, compared to only 34% in the US. The cushioning of disposable income leads to a demand stabilisation of up to 30% in the EU, compared to 20% in the US. This conclusion is also endorsed in the 2010 *Joint Report on Social Protection and Social Inclusion* by the European Commission and the Social Protection Committee: 'firm policy interventions and automatic stabilisers embedded in European welfare states have limited the economic and social impact of the crisis'.

Replacement Rates

22. There is occasional public debate about whether people on the Live Register have a financial incentive to work, sometimes accompanied by speculation about the extent to which they are in reality looking for work, given the level of wages available in the economy and the level of social welfare payments made to people on the Register. Reference has been made to the relatively high level of wages that would have to be earned to match or exceed that said to be available on social welfare, with a couple on Rent Supplement with two children being cited as a typical example.

23. Return to work patterns are often a function of more than financial rewards and include such considerations as work availability, family commitments, travel to work time and the type of available employment. However, financial incentives are important and these depend on the balance between the individual/family's disposable incomes when employed and when

unemployed. The replacement rate for given income levels measures the proportion of out-of-work benefits received when unemployed against take home pay if in work.

24. Live Register data from earlier in 2011 was analysed to determine which replacement rates reflected the actual position of those of Jobseeker's Allowance and Jobseeker's Benefit, with the following results:

<u>When compared to National Minimum Wage income:</u>
82% have an RR less than 70%
18% have an RR between 70% and 80%

<u>When compared to 67% of Average Industrial Earnings income</u>:
82% have an RR less than 60%
12% have an RR between 60% and 70%
6% have an RR between 70% and 80%

25. Where higher replacement rates occur they tend to be associated with higher numbers of child dependents in family households. People with children (23% of the LR) and people getting Rent/ Mortgage Interest Supplement (13% of the LR) are less likely to leave the Register than other categories, with average exit rates of about two-thirds of average.

26. However, it should be noted that:

- People with two or more children and Rent/ Mortgage Interest Supplement comprise 3% of the Live Register, while people with one child and Rent/ Mortgage Interest Supplement comprise a further 2%;
- 52% of people on the LR receive less than the maximum personal weekly rate;
- 69% have neither dependents nor Rent/ Mortgage Interest Supplement
- 76% claim a personal rate only, the maximum rate of which is €188 per week;
- 87% do not get either Rent or Mortgage Interest Supplement.

27. The following information gives some further background in that regard:

- The current maximum rate of Jobseeker's Benefit or Jobseeker's Allowance is:
    - €188.00 per week for a single person
    - €312.80 per week for a couple
    - €342.60 per week for a couple with one child
      (A further €29.80 per week is paid in respect of each additional child).

28. Over three-quarters of the people on the Live Register are claiming a personal rate only e.g. they are either single or may have a spouse or partner who is working etc.:

- 76% or 336,000 are claiming for themselves only (i.e. no dependents)
  (60% or 264,000 are single people)
- 5% or 21,000 are couples with no children
- 4% or 18,000 are couples with one child
- 8% or 35,000 are couples with two or more children
- 3% or 15,000 are claiming personal rate + one child
- 4% or 18,000 are claiming personal rate + two or more children

29. Just over half (52%) of the people on the Live Register receive less than the maximum personal weekly rate:

- 20% or 89,300 receive no payment
- 16% or 68,600 receive payment for part of the week only
- 16% or 75,000 others receive Jobseekers' Allowance or Jobseeker's Benefit of less than the maximum personal rate of €188.00

30. People on the Live Register may also qualify for other payments, provided they meet the qualification conditions for those payments, notably Rent Supplement or Mortgage Interest Supplement – however, these are a small minority of the totals on the Live Register:

- 10.3% or 45,500 are getting Rent Supplement
- 2.5% or 10,900 are getting Mortgage Interest Supplement

For many unemployed people, unemployment is a short-term experience. Significant numbers of people leave the Register for work and for other reasons. In some instances, people will return to the Register and perhaps leave it again later in the year – these are counted as two, three etc. exits below:
300,000 people left the Register this year up to end of Aug 2011;
95,000 or 32% of these left to take up employment;
76% of people who left had been signing on for twelve months or less.

31. For many unemployed people, unemployment is a short-term experience. Significant numbers of people leave the Register for work and for other reasons. In some instances, people will return to the Register and perhaps leave it again later in the year – these are counted as two, three etc. exits below:

- 300,000 people left the Register this year up to end of Aug 2011;
- 95,000 or 32% of these left to take up employment;
- 76% of people who left had been signing on for twelve months or less.

32. In summary, replacement rates are low for the overwhelming majority of social welfare recipients. High replacement rates are generally associated with a relatively high number of dependent children and receipt of Rent or Mortgage Interest Supplement – but the overall percentage of individuals on rent/mortgage supplement is only 14% of total JA/JB numbers in payment, and 76% of people on the Live Register have no dependents. For the latter, the imperative to move as many people as possible on to RAS (Rental Accommodation Scheme) is clear. RAS, like local authority differential rent, is assessed on a percentage of income basis and is neutral from a Replacement Rate point of view.

Overview of DSP Expenditure DSP Expenditure – 2012

33. It is likely that the expenditure requirement in 2012 on an ELS basis will be somewhat over €21 billion[8]. The average weekly number of overall welfare recipients will be of the order of 2.03 million. Of these, about 0.52 million will be pensioners aged 66 and over.

