TSG 12/07

TAX STRATEGY GROUP

PAY RELATED SOCIAL INSURANCE CHANGES

Introduction

1. This paper sets the principal policy issues relating to any consideration of PRSI changes in Budget 2013. It reviews developments in recent Budgets in relation to both PRSI income and expenditure measures and goes on to outline the role of the social insurance system generally in providing social protection. The key findings of the recently published Actuarial Review of the Social Insurance Fund are then detailed. The paper identifies the primary policy options available to ensure the sustainability of the SIF in the years ahead and includes a wide range of possible income raising measures to address the current funding shortfall.

Recent PRSI Changes

2. A wide range of changes to the PRSI system were introduced in Budgets 2011 and 2012 as follows:

Budget 2011

- The employee annual earnings ceiling (€75,036) was abolished;
- The rate of PRSI for the self-employed (Class S) was increased from 3% to 4%;
- The threshold for a liability to a Class S contribution by the self-employed increased from €3,174 to €5,000 per annum;
- The rate of employee PRSI payable by certain civil and public servants (Classes B, C and D) was set at 4% where earnings exceed €75,036 per annum (the former employee annual ceiling). These Classes pay 0.9% on weekly income over €26.
- The base on which employee and employer PRSI is charged was expanded to include share-based remuneration.
- A 4% rate of PRSI was applied in the 2011 Budget to the income of certain Office Holders, without providing access to benefits. This group had previously been exempt from making a contribution.
- The full value of employee contributions to occupational and other pension schemes which previously was not subject to an employee PRSI contribution became liable to such contribution, and
- An employer contribution was imposed on 50% of the value of these pension contributions.

The first and full year yield from these measures was estimated at €261m and €418m.

Health Contribution & the Universal Social Charge (January 2011)

Up to 2011, the Health Contribution was collected as part of the PRSI system. Budget 2011 abolished both the Health Contribution and the Income Levy and introduced the standalone Universal Social Charge ("USC"). When introduced, USC was chargeable once income exceeded €4,004 (€77pw). In Budget 2012 this threshold was raised to €10,036.

Jobs Initiative (May 2011)

- The lower rate of employer PRSI (charged on employee earnings of €356 or less) was halved from 8.5% to 4.25% with effect from the beginning of July 2011
- The employer element of PRSI on share-based remuneration was abolished with effect from 1 January 2011.

The first and full year cost of these measures was estimated at €94.5m and €207.7m.

Budget 2012

- removal of the relief of 50% of employer PRSI for employee contributions to occupational pension schemes and other pension arrangements from 1 January 2012.

The first and full year yield from this measure was estimated at €57m and €90m.

Expenditure Reduction Measures

In addition a wide range of SIF expenditure reduction measures have been introduced over the period from 2009 to date. These are detailed in Appendix 1 and include reductions, in 2009, 2010, 2011 and 2012, in rates of payment for all aged under 66, tighter eligibility conditions and reduced durations of entitlement for receipt of short-term benefits and a very significant scale back of the Treatment Benefit and Redundancy Payments schemes.

Pensions

In line with the Government's National Pensions Framework, published in March 2010, and the subsequent EU/ECB/IMF Programme of Financial Support to Ireland, the following measures, designed to ensure a sustainable pensions system were introduced on a legislative basis:

- The discontinuation of the State Pension (Transition) payable at age 65 for all new claimants with effect from 1 January 2014.
- The age for qualification for the state pension will increase from 66 years to 67 years in 2021 and to 68 years from 2028.

The Role of Social Insurance

3. The model of social insurance which has evolved in Ireland mirrors the structure of social insurance found in other developed countries with a dedicated fund or "trust" which is financed, in the first instance, from contributions made by the working age cohorts (including contributions from employers) to provide pensions and other working age benefits to those who have contributed to the "trust". Contributions made can therefore be differentiated from

taxation in that those who participate do so in the knowledge that they will benefit from their contribution in the event of certain contingencies arising during their working life (i.e. unemployment, illness, maternity) and thereafter upon retirement from the work force.

