



AN BILLE LEASA SHÓISIALAIGH, 1988

SOCIAL WELFARE BILL, 1988

EXPLANATORY MEMORANDUM

Introduction

The Bill comprises four Parts. The main purpose of the Bill is to provide for the increases in the rates of social welfare payments and other improvements in social welfare schemes announced in the Budget, and the extension of social insurance to the self-employed. The Bill also makes provision for a number of other improvements in the social welfare system including the introduction of a pre-retirement allowance scheme for the elderly long-term unemployed.

Part I (Sections 1 and 2) of the Bill provides for the usual requirements of short title, definitions etc.

Part II (Sections 3 to 9) provides for:—

- an increase of 3 per cent from July 1988 in the weekly rates of payment under the schemes of social insurance, social assistance and occupational injuries benefits;
- higher increases in the weekly rates of unemployment assistance;
- the rationalisation of the rates of child dependant increases in social welfare payments;
- adjustments in the family income supplement scheme arising from the increase in benefit rates;
- an increase in the earnings limit for social insurance contributions;
- an increase in the amount of weekly earnings disregarded in calculating pay-related benefit; and
- an increase in the rate of employers' contribution to the Occupational Injuries Fund.

Provision is also made in this Part for the waiving of interest chargeable on PRSI contributions in line with the special incentive scheme announced by the Minister for Finance in his Budget statement.

Part III (Sections 10 to 17) provides for the extension of the social insurance system to self-employed persons with effect from 6th April, 1988. The self-employed will be covered for contributory old age and widow's and orphan's pensions under that system on broadly similar conditions as apply in the case of employed persons and will be liable for social insurance contributions. Certain categories, such as assisting relatives and persons in receipt of unemployment assistance and other persons on low incomes will be excepted from the system.

Part IV (Sections 19 to 31) deals with a number of miscellaneous provisions aimed at improving the social welfare code. These include:

- changes are being made in the provisions relating to the taking of proceedings and prosecutions;
- increases in fines and penalties to bring them into line with those introduced in the Social Welfare (No. 2) Act, 1987;

- rounding of amounts payable under certain schemes;
- change in the method of determining whether a person has exhausted his entitlement to disability benefit to avoid having to take account of old claims;
- the abolition of the local authority contribution to the cost of the unemployment assistance scheme;
- the disposal of the unspent funds of the Employers' Employment Contribution Scheme introduced in 1981; and
- enabling ACOT and CERT trainees to be insured in the same manner as FÁS trainees.

This Part also provides for the introduction of a Pre-Retirement Allowance scheme for elderly persons who have been in receipt of unemployment payments for at least 15 months. Provision is also made to enable persons who became compulsorily insured in 1974 but who failed to qualify for contributory pensions because of gaps in their insurance record to become entitled to pension. Finally, provision is made for the transfer between the Department of Social Welfare and the Revenue Commissioners and other specified bodies of information necessary for the administration of social welfare schemes.

Social Insurance

Section 3 provides for the increase of 3 per cent in the weekly personal, adult and child dependant rates of social insurance and occupational injuries benefits with effect from the end of July 1988. The personal rates of disability and unemployment benefit are being increased by £1.30 per week with an increase of 80p per week being provided for an adult dependant. The basic weekly rate of maternity allowance also goes up by £1.30. The personal rate of injury benefit is increased by £1.70 per week and the additions for adult and child dependants are increased in line with those for other short-term payments.

The personal rate of old age (contributory) pensions and retirement pensions are being increased by £1.70 per week with an additional £1.10 per week for adult dependants and 80p per week for a prescribed relative giving full-time care and attention to a pensioner. The rates of invalidity pension, widow's (contributory) pension and deserted wife's benefit are also being increased. Increases are also being made in the pensions and lump sum gratuities payable under the occupational injuries scheme. The maximum weekly rate of disablement pension is being increased by £1.90 for a person under 66 and the personal rates of pensions for widows and invalided widowers under the scheme are being increased by £1.90. The rates of increases for child dependants under social insurance schemes are being streamlined so that in future there will be two rates of child dependant increases in each scheme as compared with four generally at present. This streamlining will mean varying increases in the rates of child dependant payments with increases over the 3 per cent increase for one-child families and for families with six or more children. The following table shows the effects of the increases on the principal rates of benefit payable under the social insurance schemes:—