34. Table 5 shows DSP expenditure from 2005 to 2011. Annual growth in expenditure over the period 2006 to 2011 inclusive ranged from 4.4% to 15.6%, mainly driven by improvements in rates of payment and other structural improvements in 2006 and 2007 and by a higher Live Register since 2008 (see Table 6).

Table 5: DSP Expenditure Trends 2005 to 2011

	2005 €m	**2006 €m**	**2007 €m**	**2008 €m**	**2009 €m**	**2010 €m**	**2011 €m**
Net Non Capital Expenditure	12,110	13,504	15,409	17,684	20,435	21,343	20,612
Annual Increase		1,394	1,905	2,274	2,752	908	-731
% Increase year on year		11.5	14.1	14.8	15.6	4.4	-3.4

The table above includes expenditure in 2010 (€492) and 2011 (€477) in relation to those FÁS schemes and services which transferred to DSP with effect from 1 January 2011.

Table 6: Live Register 2006 – 2011

	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Average Weekly	157,558	162,150	222,916	395,459	437,079	443,000[9]

Scaling Back Expenditure on Schemes

35. The types of changes that could be considered tend to fall into a number of categories, including in no particular order of priority:

8 2012 Estimates are currently being finalised.
9 2011 Estimate.

- Reductions in the rates of payment.
- Tightening the eligibility criteria for a scheme such as more stringent social insurance contribution requirements;
- The introduction of means testing in relation to social insurance based payments;
- Changes to the means testing arrangements for social assistance payments;
- Adjustments to allowances other than primary payments, such as the Household Benefits Scheme and Fuel Allowance;
- A range of changes specific to a particular scheme or groups of schemes.

Abolishing Schemes

36. Consideration could also be given to the possible abolition of schemes. This is, in general, quite a complicated issue for a range of reasons, including, in no particular order of priority:

    - The role of most weekly schemes in providing weekly income maintenance to persons who have no or very little income;
    - The underlying and long standing social insurance principle that, on foot of payment of contributions by employees/employers, protection is provided on a non-means tested basis if and when a range of contingencies occur e.g. illness or unemployment;
    - In the event of the abolition of a given social insurance payment, persons would have access to a social assistance payment for the equivalent contingency, e.g. Jobseeker's Allowance in the case of unemployment. While not all would qualify due to means testing, many would; thereby reducing the overall savings quite significantly;
    - Greater reliance on means testing would have significant administrative resource implications, particularly in the context of high unemployment levels;
    - In the event of the abolition of a social assistance payment, it is probable that all potential recipients of the given scheme would qualify under another contingency or for Supplementary Welfare Allowance (SWA). Savings, accordingly, are likely to be very limited.

37. Other options include the merging of schemes or adjustment of the range of application of certain schemes, for example by merging Blind Pension with Disability Allowance or by the introduction of a Single Working Age payment.
38. The level of the overall DSP expenditure reduction required in 2012 is likely to be very significant. There are two main approaches towards delivering such savings. The first is to reduce weekly and monthly rates of payment while the second is to dramatically reduce (or discontinue entirely) the level of expenditure on supplementary benefits e.g. the Household Benefits Package.

Primary Rates of Payment

39. The Programme for Government contains a commitment "*to maintain welfare rates*." The priority, therefore, should be to avoid reducing primary rates of payment and achieve any savings required through structural reform.

    However, if it becomes necessary to consider some level of reduction in primary rates of payment, such an approach should have regard to:

i. Movements in price inflation[10];
ii. Current rates of payment for different groups of recipients;
iii. The potential impact of any change on poverty levels;
iv. The role of welfare payments in stabilising the social and economic effects of the downturn; and
v. The cumulative impact on recipients who experienced reductions in the level of their primary payments (and Child Benefit, if applicable) in Budgets 2010 and 2011.

40. It is considered more equitable to reduce all payment levels across the board rather than exclude certain groups and, in particular, those groups in receipt of higher levels of payment and those with lower poverty levels. Such an approach will reduce the impact across individual recipients generally, including the most vulnerable. In this regard, it should be noted that the main personal rate of Jobseeker's Benefit (€188 per week) is equivalent to 81.6% of the maximum rate of State Pension Contributory (SPC) (€230.30 per week), a monetary gap of €40.20 per week. This compares to 2007 when the lowest rate of payment e.g. Disability Allowance, Jobseeker's Benefit etc. was equivalent to almost 90% of the SPC rate. The current differential means that, for example, a person on a long term social welfare payment, such as Disability Allowance, can receive an increase of €42.30 per week on reaching pension age (an increase of 22.5%) even though there has been no material change in their financial circumstances. While it is appropriate that there should be a differential between pension and working age rates of payment, it is difficult to justify widening the current differential.

41. Any reductions in rates would, of course, have a negative impact on the households affected. In this regard, it is considered important that poverty impact analyses of the combined effect of potential major welfare and tax packages be carried out prior to the Budget in order to better inform the Government's consideration of possible alternative approaches.

42. The table below sets out the cost of changing primary weekly payments. Up to now, Budget increases or decreases in personal payment rates have been matched by broadly proportionate increases or decreases in payments in respect of dependent adults, which generally are paid at roughly 66% of the value of the relevant full personal rate[11].

43. Changing rates of payment is administratively simple and deliverable almost immediately, thereby quickly realising savings. However, this approach is crude in nature, perpetuates inherent inequities and fails in delivering a more effective sustainable model that can only be achieved through fundamental structural reforms.

