



**AN BILLE LEASA SHOISIALAIGH (SOCHAR
PA-CHOIBHNEASA), 1972**

SOCIAL WELFARE (PAY-RELATED BENEFIT) BILL, 1972

EXPLANATORY MEMORANDUM

1. The purpose of this Bill is to give effect to the decision of the Government to introduce a scheme of pay-related benefit as part of the social insurance system. The scheme is designed to provide a supplement to flat-rate unemployment benefit, disability benefit and maternity allowance, which will be related to a person's pay up to a ceiling yet to be determined. The scheme will be financed by way of contributions, payable by employers and employees, which will be related to the employee's pay up to the same ceiling as for benefit purposes.

2. *Section 1* of the Bill deals with matters of interpretation. The definition of reckonable earnings in this section, when applied in *Sections 3* and *5*, will bring within the scheme all insured persons in respect of whom flat-rate employment contributions at ordinary rates are payable. These will, in the main, be persons in industrial, commercial and services type employment.

3. Under *Section 2* provision is made for the inclusion of pay-related benefit as a further benefit in the general system of social insurance.

4. The effect of *Section 3* is that pay-related benefit will supplement disability benefit, occupational injury benefit (if the claimant would otherwise be entitled to disability benefit) and maternity allowance, for up to $24\frac{1}{2}$ weeks of incapacity for work. It will also supplement unemployment benefit for up to $24\frac{1}{2}$ weeks of unemployment. There will be a waiting period of two weeks (including the existing 3 waiting days) in the case of both incapacity and unemployment before pay-related benefit becomes payable. Subsection (1) of this section bases title to pay-related benefit on whether or not the claimant had reckonable earnings in the relevant income tax year and also makes provision for the waiting period. Subsection (2) provides that payment will not be made for more than $24\frac{1}{2}$ weeks (147 days) of incapacity for work or for more than $24\frac{1}{2}$ weeks of unemployment in any period of interruption of employment. Subsection (3) provides that a period of entitlement to maternity allowance will be regarded as a period of incapacity for work and thus be linked for pay-related benefit purposes with periods for which disability benefit is paid.

5. *Section 4* sets out the basis of calculation of pay-related benefit. The amount of the benefit will be 40% of the amount of the claimant's reckonable weekly earnings, in a previous income tax year, which lies between £14 and an upper limit or ceiling. This ceiling and the income tax year which will be relevant will be prescribed by regulations. The following table shows the weekly amount of pay-related benefit and flat-rate disability or unemployment benefit proposed to be payable at various levels of pay and family sizes.

Beneficiary		Single person	Married couple	Married couple 2 children	Married couple 4 children	Married couple 6 children
Weekly flat-rate benefit		£ 5.55	£ 9.30	£ 12.00	£ 14.00	£ 16.00
Reckonable weekly earnings	Pay-related benefit	Total benefit	Total benefit	Total benefit	Total benefit	Total benefit
£	£	£	£	£	£	£
14.00	—	5.55	9.30	12.00	14.00	16.00
20.00	2.40	7.95	11.70	14.40	16.40	18.40
25.00	4.40	9.95	13.70	16.40	18.40	20.40
30.00	6.40	11.95	15.70	18.40	20.40	22.40
32.00	7.20	12.75	16.50	19.20	21.20	23.20

Regulations may be made under this section to restrict the weekly amount of the pay-related benefit in any case by reference to the reckonable weekly earnings and the amount of any other benefit payable weekly.

6. Pay-related contributions are provided for in *Section 5*. These will be payable by employers and employed contributors, each contributing a proportion to be prescribed of the reckonable earnings of employed contributors in the current income tax year. Regulations under this section will also prescribe a ceiling on the amount of the reckonable earnings on which pay-related contributions will be payable in any case and this ceiling will correspond with the ceiling to be set for the purposes of pay-related benefit under *Section 4*. *Section 5* also provides, in subsection (2), that provisions of the Social Welfare Act, 1952, relating to flat-rate employment contributions under that Act will apply generally to pay-related contributions.

7. *Section 6* provides power to determine by regulations the liability for payment of pay-related contributions in respect of an employee who is concurrently employed in a number of employments or who works under the general control or management of somebody other than his immediate employer.

8. It is the intention that pay-related contributions will be collected through the income tax collection system of the Revenue Commissioners. Regulations to be made under subsection (1) of *Section 7* will cover matters relating to the payment and collection of and accounting for those contributions, and, in particular, will enable the Minister for Social Welfare to assign functions in these matters to the Collector-General appointed by the Revenue Commissioners. Under subsection (2) of this section the provisions of Acts or rules of court relating to the recovery of income tax will be applied to the recovery of pay-related contributions, with such modifications as may be prescribed by regulations.

9. The powers in *Section 8* to prescribe the basis and the manner of calculation or estimation of reckonable earnings and reckonable weekly earnings for the purposes of the scheme will enable attempts at concealment of pay to be circumvented and allow some flexibility in determining what reckonable weekly earnings are.

10. Regulations under *Section 9* will permit tables or "ready reckoners" to be used in calculating amounts of pay-related benefit and contributions and amounts to be rounded or other adjustments made so as to avoid the use of fractions of new pennies in these tables.