In terms of a social policy instrument the social insurance system provides:

- flexibility in providing a "safety net" in volatile labour market conditions. Pension entitlements earned when in employment are safeguarded, particularly for those who are forced to change employments or experience periods of unemployment.
- an efficient collection mechanism – contributions comprise both an employee and employer element on the same income base, which would be difficult to replicate in a parallel system. Given the explicit link between entitlement and contribution history, it is administratively more efficient than means testing.

The contributory nature of social insurance means that there is a tangible benefit from participation in social insurance. Measures to improve the visibility in the link between contributions and entitlements, such as the change to the total contributions approach for entitlement to pension in 2020, also ensure that the benefit derived is more proportionate to the level of participation.

Social insurance also provides solidarity both on an intergenerational basis and by supporting contributors who are more vulnerable. The recently published Actuarial Review of the Social Insurance Fund as at 31 December 2010, highlighted the redistributive nature of the Fund with those on higher incomes getting less back than they pay in.

The social insurance system is the main pillar of social protection in Ireland. In this context, the introduction of any new measures should be consistent with the contributory nature of the system and the principle of solidarity which underpins its operation.

Funding Future Benefits

4. Social insurance spending has traditionally been funded on a tripartite basis – with contributions coming from the Exchequer, employers and employees. Legally, the Exchequer is the residual financier of the Fund and Exchequer contributions were the norm for over 40 years, for example, in 1967, the State contribution was 38% of SIF expenditure and almost 29% in 1985.

From 1997 to 2007 inclusive, social insurance income exceeded Fund expenditure and no Exchequer contribution was required. In 2008, the current operating balance of the SIF moved into deficit with expenditure exceeding income by €255m. This deficit accelerated in 2009 when it reached €2.49 billion and further rose to €2.75 billion in 2010. In addition, the surplus carried forward from previous years was eliminated during 2010, giving rise to the need for Exchequer subvention for the first time since 1996. The Revised Estimates for the Department provide for a deficit of nearly €1.82 billion in 2012.

Actuarial Review of the Social Insurance Fund as at 31 December, 2010

5. The Social Welfare (Consolidation) Act, 2005, requires regular actuarial reviews of the financial condition of the Social Insurance Fund. The Actuarial Review of the Social Insurance Fund as at 31 December 2010 has been published this month and provides the most up to date insights into the current and future operation of the Fund.[1]

The principal findings from the Review are:-

- The Fund currently has a significant shortfall of expenditure over income (provisional 2011 shortfall of €1.5bn on expenditure of €9.0bn but income of €7.5bn).
- In the absence of any action to tackle the shortfall, the 2011 annual deficit of €1.5bn will double to €3.0bn by 2019. By 2066 the deficit will have increased to €25.7bn.
- These figures refer to projected annual shortfalls in funding in a particular year. Other figures such as the €324bn quoted in recent media reports refer to the sum of all projected annual deficits up to 2066, expressed in current terms, assuming no action is taken.
- As a % of GNP, the shortfall will increase from 1.1% of GNP in 2011 to 2% in 2019. The deficit will further increase to 6.4% by 2052 before gradually reducing to 5.7% by 2066.
- Unless PRSI income increases and/or expenditure levels reduce, the Exchequer subvention will need to more than treble (from 2011 levels) by 2030 and increase by a factor of almost eight by 2040.
- The deterioration of the shortfall in the Fund will continue despite recent changes to social insurance funded schemes - including increases in the State Pension age and the more onerous eligibility criteria for the State Pension (Contributory) (SPC).
- In the medium to long term, pension related expenditure will account for an increasing proportion of Fund expenditure - rising from 57% in 2011 to 85% in 2066. The over 65 year old population is projected to increase from 11% of the total population in 2010 to 15% in 2020 and to 24% in 2060.
- The pensioner support ratio is projected to decline from 5.3 workers for every individual over pension age in 2010 to 3.9 workers by 2020 and to 2.1 workers by 2060.

KPMG, the independent consultants who undertook the actuarial review state that while the long-term projections, by their very nature, are unlikely to be borne out in practice, they emphasise the trends which emerge over the period.

The following table from the Report summarises the shortfall of projected income to expenditure expressed as a % of projected GNP and projected GDP (under the base case scenario used).

[1] The Actuarial Review takes full account of the SIF expenditure and income measures introduced in Budgets 2011 and 2012.