Table 7: Cost / Saving of €1 per week change in main rates of payment

[10] The CPI increased by 2.2% over the 12 months to end August 2011.
[11] The rate of the Qualified Adult Increase paid for persons aged 66 or over with the State Pension Contributory / Transition is equivalent to 90% of the personal rate of payment.

Change of €1 per week in Weekly Rate of Payment[12]	Cost/Saving €m Full Year
Personal Rate of Payment – 66 and Over	23.9
Qualified Adult Rate of Payment – 66 and over – Proportionate Decrease	3.0
Personal Rate of Payment – under 66	42.8
Qualified Adult Rate of Payment – under 66 – Proportionate Decrease	4.0
Total Personal and QA Rates	**73.7**
Qualified Child Increase (QCI)	21.0
Living Alone Allowance	9.3
Over 80 Allowance	6.8
National Fuel Scheme	11.0
Child Benefit (€1 per month)	13.8

Non-Primary Payments

44. The alternative approach to achieving expenditure reductions in 2012 is to curtail a number of supplementary cash benefits or benefits in kind. If the level of expenditure reduction is significant, this will involve the complete abolition of certain benefits, deep reductions in others and a significant financial effect on certain groups of recipients. A very wide range of measures would be required.

On a purely illustrative basis, a package along these lines would include measures such as:

i. The abolition of the Free Travel and Free TV Licence schemes (€136 million);

ii. The abolition of the Bereavement Grant (€13 million);

iii. The abolition of the Half-Rate Carer's Allowance scheme for existing and new recipients (€95 million);

iv. The abolition of Half Rate Jobseeker's and Illness Benefits for existing and new recipients (mainly widow/ers and lone parents) (€23 million);

v. Removal of entitlement to concurrent receipt of Domiciliary Care Allowance and any other welfare payment (€50 million);

vi. Reduction in Back to School Clothing and Footwear Allowance higher rate (for children aged 11 and over) to the Lower rate (€12 million);

[12] If rates of primary payments are reduced, there are additional savings from knock-on reductions in CE, RSS, Tús, JobBridge and similar type schemes.

vii. Abolition of the Widowed Parent Grant (€6 million);

viii. Abolition of special grants payable in respect of twins and other multiple births (€4 million);

ix. An increase the minimum number of hours worked for entitlement to FIS, from 19 to 24 (€33 million);

x. Rationalisation of earnings disregards for home helps (€5 million); and

xi. Increasing the minimum contribution for Rent and Mortgage Interest Supplement by €5 per week (€30 million).

This package would save approximately €407 million in 2012. In the main, persons affected by the illustrative measures outlined above will also be in receipt of a primary rate of payment which would be fully protected under this approach. However, the benefits outlined above which would be discontinued or reduced are regarded by recipients as an integral part of their current income support package.

Structural Changes to facilitate a Single Working Age Payment

45. The introduction of such a single payment would, of necessity, require significant changes to the current arrangements across schemes, including the removal of concurrent entitlements to a range of payments. Such an approach is also capable of producing a significant level of programme savings while removing layers of complexity. The main concurrent entitlements are now described along with other anomalies which need to be reformed.

Concurrent Payments

46. In general, a person is entitled to receive only one primary weekly payment at any given time. However, there are some exceptions to this:

(i) Half-rate Carer's Allowance paid with all other personal social welfare payments other than Jobseeker's payments and with all Qualified Adult payments (including Jobseeker's payments),

(ii) Half-rate Jobseeker's Benefit or Illness Benefit, paid with Widow's Pensions, One-Parent Family Payment (and associated payments such as Deserted Wife's Benefit which are now closed to new entrants) etc.

(iii) Full-rate Jobseeker's Benefit, Illness Benefit, Maternity and Adoptive Benefit, Widow/er's Pensions, One-Parent Family Payment and Health and Safety Benefit paid with Blind Pension.

(iv) Half Rate Maternity Benefit paid with certain other welfare payments.

The provisions at items (ii), (iii) and (iv) above are longstanding while the half-rate carers provision (item i) was introduced in September 2007. Entitlement to item (ii) was abolished with effect from January 2004 for new claimants but this measure was reversed with full retrospection in April 2004.

47. Continuation of these payments re-allocates significant resources to certain groups at the expense of others. Regardless of the original policy objectives for these arrangements, it is debatable whether these can be justified in an environment where spending has to be significantly curtailed and if the alternative is to deepen the level of reductions in rates of primary payments to recipients generally.

This can be illustrated, as follows:

i. The combined cost of Half-Rate Carer's Allowance payment and the half-Rate Illness/Jobseeker's payment is around €108 million in a full year;[13]
ii. This is equivalent to a reduction of €1.48 per week for all recipients aged under and over 66 or a €2.33 per week reduction for those aged under 66.

However, it is recognised that the abolition of these "double" payments may have to be confined to new claimants (given the level of reduction which existing beneficiaries would suffer). Such an approach reduces the level of savings achievable in the years immediately after implementation.

Concurrent receipt of primary payments and Family Income Supplement

48. FIS is not payable to a person participating in or in receipt of the Community Employment Scheme payment, Part Time Job Incentive Scheme, the RSS scheme, Tús, Jobseeker's Benefit/Allowance, State Pension (Transition) and Pre-Retirement Allowance. However, it may be payable concurrently to persons in receipt of One-Parent Family Payment, Deserted Wife's Benefit, Widow's or Widower's Contributory Pension and Disability Allowance/Blind Pension.

49. The issue has arisen as to whether concurrent entitlement to a primary payment and FIS acts as a barrier to the take up of full time employment, despite encouraging people to engage in part-time work of 19 hours per week (or slightly in excess of same).

