TAX STRATEGY GROUP

PAY RELATED SOCIAL INSURANCE CHANGES

Introduction

1. This paper sets out recent developments in PRSI and the context for further changes in the charging of PRSI against the background of the current operating deficit in the Social Insurance Fund and the prospect of the future demands to be made on the Fund in terms of benefits. It goes on to explore options for increasing income to the SIF through changes in the rates of PRSI charged and other measures designed to address issues inherent in the current system of charging PRSI.

PRSI Changes in 2011

2. A wide range of changes to the PRSI system was introduced in 2011, 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 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 to4 the income of certain Office Holders, without providing access to benefits.
- 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 €261.1m and €417.6m.

Health Contribution & the Universal Social Charge

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"). USC is chargeable on all income once gross income exceeds €4,004 (€77pw). USC is charged at the rate of 2% on the first €10,036 (€193pw), at 4% on the next €5,980 (up to €308pw) and at 7% on the balance. The USC, in particular, introduced a liability to the charge at income levels below those which applied in the case of the Health Contribution (€500 per week) and the income Levy (€15,028). Social Insurance is paid by employees once weekly earnings exceed €352 (€18,304). In this regard, it should be noted that a single PAYE worker now incurs a liability to the USC first, then to income tax and finally to PRSI.

Jobs Initiative

- 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.

Pensions

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

- 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.

Expenditure Reduction Measures

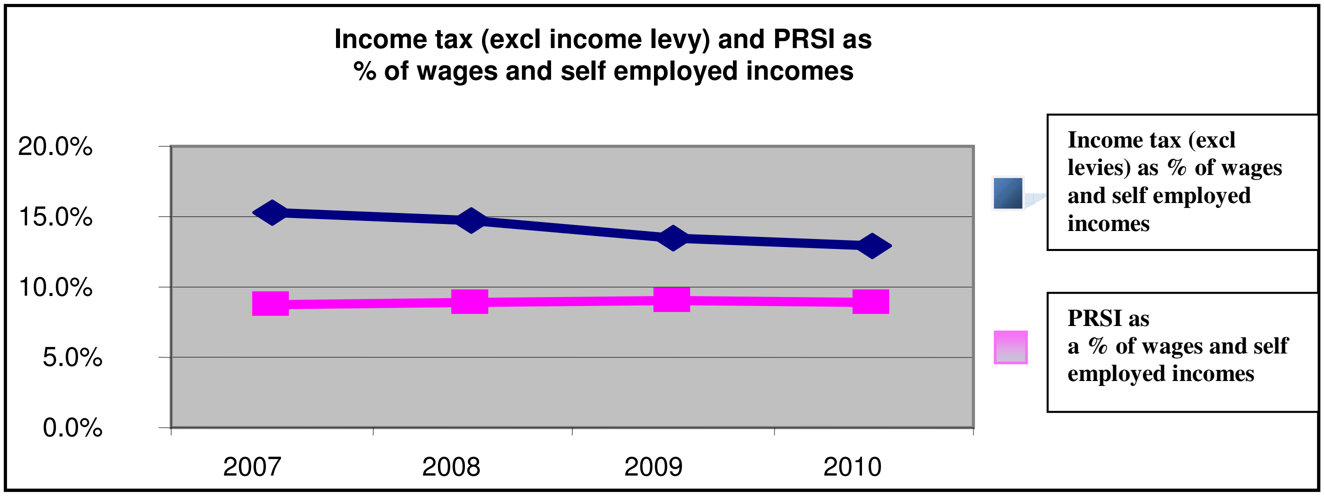
In addition a wide range of SIF expenditure reduction measures have been introduced over the period from 2009 to date. These are detailed in Appendix 1 and include reductions, in 2010 and 2011, in rates of payment for all aged under 66, tighter eligibility conditions for receipt of short-term benefits, the capping of the duration for entitlement to Illness Benefit to 2 years and a very significant scale back of the range of treatments available under the Treatments Benefits scheme.