Table 1: Summary of shortfall in Fund projected income to expenditure

Year	Total Receipts (€ billions)	Total Expenditure (€ billions)	Shortfall (€ billions)	Shortfall as a % of GNP	Shortfall as a % of GDP
2010*	6.7	9.4	2.7	2.2%	1.7%
2011*	7.5	9.0	1.5	1.1%	0.9%
2012*	7.1	8.9	1.8	1.4%	1.2%
2013	7.2	9.2	2.0	1.5%	1.3%
2014	7.5	9.5	2.0	1.5%	1.2%
2015	7.6	9.7	2.0	1.5%	1.2%
2016	7.9	10.1	2.2	1.6%	1.3%
2017	8.1	10.6	2.4	1.7%	1.4%
2018	8.4	11.1	2.7	1.8%	1.5%
2019	8.6	11.6	3.0	2.0%	1.6%
2020	8.9	12.1	3.2	2.1%	1.7%
2030	11.8	17.3	5.6	2.6%	2.1%
2040	14.3	25.9	11.6	4.4%	3.5%
2050	16.9	36.4	19.5	6.2%	5.0%
2060	20.7	44.7	23.9	6.1%	4.9%
2066	23.5	49.3	25.7	5.7%	4.6%

All figures are in 2012 price terms (i.e. net of CPI inflation after 2012), except for the 2010 figures which are known and 2011 figures which are provisional outturn actual cash amounts.

The Report also looked at the value for money provided by the Fund for a range of individual scenarios. In so doing it found that:

- Social insurance benefits offer excellent value for money for those on the lower part of the income distribution, those with shorter contribution histories, and the self-employed.

- The social solidarity principle which underlies the Fund is reflected in the fact that, for those at the higher end of the income distribution, the Fund is redistributive and they generally get back less than they pay in.
- Notwithstanding the changes in the contribution rules and associated rates of payment which were introduced in September 2012, those with lower earnings and those with shorter contribution histories will continue to obtain the best value for money from the Fund.

Options to ensure the sustainability of the Social Insurance Fund.

6. Given the findings of the Actuarial Review, the policy options available to ensure the sustainability of the Fund include

    i. The introduction of measures to curtail Fund expenditure such as the abolition of contributory benefit and pensions schemes, tighter eligibility criteria and adjustments to the levels of benefits and pensions paid;

    ii. Increasing Fund income through adjustments in the rates of contributions payable, in weekly exemption thresholds and PRSI Free Allowance thresholds.

These options are not mutually exclusive and the balance of possible approaches will require careful consideration having regard to the potential effects on individual social insurance beneficiaries, competiveness and the economy generally.

DSP will be submitting a paper to the Group at a later stage dealing with welfare expenditure issues generally for Budget 2013, including expenditure from the Fund. Accordingly, this paper now concentrates on possible Fund income options for consideration in the context of the forthcoming Budget.

The following is a summary of the options considered.

Table 2: Summary of Options

Summary of Options
Option 1: General increase in Employer PRSI Contribution Rates
Option 2: General increase in Employee PRSI Contribution Rates
Option 3: Reduction in/Abolition of the weekly PRSI-free Allowance
Option 4: Lower threshold for payment of employee PRSI
Option 5: New Higher Rate of Employee PRSI
Option 6: Increase the weekly threshold at which employees are insurable
Option 7: General PRSI Increase for Self-employed
Option 8: Increase in the annual flat rate of €253 paid by certain self-employed
Option 9: Broaden the PRSI Income Base

Contribution Rates

7. Increasing the rates of PRSI contribution paid by employers/employees/self-employed will generate immediate additional income for the Social Insurance Fund.

In relation to employees in particular, the payment of PRSI contributions is one of three statutory deductions made from earnings – taxation and the Universal Social Charge ("USC") are the other two elements. The increases in any one of these statutory deductions have a direct impact on the incentive to work, particularly for low paid workers. For example, the threshold for paying USC (at the rate of 2%) was increased from €4,004 in 2011 to €10,036 in 2012 to ameliorate the impact on the low paid, part-time and seasonal workers in labour intensive sectors.