50. It may be more appropriate that these issues are further considered in the context of the EU/ECB/IMF commitment to develop proposals that better target social support to those on lower incomes, and ensure that work pays. The examination by the Advisory Group on Tax and Social Welfare as to how employment disincentives can be improved and better poverty outcomes, particularly child poverty outcomes, will also inform future policy decisions.

Concurrent receipt of primary payments and FÁS schemes

51. What may be perceived as an anomalous situation arises with the Community Employment (CE) scheme operated by FÁS on behalf of the DSP. CE participants receive a personal allowance plus increases for qualified adults and qualified children. The rates of these payments are equivalent to those applying to the main working age payments (an addition weekly top-up of €20 is also payable) As CE is insurable employment, income received from it is assessed against persons on means-tested benefits in the same manner as income

[13] Of which the half-rate Carer's Allowance costs €95 million.

received from any other employment. Accordingly in certain circumstances a participant on CE may continue to receive a reduced-rate primary social welfare payment.

52. People on Jobseeker's Benefit / Allowance who take up these opportunities leave the Live Register as they no longer meet the relevant statutory requirements. Parallel payments such as CE do not therefore arise in their case. People on other payments, such as One-Parent Family Payment or Disability Allowance, may continue to receive a reduced rate payment provided they continue to meet the relevant statutory requirements for those schemes. Alternative approaches (which would limit expenditure to a lesser degree) might be to continue entitlement to a CE payment and a primary payment but to assess income from CE based on the disregards and tapers which apply to Jobseeker's Allowance or to assess income from CE on a Euro for Euro basis (the latter approach would remove entitlement to the primary payment).

53. The abolition of continuing entitlement to a primary payment where a person is on CE would potentially yield considerable savings (of the order of €76 million). However, there might be behavioural changes if such a measure was introduced as affected groups might no longer access CE. If such a change occurred, the person would be required to participate as part of the activation process. An alternative proposal is to replace CE, Tús and RSS with a single new employment scheme; this approach may be more appropriate and produce better overall outcomes.

Other Structural Issues

<u>Income or means disregards/income disregards</u>

54. A range of generous income or means disregards/income disregards apply to a wide range of payments such as Carer's Allowance, One-Parent Family Payment, Disability Allowance and Jobseeker's Allowance, as outlined in Table 8 below. While these disregards actively encourage part-time work, they may act as a barrier to the take up of full time employment (and, by default, ensure long-term welfare dependency). In any consideration of these disregards, it is important that the existing differentials between schemes are not widened. Any such widening makes the longer term achievement of a single scheme for working age far more difficult and further complicates the welfare system.

Table 8: Earnings disregards, main schemes

Scheme	Claimant Amount disregarded	Qualified Adult Amount disregarded	Tapering % (both where applicable)
JA	€20 per day, maximum €60 per week	€20 per day, maximum €60 per week	60%
DA	€120 per week	€20 per day, maximum €60 per week	Claimant: 50% up to €350 per week. QA: 60%

OFP	€146.50 per week	n/a	50%, no entitlement to OFP where earnings exceed €425 per week.
SPNC	€200 per week	€200 per week	None but means of a couple are halved.

55. The individual scheme disregards were introduced with specified policy objectives e.g. in the case of OFP to recognise that the cost of childcare may be a factor in hindering labour force participation. However, there is an argument that common disregards and tapering arrangements may be appropriate for working age schemes generally with, possibly, better access to childcare services or a specific disregard of the vouched cost of same.

56. In addition, DSP operates certain non-income support schemes e.g. Respite Care Grant and Rent Supplement. These schemes use scarce resources to make up for service deficiencies in the health and housing sectors. The use of direct cash payments to compensate for these deficiencies could be used more effectively to fund direct service provision.

Taxation Issues

57. Currently, Illness Benefit is not taxable for the first six weeks of receipt in any given year and is fully taxable thereafter. This can result in a situation (where the employer continues to top-up earnings) in a person having a greater net income when on Illness Benefit than when in employment. The first €20 per week of Jobseeker's Benefit is also not taxable as well as the total amount of a Jobseeker's Benefit payment when the employment is regarded as a "Systematic Short Time" arrangement.

Administrative Disregard – Home Helps

58. The principal and most valuable administrative disregard applies in the case of the assessment of income of a home help. While welfare legislation allows for an amount of earnings as a home help to be disregarded, no amount has ever been prescribed. However, differing administrative disregards are applied on a scheme by scheme basis. In general, most or all income from employment as a home help by the HSE (or voluntary bodies funded by the HSE) is disregarded.

59. This was not a major issue when the remuneration of home helps was poor (circa £2 per hour) and the then scheme disregards would have exceeded most or all of the income received from such employment. However, in the early 2000s, the status of home helps changed when they became ordinary HSE employees with enhanced remuneration and pension rights as well as a liability to income tax etc. While most home helps are part-time, some are full time – this has resulted in certain social welfare claimants receiving a payment at the maximum rate while earning around €30,000 per annum.

60. There is no apparent objective justification for this position vis a vis the treatment of other income from different employments including other employments in the HSE. Accordingly, one option would be to remove the existing administrative disregards for home help income. In that event, home helps would benefit from the disregards and tapering arrangements, which apply as appropriate (see Table 8).