The Department's view of social insurance

3. In general, the social insurance system maintains a relationship between labour force status, earnings from work, contributions made and, finally, entitlement to benefits in the event of certain specified contingencies (such as illness, unemployment or old age). DSP is of the view that the social insurance system is the main pillar of social protection in Ireland and should remain so in light of its social and administrative benefits.

PRSI is an efficient mechanism for collecting social contributions. PRSI is collected (i) on an individual, weekly basis, (ii) on a wide income range (particularly the employer component) and (iii) is not open to the range of relief schemes available for income tax. PRSI has performed much better than the income tax system in collecting receipts from a declining income base in recent years (See Chart 1). A similar parallel collection approach has been developed in recent years through introduction of the income levy, increased health contributions and their subsequent amalgamation into the Universal Social Charge (USC). However, PRSI has more flexibility than the USC in that it has employee and employer components applied to the same income base. Apart from efficiency issues, it also has important social benefits that would be difficult to replicate in a parallel system which are set out below. PRSI facilitates a more efficient administrative basis for benefits administration than means testing, as payment is directly linked to contribution records.

Chart 1: Income tax and PRSI as % of incomes



The visibility of the related benefit will be clearer in future. The link between PRSI contributions and pension benefits is not always clear at the moment given complexity and anomalies in qualification for State Pension (Contributory) (SPC). In 2020, SPC will be awarded based on a 'total contributions' approach, where the link between contributions and pensions will be explicit. This should improve the transparency of the system to contributors, and should also improve compliance and reduce the size of the 'black economy' as there is a clear link from contributory employment to pensions.

There are substantial demographic pressures in the medium term. While long term pressures are well known, population projections based on the 2006 Census results predict the population aged 66+ to be approximately 700,000 by 2021. The implications of demographic change have been assessed in Actuarial Reviews of the Social Insurance Fund and Pensions Board reports, and the Pensions Framework sets out the policy response to these pressures. Any fundamental changes to the PRSI system would require the same detailed assessment.

The Irish social insurance system provides a basis for pensioners' incomes that does not disincentivise private savings and labour market participation of older workers. Given that social welfare is expected to provide pension incomes only up to a minimum level in Ireland, it is important that the social welfare system does not disincentivise pension savings, particularly for middle income groups. Recipients of contributory pensions can also work without impacting on their pension incomes, which has wider economic benefits.

The social insurance system provides a basis for flexible labour markets. There is clear evidence of skills mismatches in the labour market in the wake of the economic crisis, and many unemployed workers will be forced to change sector to find employment in future. Social insurance benefits provide a 'safety net' for people to build up skills and experience in the economic recovery, as employees retain access to benefits while taking advantage of new employment opportunities.

The social insurance system facilitates social outcomes that would be otherwise difficult to deliver. These outcomes include; links with specific contingencies related to events which reduce income (illness, unemployment, retirement), contributions are less likely to be seen as a tax by citizens given access to entitlements (especially under the total contributions approach), better take up of benefits, reduced stigma for clients and recognition of socially beneficial activities with PRSI credits or disregards (e.g., the Homemakers' scheme).

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. However, no Exchequer contribution was required over the period 1997 to 2009 inclusive. An Exchequer subvention was required again in 2010 as the accumulated surplus was exhausted and this requirement will continue (in the absence of revenue raising measures).

Actuarial Review of the Social Insurance Fund as at end December, 2005

5. The Social Welfare (Consolidation) Act, 2005, requires regular actuarial reviews of the financial condition of the Social Insurance Fund. The last such review was published in 2007 and had an effective date of 31 December 2005. The key objectives of the review were to project future contribution income to, and benefit outgo from, the Fund. The review also considers the adequacy or otherwise of the current contribution rates to the Fund, the impact of a number of possible changes to the Fund's benefit / contribution terms, and the value-for-money provided by the Fund in a range of individual circumstances.

The review covered a 56 year period from 2006 to 2061 inclusive. The core output of the review is a series of projections of the Fund's expected income and expenditure, based on an agreed set of assumptions. One of the main conclusions of the last review was that expenditure on social insurance schemes would rise from 2.4% of GNP in 2006 to 3.6% in 2021 – see Table 2 below. Given the significant decline in national output in recent years and other related changes, some of the key assumptions used in the last review are now out of date. However, when the data in the last review are adjusted to take account of the current GNP projection for 2011 (and with no change to any other assumptions), expenditure on social insurances schemes would rise to 4.5% of GNP in 2016 and 5.3% in 2021. The next actuarial review will completed by end 2012.