11. The definition of reckonable earnings in *Section 1* will mean that the persons who will be covered by the pay-related benefit scheme will be those in respect of whom the ordinary rates of flat-rate employment contribution are payable. The effect of this will be to exclude from the scheme persons who may be insured for disability or unem-

ployment benefit, but in respect of whom special rates of employment contributions are payable e.g. agricultural employees, both male and female, and female domestic employees. Regulations under *Section 10* may, however, provide for the inclusion in the scheme of classes of employees other than those in respect of whom the ordinary rates of employment contribution are payable should this be required and also for the exclusion of classes whom it may not be desired to retain within the scope of the scheme. A prime factor in considering the question of including any class within the scheme must always be the feasibility of collecting pay-related contributions in respect of that particular class.

12. *Section 11* provides power to make special arrangements by regulation to deal with cases arising during a transitional period after the date of commencement of the scheme e.g. where persons are already receiving one or other of the flat-rate benefits involved when the scheme commences. The duration of the transitional period will depend on the nature and extent of the problems that arise and the manner in which it is decided to resolve them.

13. Pay-related benefit will be based on earnings in a previous income-tax year and *Section 12* provides the powers necessary to enable the Revenue Commissioners to supply to the Department of Social Welfare such information in relation to these earnings as may be necessary for the operation of the scheme.

14. The existing provisions of section 49 of the Social Welfare Act, 1952, concerning the powers of inspectors in relation to social insurance contributions do not require employers to keep specific records of their employees' earnings. *Section 13* provides that employers may be required by regulations to do so for the purposes of the pay-related benefit scheme and that these records will be documents liable to inspection. In subsection (2) of this section, the penalty for failure to comply with the provisions relating to inspection is being increased.

15. *Section 14* makes provision for advances of money from the Central Fund to the Social Insurance Fund to meet expenditure in the initial stages of the scheme and for the repayment of the advances at a rate of interest to be fixed by the Minister for Finance. The effect of the provision in subsection (4) of this section is that there will be no contribution to the scheme from the Exchequer.

16. Provision is made in *Section 15* for the extension to regulations to be made under this Bill of the general provisions as to regulations contained in Section 3 of the Social Welfare Act, 1952, and in *Section 16* that regulations to be made under specified sections of the Bill will be subject to the consent of the Minister for Finance.

17. *Section 17* gives power for the making of orders within the first year after the commencement of the scheme, to remove any difficulties in bringing the scheme into operation. Any such order, which would be subject to the sanction of the Minister for Finance, would be laid before each House of the Oireachtas and could be annulled by resolution of either House.

18. *Section 18* deals with the general matters of short title, construction, collective citation and commencement of the Bill. Different dates may be set for commencing different parts of the scheme e.g. the collection of pay-related contributions may start from a different date to the payment of pay-related benefit.

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employment benefit, but in respect of whom special rates of employment contributions are payable, e.g. agricultural employees, both male and female, and female domestic employees. Regulations under section 10 may, however, provide for the inclusion in the scheme of classes of employees other than those in respect of whom the ordinary rates of employment contribution are payable should this be required and also for the exclusion of classes whom it may not be desired to retain within the scope of the scheme. A prime factor in considering the question of including any class within the scheme must always be the feasibility of collecting pay-related contributions in respect of that particular class.

Section 11 provides power to make special arrangements by regulation to deal with cases arising during a transitional period after the date of commencement of the scheme, e.g. where persons are already receiving one or other of the flat-rate benefits involved when the scheme commences. The duration of the transitional period will depend on the nature and extent of the problem that arises and the manner in which it is decided to resolve them.

13. Pay-related benefit will be based on earnings in a previous income-tax year and section 13 provides the powers necessary to enable the Revenue Commissioners to supply to the Department of Social Welfare such information in relation to these earnings as may be necessary for the operation of the scheme.

The existing provisions of section 49 of the Social Welfare Act, 1952, concerning the powers of inspectors in relation to social insurance contributions do not require employers to keep specific records of their employees' earnings. Section 13 provides that employers may be required by regulations to do so for the purposes of the pay-related benefit scheme and that these records will be deemed to be correct for the purposes of the scheme. In subsection (2) of this section, the penalty for non-compliance with the provisions relating to the keeping of records is provided for.

Section 14 provides for the repayment of money from the Central Fund to the Social Insurance Fund and to meet expenditure in the initial stages of the scheme and for the repayment of the advances granted to the Social Insurance Fund. The effect of the provision in subsection (4) of this section is that there will be no contribution to the scheme from the Employer's Regulations. The contribution to the scheme from the Employer's Regulations is provided for in subsection (5) of this section. The Bill will be subject to the control of the Minister for Finance.

17. Section 17 gives power for the making of orders within the first year after the commencement of the scheme, to remove any difficulty arising in bringing the scheme into operation. Any such order, which would be subject to the sanction of the Minister for Finance, would be made before each House of the Oireachtas and could be annulled by resolution of either House.

18. Section 18 deals with the general matters of short title, construction, commencement and commencement of the Bill. Different dates may be set for commencing different parts of the scheme, e.g. the collection of pay-related contributions may start from a different date to the payment of pay-related benefit.

11. The definition of reckonable earnings in section 11 will be amended to include earnings from any source which will be covered by the pay-related benefit scheme. The definition of reckonable earnings will be amended to include earnings from any source which will be covered by the pay-related benefit scheme.