Late Claims

61. There are currently a range of provisions across welfare schemes whereby certain persons can be awarded a payment on a backdated basis and even posthumously. DSP is of the view that the current arrangements could be amended in order to curtail both programme and administrative expenditure and proposals to curtail the back-dating period for contributory pension entitlement could be advance. These are capable of yielding considerable savings. In the event of any such curtailment, it would be important that clients are informed, in so far as possible, of impending pension age dates.

New Reduced Rates of Primary Payments for New Claimants

62. One possible approach to achieving savings which has been considered in recent years is selective reductions in primary rates of payment for defined clients. In general, this would involve the payment of a lower maximum weekly rate (for some or all working age schemes – e.g. Jobseeker's Benefit/Allowance, Illness Benefit, Disability Allowance, One-Parent Family Payment etc.) to new claimants after a certain date. The lower rate would apply to both contributory and non-contributory schemes. Existing claimants on the same schemes would continue to be paid at the existing (higher) rate. The main issues arising in relation to such an approach are as follows:

    i. The possibility of a legal challenge to the payment of different levels of income support - based solely on the date of the relevant claim - to individuals experiencing the same contingency and with no other difference in their circumstances;

    ii. The definition of a new claimant for the purpose of determining the persons in respect of whom the new reduced rate of payment would apply;

    iii. The level of savings which would accrue, particularly in the short-term;

    iv. The administrative impact of operating two sub-schemes within each primary scheme, and

    v. The timescale involved in the deliverability and implementation of the IT system changes which would be required.

Legal Advice

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Definition of a new claimant

64. Quite apart from any legal issues, it would be necessary to define in legislation the classes of persons who would be regarded as new claimants. While a person making a claim for a welfare payment for the very first time (with no previous claim for any scheme) would clearly be a new claimant, the position in relation to persons who:

    a) are existing claimants of a given scheme at the date of implementation and then directly without a break make a claim for another scheme subsequent to that date, or
    b) are existing claimants at implementation and who break their claim for a given period before reapplying for their original scheme or another scheme or
    c) who were not claimants at the date of implementation but who were claimants at a prior date and who subsequently reapply for any scheme would require careful consideration.

65. One possible approach would be to regard all of these permutations above as new claims. However, this is likely to create perverse outcomes such as the creation of disincentives to take up work for short periods if it resulted in a situation where persons who broke a claim for any reason would, on returning to the welfare system, receive a rate of payment which was less than that which applied to a person who remained on the same welfare payment without a break. There would also be similar type issues if the new reduced rate applied to a person moving from a primary welfare payment to employment/internship/education schemes operated by DSP or a FÁS training course (and, possibly, back on to a primary payment on completion of the relevant scheme or training course).

66. In addition, some persons move from one payment to another e.g. a Jobseeker's Benefit recipient might suffer a short term illness which would require a move from that payment to Illness Benefit. If the consequence was a reduction in the level of income support, clients would be likely to very slow to move to the payment most appropriate to their contingency. In effect, the reduction would be arbitrary and dependent on changing contingencies.

67. An alternative approach would be to link claims for the purposes of determining which rate was payable i.e. that two separate claims made within a specified time period would in effect be treated as a single claim. While the Illness Benefit/JA/JB schemes have a wide range of linking arrangements for different purposes, these are not common across these schemes and no linking arrangements apply to other schemes e.g. OFP and DA. It would appear that some new linking arrangement would have to be introduced – this could be a linking period between any scheme of, say, 13 or 26 weeks. This would still give rise to situations where a

person who broke a claim and returned after the specified linking period would receive a lower rate of payment. It should be noted that applying any linking arrangements to the proposal would have the effect of reducing the resulting savings while, on the other hand, the absence of linking arrangements would be likely to impair the move from welfare to work, training and education.

Level of Savings

68. It is not possible to estimate the level of savings which would be achievable from this proposal without a clear definition of who precisely would be regarded as a new client and to which schemes (including employment/training/internship schemes) the new rates would apply to.

Administrative Impact

69. This proposal would add to the complexity of the welfare system in that the introduction of any further factor to determining entitlement consumes resources, be they IT resources or those arising from an increased level of direct interactions with clients at claim stage or through appeals. It is likely that implementation of a proposal as outlined would not be implementable at an early stage in 2012 due to the necessity to change ICT systems. Accordingly, savings in 2012 are likely to be limited.

Reduced Rates of Primary Payments for Long-Term Claimants

70. The OECD has referred to Ireland having relatively high replacement rates in the case of long-term unemployment (as distinct from short-term unemployment). Currently, the maximum personal weekly rate of both Jobseeker's Allowance and Benefit is €188 per week regardless of the duration of the claim. A Fuel Allowance (of €20 per week for 32 weeks per annum) becomes payable after a duration of 15 months unemployment, thereby increasing income and raising replacement rates, where applicable. [14]

71. Though contrary to the Programme for Government commitment *"to maintain welfare rates"*, savings could also be achieved through reducing the rate of payment for recipients of the Jobseeker's Allowance scheme. Options in this regard include reducing Jobseeker's Allowance rates generally for persons in receipt that payment for over 1 year or for over 2 years. Such reductions would have the effect of lowering replacement rates for persons affected.

72. Such reductions would be likely to face similar issues as are discussed above in respect of defining new claimants. Critically, any such measure would need to take account of the fact that the welfare system features a high degree of inflow, outflow and movement across schemes. In this context significant issues of definition, fairness and significant administration overheads would arise with regard to identifying long-term claimants and, if reductions were applied to them, ensuring that they cannot manipulate their status in order to return to a higher rate of payment.