The Actuarial Review of the Social Insurance Fund 2005 noted that the population projections in the review relating to those aged 65 and over are unlikely to change significantly in the short to medium term. The last review indicates that the number of people aged 65 or over is expected to increase dramatically over the period to 2061, rising by 285% from 472,000 in 2006 to just over 1.8 million by 2061. In the short term, the review projects that the numbers of persons aged 65 and over will rise by close to 100,000 over the five years to 2016 and by close to 110,000 over the following five years. This level of increase will pose considerable challenges to achieving the twin objectives of delivering income adequacy in retirement while, at the same time, ensuring that Government finances are sustainable.

The Actuarial Review of the Social Insurance Fund 2005 advised that significant increases in contribution income will be required in future years – if the policy imperative is to be maintenance of current distributions from the SIF. In line with current pensions policy, DSP supports the view that progressive action is required if future public pension liabilities (and other SIF liabilities) are to be met. This will involve finding an appropriate balance between the three strands of the tripartite funding system but also building a closer relationship between benefit rates/conditions and contribution rates, and gauging the cost of credits.

While the last actuarial review of the Social Insurance Fund was undertaken in 2005 when the fund was in surplus, it does provide perspectives on the redistributive nature of the Fund. In particular it found that:

- Those on lower incomes fare considerably better than those on higher incomes;
- Those with dependants fare better than those without;
- Those with short contribution histories have the potential to fare better than those with full contribution histories;
- The Fund provides better value to female than to male contributors; and
- The Fund tends to favour the self-employed over the employed – when the comparison includes both employer and employee contributions in respect of the employed person.

Table: 2: Actuarial Review, 2005, Income and Expenditure Projections, as amended

	2006	**2011**	**2016**	**2021**
Contribution Income - € billion	6.89	8.57	10.13	11.69
GNP - € billion	149.41	184.41	217.96	250.22
GNP revised - € billion	149.41	124.86	147.58	169.42
Contributory Pensions - € billion	2.55	3.49	4.88	6.88
Widow/er's Aged 66 and Over- € billion	1.13	1.50	1.83	2.17
Free schemes - € billion	0.21	0.32	0.43	0.57
Old age SI expenditure - €billion	3.56	4.88	6.65	9.06
Expenditure as % of GNP	2.4%	2.6%	3.0%	3.6%
Expenditure as % of GNP revised	2.4%	3.9%	4.5%	5.3%
No. People aged 66+	**441,209**	**496,875**	**593,323**	**700,918**
No. People Age 70+	327,066	360,837	421,725	513,258

Financing of the Social Insurance Fund

6. After a number of years in surplus, the current operating balance of the Social Insurance Fund (SIF) moved into deficit in 2008 when expenditure exceeded income by €231m. This deficit

accelerated in 2009 when it reached €2.44 billion. Estimates indicate that the 2010 deficit will be in the region of €2.744 billion. The projected deficit (which will be subject to review) from 2011 to 2014 indicates that the shortfall in the current operating balance will go from €1.9 billion at the beginning of the period to €1.4 billion by 2014.

Options for Change

Introduction

7. Changes to PRSI impacting on expenditure are primarily concerned with three elements:

- payment rates
- contribution rates
- coverage

The Programme for Government is committed to maintaining the existing level of rates of social welfare payments, including social insurance payments. Therefore, the principal means of generating PRSI savings is through changes to the rates of contribution or coverage for social insurance. A number of options for securing savings are provided below. Further examination of the various measures can be considered, once a broad indication is provided on the direction of PRSI changes. Each of the options was considered in isolation and would require further consideration if implemented in conjunction with other measures.

Option 1 General PRSI Rate Increase

A general increase of (i) 0.5% and (ii) 1% in both employers and employees PRSI would yield the savings outlined below.