	Present Rate	Proposed Rate
	£	£
Disability and Unemployment Benefit:		
— Personal rate	42.30	43.60
— Married couple	69.70	71.80
— Married couple and 2 children	90.20	93.00
Maternity Allowance	42.30	43.60
*Old Age (Contributory) Pension/Retirement Pension:		
— Personal rate—under 80 years	55.10	56.80
— Personal rate—over 80 years	58.80	60.60

	Present Rate	Proposed Rate
	£	£
Married Couple (Pensioner under 80 years):		
— Pensioner under 80 and adult dependant over 66	96.20	99.20
— Pensioner over 80 and adult dependant over 66	99.90	103.00
Invalidity Pension:		
— Personal rate (under 66)	48.50	50.00
— Married couple	80.00	82.40
— Married couple and 2 children	102.60	105.60
*Widow's (Contributory) Pension and Deserted Wife's Benefit:		
— Personal rate (under 66)	49.50	51.00
— with 2 children	76.40	78.80
Personal rate (66-79)	50.60	52.10
Personal rate (80 and over)	53.90	55.50
Orphan's (Contributory) Allowance	31.30	32.20

*An additional amount of £3.80 is payable to a person who has attained pensionable age and is living alone.

Social Assistance

Section 4 provides for increases of around 11 per cent. in the personal rates of unemployment assistance and supplementary welfare allowance. This means that the personal long-term urban rate of unemployment assistance will be increased to £42 per week with pro-rata increases in the other personal rates. In addition, section 4 provides for increases of 6 per cent. in the rates of increases of unemployment assistance and supplementary welfare allowance for dependent children. It also provides for increases of 3 per cent. in the weekly personal and adult and child dependant rates of other social assistance payments with effect from the end of July 1988. The increases in payments for child dependants are also being streamlined as in the case of social insurance schemes.

The effect of the increase in rates of long-term unemployment assistance payments will be to bring the amount payable to a single person in an urban area from £37.80 to £42 — an increase of £4.20 and from £65 to £70 for a person with an adult dependant. The increases for persons resident in rural areas are £4.10 and £4.90 per week respectively. There are corresponding increases in short-term unemployment assistance payments.

Consequent on this increase in rates of unemployment assistance the different rates of payment at present to persons with children, depending on whether there is an adult dependant, are being rationalised.

The maximum personal weekly rate of old age and blind pension payable to persons under 80 years is being increased by £1.40 from £47.10 to £48.50. For persons aged 80 years or more the increase will be £1.50 per week. A married couple both over pensionable age will now receive £97 per week. The maximum personal weekly rate of widow's (non-contributory) pension and deserted wife's allowance is being increased by £1.40 per week for those under 66.

The following table shows the effects of the increases on levels of payment under the social assistance schemes:

	Present Rate	Proposed Rate
	£	£
Unemployment Assistance (short duration)		
Urban Rate		
— Personal rate	35.10	39.00
— Married couple	60.40	65.10
— Married couple and 2 children	78.40	84.10
Rural Rate		
— Personal rate	34.00	37.80
— Married couple	58.70	63.20
— Married couple and 2 children	76.70	82.20

	Present Rate	Proposed Rate
	£	£
Unemployment Assistance (long duration)		
Urban Rate:		
— Personal rate	37.80	42.00
— Married couple	65.00	70.00
— Married couple and 2 children	84.20	90.40
Rural Rate:		
— Personal rate	36.60	40.70
— Married couple	63.20	68.10
— Married couple and 2 children	82.40	88.50
*Old Age (Non-Contributory) Pension and Blind Pension:		
— Personal rate (under 80)	47.10	48.50
— Married couple	70.80	72.90
— Married couple and 2 children	91.20	93.90
*Widow's (Non-Contributory) Pension and Allied Payments:		
— Personal rate (under 66)	46.20	47.60
— Widow and 2 children	70.50	72.60
Single Woman's Allowance	40.30	42.00
Orphan's (Non-Contributory) Pension	26.30	27.10

*An additional amount of £3.60 is payable to pensioners who have attained 80 years of age.

An additional amount of £3.80 is payable to a person who has attained pensionable age and is living alone.