[14] Only one Fuel Allowance per household is payable. Entitlement is based on household composition and not all households with a JA recipient qualify.

73. The potential savings outlined below are based on the continuous duration of receipt of a Jobseeker's Allowance payment as recorded on DSP systems and, in this regard, it should be noted that where a claim is broken the duration of the current and previous claim is linked for up to one year.[15] The savings would be less if an alternative duration condition was used such as duration of current claim etc. However, there would still have to be some linking of claims in order to avoid creating incentives to break claims for very short periods in order to benefit from a higher rate of payment. The savings shown do not include any further reductions in the already reduced rates of payment for certain jobseekers aged under 25.

74. The savings involved in reducing longer–term recipients of Jobseeker's Allowance are considerable - €154 million in the case of Jobseeker's Allowance recipients with a duration of more than 12 months and €107 million in the case of those over 24 months if the personal rate was decreased by €10 per week.

75. However, any reductions based on duration would need to be considered in the context of the potential poverty implications. In general, longer term jobseeker recipients are, by definition, furthest from the workforce and are likely to be at greater risk of poverty. In this regard, an increased emphasis on activation (including intensive case management with penalties for failure to engage) may produce more socially desirable results while protecting those who, for one reason or another, are unable to find permanent employment on a long term basis. Furthermore, the introduction of further lower rates for Jobseeker's Allowance only may make it more difficult in the medium term to introduce a Single Working Age payment for all of working age (mentioned at Section 38 above).

76. Alternative approaches include reducing the rate of Jobseeker's Allowance generally (regardless of duration) and either abolishing or reducing entitlement to Fuel Allowance. In this regard, a €10 per week reduction in the personal rate of Jobseeker's Allowance generally would yield €172 million in a full year. Abolishing entitlement to a Fuel Allowance for jobseeker recipients would save in the region of €38 million while a reduction in the duration of 4 weeks in the Fuel Allowance would save €33.9 million if applied across all welfare schemes, including Jobseeker's Allowance.

77. In the event of the rate of jobseeker's allowance being reduced either for all recipients or those with a specific duration, it would also be necessary to reduce the rate of Basic Supplementary Allowance in order to avoid entitlement to top-up payments on the latter scheme. This would produce additional savings and further savings on the Rent and Mortgage Interest schemes (as the level of entitlement is based on the Basic SWA rate of payment).

The TSG is invited to discuss this paper.

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[15] As at July 29, 283,000 persons had an entitlement to a maximum personal rate of €188 per week of which 253,000 had a duration of more than 1 year and 176,000 had a duration of more than two years. The actual payment level made to any given individual may be less if means are a factor and/or if the person is a casual worker.

Department of Social Protection
29 September 2011

Appendix 1: EU / IMF Programme of Financial Support

Memorandum of Understanding on Specific Economic Policy Conditionality May 2011

The main actions in the MOU relating to DSP are:

1. **Actions for the third review (actions to be completed by end Q2-2011)**

   iii. Structural reforms

   To enhance long-term fiscal sustainability

   Government will introduce legislation to increase the age at which one qualifies for a Social Welfare pension. Under the National Pension Framework the age at which people will qualify for the Social Welfare pension will be increased to 66 years on 2014, 67 in 2021 and 68 in 2028.

3. **Actions for the fifth review (actions to be completed by end Q4-2011)**

   i. Fiscal consolidation

   The budget will provide for a reduction of expenditure in 2012 of €2,100 million including:
   - Social expenditure reductions.
   - Reduction of public service numbers and public service pension adjustments.
   - Other programme expenditure, and reductions in capital expenditure.

   The Comprehensive Review of Expenditure (CRE) underway will be completed in September 2011. The budgetary measures outlined above will be examined by the Government in the light of the findings of the Review and the Programme for Government. Based on CRE and in consultation with the European Commission, the IMF and the ECB, the government will introduce budgetary changes which will aim to fully realise efficiencies identified, while remaining fiscally neutral.

   iii. Structural reforms

   To better target social support expenditure

   DSP will build on their recent studies on working age payments, child income support and Disability Allowance with a view to producing a comprehensive programme of reforms that can help better targeting social support to those on lower incomes, and ensure that work pays for welfare recipients, after consultation with stakeholders. To this end, DSP will submit a progress report by end-December 2011.

2. **Actions for the sixth review (actions to be completed by end Q1-2012)**

   iii. Structural reforms

   To better target social support expenditure

   DSP will submit to Government the comprehensive programme of reforms that can help better targeting social support to those on lower incomes, and ensure that work pays for welfare recipients.

7. **Actions for the ninth review (actions to be completed by end Q4-2012)**

   i. Fiscal consolidation

The budget will provide for a reduction of expenditure in 2013 of no less than €2,000 million including:

- Social expenditure reductions.
- Reduction of public service numbers and public service pension adjustments.
- Other programme expenditure, and reductions in capital expenditure.

Reporting Requirements

There are significant monthly and quarterly reporting requirements under the EU/IMF Programme, as follows:

Table A.1: To be provided by the Department of Finance in consultation with the Department of Public Expenditure and Reform as appropriate

Ref	Report	Frequency
F.1	Monthly data on adherence to budget targets (Exchequer statement, details on Exchequer revenues and expenditure with information on Social Insurance Fund to follow as soon as Practicable).	Monthly, 10 days after the end of each month.
F.11	Assessment report of the management of activation policies and on the outcome of Jobseeker's search activities and participation in labour market programmes.	Quarterly, 30 working days after the end of each quarter.