Table 3 Option 1

	Full year yield 0.5% Increase in PRSI €m	**Full year yield 1% Increase in PRSI €m**
Additional employer PRSI	268	535
Additional employee PRSI	206	413
Total Additional PRSI	**474**	**948**

An across the board increase in the rate of PRSI contributions paid by employers and employees would generate significant levels of savings. However, any changes to the rates of employer PRSI would run contrary to the Programme for Government. xxxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx An increase in the lower employer rate would partially clawback the benefit of halving xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx implemented in July 2011 as part of the Jobs Initiative to meet another of the Programme's commitments. Employee PRSI increases would have to be considered in the context of safeguarding the incentive to work, taking account of the tax wedge (of which PRSI is only one component).

A 1 % increase in the rate of PRSI from 4% to 5% paid by the self-employed would yield in the region of €100 million. An increase in the rate of PRSI paid by the self-employed could be considered in conjunction with an increase in PRSI rates payable by employees. Both are currently contributing 4% of their income to their future valuable pension entitlements. (Employers also pay PRSI in respect of their employees.)

Option 2 Changes in Social Insurance Coverage

Currently access to social insurance provides the contributor with entitlement to valuable pension entitlements and, in the case of employees, to short-term benefits, on the basis of very low entry thresholds.

In the case of the self-employed, entitlement to a pension could, over the 22 years from when the self-employed were brought into social insurance system in 1988 up to the 2010 tax year, be built up based on a total PRSI annual payment of as little as €253 or 3% of income in excess of €3,174 (whichever is the greater). In 2008, 90% of self-employed contributors had incomes of less than €50,000. This means that, in building one-tenth of an entitlement to a state pension with an estimated net present value of €250,000, each of these contributors would have paid a yearly maximum PRSI contribution of €1,500 – in most cases substantially less. The original €3,174 threshold for self-employed social insurance was set in 1988 by reference to the rate of Old Age (Contributory) Pension – in 2011 the pension rate stands at €230.30 per week or €11,976 per annum. While the PRSI entry threshold was increased to €5,000 in the 2011 Budget, full indexation of the original €3,174, would dictate a threshold more in the region of €5,865.

A similarly low threshold pertains to employees. At weekly earnings of €38, the employer begins contributing to the employee's social insurance. (Employees 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.

- An earnings level of £26/€33 was introduced in 1991 to replace 18 worked hours as the baseline for entry into social insurance.
- In the early 1990s this was increased to £30.
- Upon conversion to the euro the £30 threshold became €38.

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. This would entitle a worker to (graduated) weekly rates of short-term benefit such as Jobseeker's Benefit amounting to €84.50 plus €80.90 for a qualified adult. If the original contribution level of €38 equivalent had been raised in line with prices since it was first introduced, it would now stand at around €55. If the €38 equivalent had been raised in line with industrial earnings, it would be equivalent to circa €70. Consideration could be given to implementing increases in the employee threshold on a phased basis.

Failure to index the entry thresholds for social insurance has eroded the level of engagement in the workforce originally contemplated when the thresholds were set. The current social insurance thresholds for employees and to a lesser extent the self-employed threshold (in the light of the increase to €5,000 in 2011) mean that there is scope for increasing the entry requirements to levels which would adequately reflect the benefits which can accrue from social insurance cover. While raising these thresholds would, initially, entail a slight reduction in income to the SIF, the measures would over time ensure that workers have a more meaningful level of engagement with the labour market and make a more realistic contribution before benefit entitlements are receivable

Savings would accrue to short-term schemes as those earning under the new threshold (of say €50/€70) would not establish entitlement to these benefits. An increase in the €38 employee threshold would have the following slightly negative impact on the SIF with equivalent reduction in PRSI costs for employers affected.