In this regard, it should be noted that a single PAYE worker now incurs a liability to the USC first (€10,036), then to income tax (€16,500) and finally to PRSI (€18,304 or €352.01 per week). PRSI is the only deduction which generates a direct and quantifiable benefit to the individual by providing an entitlement to social insurance benefits.[2]

Option 1 - General Employer PRSI Rate Increases

8. The Programme for Government contains a commitment that "*there will be no increase in the standard 10.75% rate of employer PRSI*". The lower employer PRSI rate was halved in July 2011 from 8.5% to 4.25%., as part of the Jobs Initiative to meet another of the Programme's commitments. The lower rate will remain in place until the end of 2013. Upon restoration to the 8.5% rate in 2014, income to the Social Insurance Fund will increase. Increases in the rate at which employers pay would also have implications for competitiveness.

The full year yield from a **1% increase** in the employer PRSI contribution rates would be **€48 million** (Lower Rate) and **€458 million** (Higher Rate) **and affect** a total of **585,130** and **1,237,360** employments, respectively.

Option 2 – General Increase in Employee PRSI Contribution Rates

9. There are no commitments in the Programme for Government relating to the rate of PRSI paid by employees. However increases in the amount of PRSI paid by employees would have to be considered in the context of safeguarding the incentive to work.

The full year yield from a **1% increase** in the employee PRSI contribution rate would be **€383 million**. A total of **1,247,560** employments would be affected.

[2] The National Training Levy is collected alongside Employer PRSI. It accounts for 0.7% of the standard 10.75% employer PRSI and 0.35% of the lower 4.25% employer rate.

Option 3: Reduction in/Abolition of PRSI–free Allowance

10. The weekly PRSI Free Allowance applies to employees who pay PRSI at Classes A and H. Where an employee's weekly earnings exceed €352 per week, he or she is liable to make a contribution of 4% of all income less the weekly PRSI Free Allowance of €127. The weekly value of this allowance is therefore €5.08 for all employees in these Classes once their earnings exceed the exemption threshold.

In addition, the allowance ameliorates the impact of the "step" effect caused by the imposition of employee PRSI liability. In its absence, this liability would increase from €9.32 per week to €14.40 per week where an employee's earnings increased by €10 per week, from €350 per week to €360.

The curtailment or abolition of the PRSI Allowance is capable of yielding significant additional income. It should be noted, however, that the overall effect is regressive as it has a relatively greater impact on the lower paid (once earnings are in excess of €352 per week). This measure would affect **1,247,560 employments**.[3]

Table 3: Option 3 – Yield from Reduction/Abolition of Class A PRSI-free Allowance

New weekly PRSI-free Allowance €	Increase in weekly PRSI Charge €	Full year yield €m
100	**1.08**	**61**
70	**2.28**	**130**
50	**3.08**	**175**
0	**5.08**	**289**

Option 4_ – Lower threshold for payment of employee PRSI

11. As indicated previously, employees become liable to pay PRSI at 4% if their earnings are in excess of €352. (Their employers pay PRSI at 4.25% at this level of earnings).

The level of short-term benefits such as Jobseekers or Illness Benefits to which an individual may be entitled, is determined by their earnings in the relevant tax year. Where weekly earnings were under €300, the weekly Jobseekers/Illness Benefit is paid at a reduced or lower rate. The reduced rates range from €84.50 to €147.30, depending on earnings.

Where earnings were over €300 per week in the relevant tax year, the individual is entitled to receive the full personal rate of benefit – this amounts to €188 per week. This means that those earning between €300 and €352 per week, do not pay employee PRSI but can access the full rate of short-term payments.

[3] Employees who pay PRSI at Classes B, C and D benefit from a PRSI Free Allowance of €26 per week.

In the UK the earnings range in which employees can access national insurance benefits before having to pay employee contributions is £107 to £146 (€135 - €185). This is a more restrictive income range when compared with equivalent range in Ireland (€38 - €352.)

To ensure there is a stronger link between contributions paid and the benefits accruing from those contributions, one option is to reduce the threshold at which employees pay PRSI from €352 to €300.

This measure has no impact on PRSI paid by employers.

The full year yield from a reduction in the income **threshold** for payment of employee PRSI **from €352 to €300** would be **€39 million**.