Appendix 2 – Commitments in the Programme for Government

The Programme for Government contains a wide range of commitments relevant in full or part to the Department as set out below.

- *Halve the lower 8.5% rate of PRSI up to end 2013 on jobs paying up to €356 per week – announced in the Jobs Initiative;*
- *Expand eligibility for the Back To Education Allowance.*
- *The development of a new graduate and apprentice internship scheme, work placement programmes and further education opportunities for our young unemployed providing an additional 60,000 places across a range of schemes and initiatives – announced in the Jobs Initiative.*
- *Provision of a range of initiatives to increase access to further higher level education for the unemployed.*
- *Replacing FÁS with a new National Employment and Entitlements Service so that all employment and benefit support services will be integrated in a single delivery unit managed by the Department of Social Protection.*
- *Maintaining the standard 10.75% rate of employers PRSI;*
- *Introduce a range of measures to tackle the problem of welfare fraud.*
- *Establish a Tax and Social Welfare Commission to examine entitlements of self employed and the elimination of disincentives to employment including the interaction between the taxation and the welfare systems to ensure that work is worthwhile. In particular, it will examine family and child income supports, and a means by which self-employed people can be insured against unemployment and sickness.*
- *Convert the Money Advice and Budgeting Service into a strengthened Personal Debt Management Agency with strong legal powers.*
- *Maintain social welfare rates.*
- *Make greater use of Mortgage Interest Supplement to support families who cannot meet their mortgage payments.*
- *Progressively reduce reliance on Rent Supplement, with eligible recipients moving to the Rental Accommodation Scheme.*
- *Amend the 30 hour rule for Rent Supplement and Mortgage Interest Supplement for people moving from welfare to work.*

- *Review the operation of the Rent Supplement Scheme and introduce a code of conduct for Rent Supplement eligibility similar to that which operates for local authority tenants.*
- *Pay Rent Supplement to tax-compliant landlords registered with the PRTB and offering decent quality accommodation, to root out fraud.*
- *Over time, One-Parent Family Payment will be replaced with a parental allowance that does not discourage marriage, cohabitation or work.*
- *Divert staff from elsewhere in public service to clear the social welfare appeals backlog, and introduce a consolidated appeals process.*
- *Put the Household Benefits Packages out to tender, so that the Exchequer benefits from reduced prices.*
- *Complete and implement the National Positive Ageing Strategy so that older people are recognised, supported and enabled to live independent full lives.*
- *Reform the pension system to progressively achieve universal coverage, with particular focus on lower-paid workers, to achieve better risk sharing, and to provide for greater flexibility for those who wish to retire on a phased basis.*
- *Achieve the national poverty targets in the National Action Plan for Social Inclusion to reduce the number of people experiencing poverty.*
- *Break the cycle of child poverty where it is most deeply entrenched.*
- *Complete and publish a strategy to tackle fuel poverty.*

Appendix 3: DSP Measures in Budgets 2009 to 2011

Table A.2: Details of DSP Budget Package 2011

Budget Measure	2011 €m	2012 €m	2013 €m	2014 €m
1. **Child Benefit** – €10 per month reduction on both lower and higher Child Benefits rates with an additional €10 per month reduction for 3rd child only. New rates of €140 (first and second child), €167 (third child only) and €177 (fourth and subsequent children).	149.38	149.38	149.38	149.38
2. **Weekly Rates of Payment** – a reduction of €8 per week in most payments to people aged under 66 with proportionate reductions for qualified adults. However, the rate of Supplementary Welfare Allowance was reduced by €10 per week and the rate of Jobseeker's Allowance for those aged 22 to 24 years was reduced by €6 per week. The rate of Jobseeker's Allowance for those aged 18 to 21 years was maintained at €100 per week.	384.51	384.51	384.51	384.51
3. **Treatment Benefit** – the discontinuation of most elements of the Treatment Benefit scheme was extended over the period up to 2014.	76.75	76.75	76.75	76.75
4. **Energy and Communications** – efficiency savings in the energy and communications elements of the Household Benefits Package.	30.00	30.00	30.00	30.00
5. **Rent Supplement** - reform of the Rent Supplement scheme including €2 per week increase in the minimum contribution for all non SWA basic recipients - consequent on the extra €2 reduction in SWA.	60.00	60.00	60.00	60.00
6. **Activation Measures** – enhanced activation.	100.00	100.00	100.00	100.00
7. **Other Measures** – various other measures	49.36	68.05	76.61	81.04
8. **Savings from efficiencies in administration**	11.00	11.00	11.00	11.00
9. **FÁS Employment Programmes** – Savings on FÁS Employment Programmes. These savings are consequential on social welfare rates.	12.00	12.00	12.00	12.00
Overall Total	**873.00**	**891.69**	**900.25**	**904.68**