Table 4: Affects of an increase in the €38 employee threshold

New Weekly Income Threshold for Social Insurance €	No. of Contributors Affected	Reduction in SIF* €m
50	6,260	.479
70	21,750	2.137 (includes .479 above)

**The reduction in income to the SIF results from the loss of employers PRSI only - at the new lower rate of 4.25%.*

Entitlement to short-term payments
The threshold for entitlement to full-rate short-term benefits should be reduced to ensure there is a stronger link between contributions and the benefits accruing from those contributions. Once weekly earnings exceed €300 employees qualify for full rate (as opposed to reduced/graduated rate) benefits. The employee does not start to pay PRSI until earnings exceed €352. At earnings of €300 the employer pays PRSI at the rate of 4.25%. Consideration should be given to reducing the employee threshold for payment of PRSI from €352 to €300 – the level at which full rates of short-term benefits are payable.

It is presumed that the income threshold reduction to €300 will apply to both the employee and employer PRSI. Employers currently pay PRSI at 4.25% on weekly earnings between €38 - €356 and at 10.75% for earnings over €356 per week. It would effectively increase the rate of employer PRSI from 4.25% to 10.75% for earnings between €300 - €356. As signalled in paragraph 21 any such increase must be considered in the context of Programme for Government commitments on employer PRSI.

Table 5: Option 2

Reduction of Income Threshold from €352(ee)/ €356 (er) to €300	No. Employments Affected	Full Year Yield €m
Employer PRSI	158,400	40.2
Employee PRSI	147,000	40.3
Total Additional PRSI		80.5

Option 3 Reduction of the PRSI Allowance

Employees (Classes A and H) do not pay PRSI on weekly earnings of €352 or below. Once this threshold is exceeded PRSI is payable on all of their income. The PRSI Allowance of €127 is offset before calculating the PRSI liability and has the effect of reducing the amount payable. The Allowance therefore ameliorates the impact of the "step" effect caused by the imposition of PRSI on all earnings once the threshold is exceeded. For example, on earnings of €350, no PRSI is payable, whereas for earnings of just €10 more – €360 – the PRSI liability is €9.32. If the PRSI Allowance was not available the liability would be €14.40. The PRSI Allowance has the effect of reducing the amount of PRSI paid by €5.08 per week (€127 x 4%), irrespective of the level of earnings.

Curtailment or abolition of the PRSI Allowance would yield significant savings. It would, however, impose significant hardship as the PRSI charge for workers at all income ranges would increase by €5.08. This would be particularly harsh on those marginally over the threshold.

Table 6: Option 3

Proposed weekly PRSI Allowance €	Increase in weekly PRSI paid €	Full year yield €m
100	1.08	66.3
50	3.08	189.2
0	5.08	312.1

Abolition of the PRSI Allowance could only be considered in conjunction with a mechanism to ameliorate the impact of "step" effect caused when earnings exceed the threshold for PRSI. Any mechanism would involve some level of costs but the composite changes of reduction/abolition of the PRSI Allowance combined with a more graduated system of charging PRSI would give rise to savings.

Option 4 Targeted PRSI increases

As an alternative to general PRSI rate increases, more targeted increases could be considered. These options are being presented as a means of providing indications of the levels of savings which could be achieved.

Increase in the standard 10.75% rate of employer PRSI

This would apply in respect of earnings in excess of €356. Programme for Government commitments to maintain the standard rate of employer PRSI dictate that this option may not be feasible.

Table 7: Increase in the standard 10.75% rate of employer PRSI

	Full Year Yield €m
Increase the rate of employer PRSI by **0.5%** , where employee weekly earnings exceed €356	244.7
Increase the rate of employer PRSI by **1%**, where employee weekly earnings exceed €356	489.4

New low rate employee PRSI
The introduction of a new 2% rate of PRSI would apply to those earning between €38 and €352 who currently have access to social insurance without paying employee PRSI contributions (PRSI is paid by their employers). This option could be considered in conjunction with/as an alternative to raising the €38 threshold for employee access to social insurance.

This new PRSI rate would, however, affect those on the lowest level of earnings and potentially most vulnerable to the disincentive to work. The imposition of the new PRSI charge would also increase the tax wedge for this category of workers and account would have to taken of other possible changes in the components of the tax wedge.

Table 8: New low rate employee PRSI

	Full Year Yield €m
New 2% Employee PRSI rate on weekly Earnings €38-€352	290.2

Note: A PRSI Allowance was not applied when costing this measure.