This measure would affect those currently earning between €300 and €352 (approx.**126,970** employments). The following table demonstrates the impact on workers in the relevant earnings range.

Table 4: Option 4 - Impact of lower threshold for payment of employee PRSI

Weekly Earnings	Current Weekly PRSI charge (€352 threshold)	Proposed Weekly PRSI charge (€300 threshold)
€300	**0**	**0**
€320	**0**	**7.72**
€340	**0**	**8.52**
€360	**9.32**	**9.32**

<u>Option 5 - New Higher Rate Employee PRSI</u>

12. The 2010 Actuarial Review highlighted that for those at the higher end of the income distribution generally get back less than they pay in. Notwithstanding this, if the current and future projected deficits are to be addressed and in the context of social solidarity, it may be necessary to increase contribution rates for those on higher earnings.

Currently there is only one rate of employee PRSI - a charge of 4% applying to all earnings once they exceed €352 per week. As a progressive measure to generate additional income for the Social Insurance Fund, consideration could be given to introducing an additional 0.5% or 1% PRSI charge for those earning over €75,000, to apply to the earnings in excess of that amount.

There is a precedent for applying a higher rate of PRSI on earnings over €75,000. Some civil and public sector employees pay modified rate PRSI at the rate of 0.9% on earnings up to and including €1,443 per week (€75,036 annually). If their earnings exceed this figure a higher PRSI charge of 4% applies to earnings in excess of €1,443 per week. The proposed higher contribution rate of 5% to apply to earnings over €75,000 in <u>other</u> employments, would mirror that applied to modified rate civil and public sector employees.

The full year yield from increasing the rate of Class A employee PRSI by **1% (on earnings exceeding €75,000)** would be **€87.8 million.** There are approx. **85,000** employments in this earnings category.

Option 6 - Increase the threshold at which employees are insurable

13. Currently access to social insurance provides the contributor with entitlement to valuable pension entitlements on the basis of a very low entry threshold. At weekly earnings of €38, the employer begins contributing to the employee's social insurance. Employees only start paying PRSI once weekly earnings exceed €352. The income threshold for access to social insurance of €38 has remained relatively unchanged since its introduction.

The failure to index the €38 insurability threshold over a number of years has eroded the attachment to the workforce originally envisaged.

- Based on the current minimum hourly rate of €8.65, an employee working under 4 ½ hours per week gains access to the full range of social insurance benefits – the original hourly rate was 18 hours.
- If the original contribution level of €38 equivalent had been raised in line with (CPI) prices since it was first introduced, it would now stand at around €65.
- If the €38 equivalent had been raised in line with industrial earnings, it would be equivalent to circa €87 per week.

Because benefits have been indexed (without corresponding indexation of the threshold for insurability to access those benefits) individuals may be entitled to benefits which exceed the earnings on which the contributions were made. For example for workers earning between €38 and €150 per week, the weekly rate of short-term benefit such as Jobseeker's Benefit amounts to €84.50 plus €80.90 for a qualified adult.

Ireland provides access to social insurance benefit at very low levels of income as compared with the UK where the income threshold for National Insurance is £107 (equivalent to €135).

Consideration is therefore being given to increasing the threshold for entry into social insurance from €38 to €70 per week, as representing a realistic attachment to the workforce to justify entitlement to social insurance benefits.

Some **24,880** workers earning between €38 and €70 per week would no longer be insurable. There would be an initial (small) reduction in income to the Social Insurance Fund. In the longer term, however, the benefit entitlement of those on very low wages would be curtailed. Employers would benefit as there would no longer be a PRSI cost for employees earning between €38 and €70.

Increasing the weekly income threshold for social insurance to €70 would **reduce SIF income** by **€1.4 million**. The reduction in income to the SIF results from the loss of employers PRSI at 4.25%.

Option 7 - General PRSI Rate Increase for Self-employed

14. The self-employed currently pay PRSI at the rate of 4% on their taxable income from self-employment. The 2010 Actuarial Review highlighted the excellent value for money

which social insurance benefits offer to the self-employed. This would suggest that an increase in the rate of PRSI paid by the self-employed is warranted.