Table A.3: Savings Measures - Budget 2010

Summary description of adjustment	Effect of Measure 2010 €m	Full Year €m
1. **<u>Child Income Support</u>** **Child Benefit** – A reduction of €16 per month in both the Lower Rate and the Higher Rate, bringing the Lower Rate from €166 to €150 per month and the Higher Rate from €203 to €187 per month.	221.10	221.10
<u>Less Compensatory measures:</u> **Qualified Child Increase** – An increase of €3.80 per week in the rate of Qualified Child Increase, from €26 per week to €29.80.	-84.03	-84.03
Family Income Supplement – An increase of €6 per week per child in all Family Income Supplement weekly earnings thresholds.	-14.54	-14.54
<u>Child Income Support Total</u>	122.53	122.53
2. **<u>Weekly Rates of Payment</u>** **Weekly Personal Rates of Payment** – A reduction of €8.30 in the weekly personal rate of Jobseeker's Benefit and Allowance, Invalidity Pension (under 65 years), Widow/er's (Contributory) Pension (aged under 66 years), Widow/er's Non-Contributory Pension, Deserted Wife's Benefit (under 66 years) and Allowance, Illness Benefit, Incapacity Supplement, Health and Safety Benefit, Injury Benefit, Pre Retirement Allowance, Disability Allowance, Blind Pension, Farm Assist, One-Parent Family Payment, Supplementary Welfare Allowance, Back to Work Allowance and Back to Education Allowance. Lowest rate of €196 per week down from €204.30. Reduction of €8.20 per week in the rates of Death Benefit Pension (aged under 66) and Carer's Benefit. A reduction of €8.40 per week in Disablement Pension and a reduction of €8.50 per week in the rate of Carer's Allowance. A €7.50 (4.2%) reduction in the rate of Guardian's Payment (both Con and Non-Con).	395.97	395.97
Weekly Qualified Adult Rates of Payment – A reduction of €5.90 per week for Invalidity Pension qualified adults aged under 66, from €149.70 to €143.80 per week. A reduction of €5.50 per week for all other qualified adults of working age schemes. Proportionate reductions for all persons in receipt of reduced rates.	29.50	29.50
Maternity & Adoptive Benefit – Reduction of €10 (3.6%) in the maximum rate of Maternity and Adoptive Benefit from €280 pw to €270 and a as well as an €4.50 reduction in the minimum rate, from €230.30 to €225.80 pw. Reduction in the minimum rate takes account of the increase in the QCI.	11.10	11.10
<u>Weekly Rates of Payment Total</u>	436.57	436.57

3. <u>Activation Measures</u> **Jobseeker's Allowance & Supplementary Welfare Allowance –** Introduce a new rate of €100 per week for new recipients of Jobseeker's Allowance & Supplementary Welfare Allowance for persons aged 20 and 21 years of age.	37.89	97.13
Jobseeker's Allowance & Supplementary Welfare Allowance – Introduce a new rate of €150 per week for new recipients of Jobseeker's Allowance & Supplementary Welfare Allowance for persons aged 22 to 24 years of age, inclusive.	15.70	58.90
Jobseeker's Allowance & Supplementary Welfare Allowance – Introduce a lower rate of €150 for Jobseeker's Allowance/SWA for persons who do not avail of labour activation measures and training courses.	40.00	40.00
<u>Activation Measures Total</u>	93.59	196.03
4. <u>Rent Supplement</u> Savings arising from a review of maximum rent levels.	20.00	20.00
<u>Rent Supplement Total</u>	20.00	20.00
5. <u>Treatment Benefit</u> Limit entitlements under the Treatment Benefit scheme in 2010 to the Medical and Surgical Appliances Scheme and the free examination elements of Dental and Optical Benefits.	54.00	0.00
<u>Treatment Benefit Total</u>	54.00	0.00
6. <u>Control Savings</u> Additional Control Savings.	33.31	33.31
<u>Control Savings Total</u>	33.31	33.31
7. <u>Agencies</u> **Family Support Agency –** Reduction in grant to the Family Support Agency.	2.00	2.00
Citizen's Information Board – Reduction in grant to the Citizen's Information Board.	0.33	0.33
<u>Agencies Total</u>	2.33	2.33
Overall Total	**762.33**	**810.77**

Table A.4: Savings Measures - Budget 2009 and Supplementary Budget 2009.

Summary description of adjustment	**Effect of Measure 2009 €m**	**Effect of Measure 2010 €m**	**Full Year €m**
1. (a) Reduce **Jobseeker's Benefit** entitlement from 15 to 12 months for recipients with 260 or more contributions and (b) Reduce duration of **Jobseeker's Benefit** from 12 months to 9 months where a person has less than 260 contributions paid.	53	86	86
2. Increase the current weekly earnings threshold for the payment of reduced rates **of Illness Benefit, Jobseeker's Benefit and Health and Safety Benefit** (known as graduated rates) from €150 to €300.	8	10	10
3. Increase underlying number of paid contributions for entitlement to **Jobseeker's Benefit, Illness Benefit and Health & Safety Benefit,** from 52 to 104 and introduce a condition whereby 13 paid contributions are required in the relevant tax year (and certain other tax years) for eligibility for **Jobseeker's Benefit and Health and Safety Benefit.**	11.7	23.1	23.1
4. Limit **Illness Benefit** to two years duration for new claimants.	0	0	101
5. Halve entitlement to **Child Benefit** for 18 year olds; Abolish in 2010 and recycle some CB savings for offsetting measures on children to protect social welfare families.	27.6	67.2	79
6. Discontinue provision for the **Christmas Bonus**.	156	171	**171**
7. Introduce a reduced personal rate of payment of €100 per week for new **Jobseeker's Allowance** claimants aged 18 and 19 years and new Basic SWA claimants aged under 20 years.	12	26	30
8. **Rent/Mortgage Interest Supplement** measures including: Increase minimum contribution for Rent and Mortgage Interest Supplement by €11 per week to €24 and Reduce maximum rent limits where appropriate by up to 10% for <u>all new tenancies/renewals</u> and reduce all existing Rent Supplements by 8%.	69	97	97
Total	**331.1**	**485.1**	**597.1**