New Higher Rate Employee PRSI
Introducing a higher 5% rate of employee PRSI to apply only for those earning in excess of (i) €500 per week (ii) €700 would yield savings. The levels of income proposed are justified by reference to (i) €500 was the level at which the (now abolished) rate of the Health Levy was charged at 5% - 4% applied to earnings under €500 (ii) €700 is equivalent to the 2011 weekly rate of the average industrial wage. As with all measures proposed which increase the tax wedge, account would have to taken of other possible changes in USC/taxation which could impact on this particular category of workers.

Table 9: New Higher Rate Employee PRSI

	No. of Contributors Affected	Full Year Yield €m
1% Increase in Employee PRSI for Earnings in excess of €500	1,065,000	363.1
1% Increase in Employee PRSI for Earnings in excess of €700	622,000	278.6

PRSI Simplification Measure
8. A small simplification to address an anomaly in income thresholds is proposed.

Employers pay 4.25% PRSI on earnings up to **€356**, above which the rate increases to 10.75%. In the case of employees, the charge of PRSI is applied once earnings exceed **€352**. This has often given rise to confusion and potentially non-compliance. If reducing the employer threshold (from €356 to €352) is not an option, the employee threshold for charging of PRSI should be increased to €356. It covers a very small earnings band and is unlikely to have significant cost implications.

Broadening the PRSI Base
9. The Commission on Taxation recommended that the PRSI base should be broadened.

The Commission recommendation that share-based remuneration including share options should be subject to PRSI has already been implemented. The Representational payment made to Office Holders is subject to PRSI at the rate of 4%, without providing access to social insurance benefits.

Further areas which could be considered are:
- Charging employee PRSI on unearned income such as investment income and rental income, as put forward by the Commission on Taxation
- Bringing family relatives within the scope of the PRSI system

Given the complexity of the social welfare system sufficient notice of all proposed changes would be needed, particularly with reference to measures to broaden the PRSI base.

Additional cover for the self-employed
10. The Advisory Group on Tax and Social Welfare will examine and report on issues involved in providing social insurance cover for self-employed persons in order to establish whether or not such cover is technically feasible and financially sustainable.

<u>Conclusion</u>
11. None of the above proposals is being recommended in isolation as the means of securing savings through the PRSI system. A more systemic approach is preferred whereby elements of several proposals could be combined to achieve savings while addressing fundamental deficits in the PRSI system. It may indeed be necessary and more appropriate to introduce a combination of measures over of number of years, once the strategic objectives for the PRSI system have been determined.

Each of the mechanisms which yield savings involves inherent difficulties:

- Increases in employer PRSI yield significant savings but would increase the cost of employment.
- Increases in employee PRSI also yield savings. It would be vital to target the PRSI increases towards those who are in a better position to sustain such increases as compared

with other workers, particularly those on low pay. Changes in other components of the tax wedge (i.e. taxation and the Universal Social Charge) are also relevant.

- Structural changes in the coverage of social insurance by changing entry thresholds will strengthen the link between contributions and benefits accrued and generate savings on individual schemes. It will re-enforce the contributory principle in establishing long-term entitlement to pensions.
- The abolition/reduction of the PRSI Allowance could yield savings as well as contribute to the cost of reducing the "step" effect whereby PRSI is charged on all income once the employee threshold is exceeded. The cost implications of ameliorating this "step" in liability to PRSI would be reduced if combined with other measures such as the increase in the €38 entry threshold for social insurance and a reduction in the €352 threshold at which employee PRSI becomes payable.
- Any change in the rate or structure of employee PRSI which is not exactly mirrored in the system of employer PRSI will introduce a very significant level of complexity into PRSI, with attendant risks of non-compliance. Advance indications would be required to ensure that employers and the software payroll companies fully implement any changes proposed.

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
Child Income Support Total	**122.53**	**122.53**
1. **Weekly Rates of Payment** **Weekly Personal Rates of Payment** – A reduction of €8.30 (mainly) in the weekly personal rates of all Insurance and 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 and 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. **Treatment Benefit** 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**