Given the volatility of self-employed income since the downturn in the economy there may be some reservations about increasing the rate of contribution paid by the self-employed, in terms of placing additional cost burdens on this sector. The rate applied to the self-employed increased from 3% to 4% in Budget 2011.

Option 8 – Increase in flat rate of €253 paid by the self-employed

15. Self-employed contributions are charged at the rate of 4% of reckonable income over €5,000 or €253 per annum whichever is the greater. As an alternative to a PRSI rate increase consideration could be given to increasing the minimum annual amount required from the self-employed.

The 2010 Actuarial Review highlighted the excellent value for money which social insurance benefits offer to the self-employed with those paying the minimum contribution of €253 getting "exceptional" value for money. The Review outlines that those paying the flat rate PRSI contribution of €253 per year over a full working life will receive a pension of €230.30 per week during retirement. In 2010, 13% (or 45,000) of the self-employed population paid the annual €253 flat rate of payment. An uprating of the €253 with the CPI would increase the figure to €457.

Consideration is being given to increasing the flat rate annual contribution of €253 to (i) €500 or (ii) €700 as a means of providing a more realistic contribution to the benefits which accrue.

The following table sets out the additional PRSI yield from this increase in the self-employed flat rate.[4]

Table 5: Option 8 - Yield from increasing the Self-employed Flat rate from €253 to (i) €500 and (ii) €700

Measure	Numbers affected	Full Year Yield €m
Increase in self-employed flat rate to **€500**	**120,000**	**18.4**
Increase in self-employed flat rate to **€700**	**156,000**	**46.1**

[4] An increase in the flat rate €253 paid by former self-employed contributors, who pay Voluntary Contributions will also be required. This will affect some 2,400 Voluntary contributors. The current flat rate of €157 paid by those who pay PRSI directly to the Department as they have no net tax liability will be increased proportionately.

Social Insurance Coverage

<u>Option 9 – Broaden the PRSI Income Base</u>

16. One of the options which are being considered to address the current and future shortfalls in the Social Insurance Fund is the broadening of the income base on which PRSI is charged. In his Budget 2012 speech the Minister for Finance indicated "*further broadening of the base for PRSI to cover rental, investment and other forms of income from 2013*". The Department of Social Protection is in favour of extending the income base on which PRSI is charged.

17. There are currently 2 categories of employees which do not pay PRSI on such income.

- The first category refers to all employees who have unearned income. Generally all workers pay PRSI on their earnings from employment. If an employee has additional income from self-employment, PRSI as a self-employed contributor is paid on profits from that self-employed activity plus any other unearned income he might have e.g. rental income. However if an employee has unearned income <u>only</u>, there is no PRSI charge on the unearned income.

- The second category of workers benefitting from relief from PRSI is modified rate contributors, principally civil and public sector workers recruited before 6 April 1995. While these workers pay PRSI on earnings derived from their civil/public service employment, they do not pay PRSI on any other stream of income. This exemption applies regardless of whether that additional income is earned from a trade or profession or unearned.

The maximum PRSI yield which the abolition of these reliefs would provide is **€32m** - €20m in relation to the exemption for employees with unearned income and €12m for the exemption applying to civil/public sector workers. The yield is lower than original envisaged, in part because the rental income in recent years has dropped dramatically.

18. Some of the individuals affected by the abolition of these exemptions from PRSI will already have paid other PRSI contributions which gives entitlement to benefits. In these cases there will be no new entitlement arising from these changes. Certain employees, including modified contributors, could get entitlement to a State Pension (Contributory) where they have no such entitlement under the current system.

Department of Social Protection
September 2012

Appendix 1.

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. Discontinue provision for the **Christmas Bonus** (Insurance and Assistance Payments)	156	171	171

Savings Measures - Budget 2010

Summary description of adjustment	Effect of Measure 2010 €m	Full Year €m
1. <u>**Weekly Rates of Payment**</u> **Weekly Personal Rates of Payment** – A reduction of €8.30 (mainly) in the weekly personal rates of all Insurance <u>and</u> Assistance weekly payments to persons aged under 66.	395.97	395.97
Weekly Qualified Adult Rates of Payment –Proportionate reductions in all QA rates of payment (Insurance <u>and</u> Assistance)	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.	11.10	11.10
2. <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

Details of DSP Budget Package 2011

Budget Measure	2011 €m	2012 €m	2013 €m	2014 €m
1. **Weekly Rates of Payment** – a reduction of €8 per week in most payments to people aged under 66 with proportionate reductions for qualified adults – Insurance and Assistance	384.51	384.51	384.51	384.51
2. **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
3. **Energy and Communications** – efficiency savings in the energy and communications elements of the household benefits package Insurance and Assistance.	30.00	30.00	30.00	30.00

Details of DSP Budget Package 2012

Savings				
BUDGET 2012 Measures	**2012** **€m**	**2013** **€m**	**2014** **€m**	**2015** **€m**
<u>Children & Families</u> 1.Qualified Child Increase Where a person claiming Invalidity Pension, Carer's Benefit, State Pension (Contributory or Transition) or Incapacity Supplement has a spouse or partner with income of over €400 a week, payment of the half-rate increase in respect of a qualified child will be discontinued. This will apply to new claimants and is in line with current arrangements for Jobseeker's Benefit, Illness Benefit and Injury Benefit.	0.40	3.10	4.90	5.50
<u>Working Age Payments</u> 2.Jobseeker's Benefit Where a Jobseeker's Benefit recipient is working for part of a week, the payment entitlement will be based on a 5 day week rather than a 6 day week.	5.90	11.60	11.60	11.60
3.Sunday working will be taken into account when calculating the amount of Jobseeker's Benefit or Jobseeker's Allowance to be paid.	0.00	16.00	16.00	16.00
Disablement Benefit 4. New applicants for Disablement Benefit must have a disability classified at more than 15% in order to qualify for the payment.	2.60	5.00	5.00	5.00
<u>Redundancy and Insolvency schemes</u> 5. The employer rebate of statutory redundancy payments will reduce will reduce from 60% to 15%	81.00	122.00	104.00	104.00
Fuel Allowance	51.00	51.00	51.00	51.00

6. The Fuel Allowance season will be reduced by 6 weeks from 32 weeks to 26 weeks for all recipients				
Treatment Benefit – Hearing Aid Grants 7. The frequency of the grant for hearing aids will change from 2 years to 4 years. Also, the maximum grant available for one hearing aid will change from €760 to €500 and from €1,520 to €1,000 for two hearing aids.	2.00	3.00	4.00	4.00
<u>Securing Sustainable Pensions</u> State Pension Contributory/State Pension Transition 8. Currently a person with an average of 20-47 PRSI contributions per year over their working life receives a weekly State Pension of only €4.50 less than a person with a yearly average of 48 or more PRSI contributions. A lower pension will be payable to new applicants for State Pension who have a yearly average of less than 48 PRSI contributions which better relates to their PRSI record.	0.50	2.80	5.50	8.20
Late Claims (State Pension Transition and Contributory, Widow's Pension Contributory) 9. Currently, late claims for certain contributory pensions can be backdated for more than 12 months provided the relevant qualifying conditions are fulfilled. The backdating period will be reduced to a maximum of 6 months. This applies to State Pension (Contributory and Transition), Surviving Civil Partner's Contributory Pension and Widow(er)'s Contributory Pension.	18.50	27.20	27.20	27.20
Widow/er's Pension Contributory 10. The total number of paid PRSI contributions needed to qualify for Widow(er)'s Contributory Pension and Surviving Civil Partner's Contributory Pension will increase from 156 to 520 contributions.	0.00	0.50	5.11	10.16
<u>Concurrent Payments</u> Jobseeker's/Illness Benefit 11. Currently, a person who gets a Widow(er)'s Pension, Surviving Civil Partner's Pension or One Family Parent Payment may be entitled to half rate Jobseeker's Benefit, Illness Benefit or Incapacity Supplement if they satisfy the	12.00	22.60	22.60	22.60

qualifying conditions. These half rate payments will cease for new applicants for Jobseeker's Benefit, Illness Benefit or Incapacity Supplement.				
Miscellaneous Savings Household Benefits Package 12. Savings will be achieved on the Electricity/Gas Allowance	15.00	15.00	15.00	15.00