Changes in Family Income Supplement Scheme

Section 5 provides for adjustments in the family income supplement scheme as a consequence of the general increase in rates. The maximum weekly family income limit for entitlement to family income supplement, in the case of a one-child family, is being increased from £104 to £108 and the increase in the limit for each additional child, up to and including the fifth child, is being raised from £22 to £23. These changes will affect claims for family income supplement from 28th July, 1988.

Family Size	Upper Family Income Limit		Maximum weekly supplement payable
	Present	Proposed	
	£	£	£
1	104	108	16
2	126	131	23
3	148	154	30
4	170	177	37
5	192	200	44

The amount of the supplement is 50 per cent of the difference between family income and the family income limit specified above.

Pay-related contributions ceiling

Section 6 provides for an increase from £15,500 to £16,200 with effect from 6th April, 1988 in the annual earnings ceiling up to which social insurance contributions are payable. The rates of contributions are not being increased.

Occupational Injuries Fund

Section 7 provides for an increase in employers' Occupational Injuries Fund contribution from 0.43 per cent to 0.5 per cent, with effect from 6th April, 1988.

Pay-Related Benefit

Section 8 provides for an increase from £62 to £66 in the amount of weekly earnings disregarded in calculating the rate of pay-related benefit. This change will apply to periods of interruption of employment commencing on or after 4th April, 1988.

Interest on PRSI contributions

Section 9 provides for the extension of regulatory powers to include the waiving of interest on PRSI contributions so as to facilitate the special incentive scheme announced in the Budget whereby interest may be waived on outstanding tax and PRSI contributions on the condition that all outstanding tax liabilities are settled on or before 30th September, 1988.

Section 10 provides for the inclusion of additional definitions as a consequence of the extension of social insurance to the self-employed.

Section 11 provides for the insertion of a new chapter in *Part II* of the Social Welfare (Consolidation) Act, 1981 setting out the provisions for social insurance contributions for self-employed persons. Provided they do not come within the excepted categories, any persons who have income within the meaning of the Income Tax Acts, other than earnings as an insured employee, will be liable for contributions under the scheme. Certain income will be exempted from liability for contributions, including benefits in kind and other types of income to be prescribed in regulations. Superannuation contributions will, as in the case of insured employees, be allowed as a deduction from the emoluments of persons, such as proprietary directors, who pay tax under the PAYE system (Schedule E). Capital allowances will be allowed as deductions from income from trades, professions or vocations of persons who are assessed under Schedule D. The rates of contribution to be paid by self-employed persons will depend on whether, after the deductions referred to above, they have income assessable to tax. Where they have, they will be liable for contributions at a percentage of that income — 3 per cent from 6th April 1988, increasing to 4 per cent from 6th April 1989 and 5 per cent from 6th April 1990, subject in each case to a minimum annual contribution of £208.

Under present arrangements persons who are assessable to income tax under Schedule D but who are not likely to have any tax liability may be informed by the Revenue Commissioners that they are not required to make a return of income for tax purposes. Persons in this category will be liable for an annual contribution of £104.

Self-employed persons whose total income is below a minimum level to be prescribed in regulations will not be included in the new system and will be exempted from liability to pay contributions.

For self-employed persons liable for income tax the contributions due will be collected by the Revenue Commissioners. Provision is made to enable detailed arrangements for the collection of contributions by the Revenue Commissioners, and for the collection of the flat-rate contribution of £104 from those liable for that amount, to be prescribed in regulations.

Persons who cease to be self-employed contributors will be enabled to pay contributions on a voluntary basis, subject, as in the case of employed contributors at present, to their having a total of at least 3 years paid contributions. The rate of voluntary contribution payable in this situation will be equivalent to the minimum contribution of £208 which a person is liable to pay as a self-employed contributor and the person will be covered for the same range of benefits as if he were such a contributor. Persons who become compulsorily insurable as self-employed persons for contributory old age and widow's and orphan's pensions only and who are previously voluntary contributors will retain their cover for any additional benefits for which they were previously covered.

Section 11 also provides that the Minister will carry out a review of the provisions of the new scheme during the period of three months beginning on 1st October, 1990.

Section 12 provides for the insertion in the First Schedule of the Social Welfare (Consolidation) Act, 1981 of a new Part setting out the categories of persons who will be excepted from the new system. These include:

- assisting relatives;
- persons in receipt of unemployment assistance;
- persons whose income is below a minimum amount to be prescribed;
- employees or persons in receipt of an occupational pension other than those who have an income assessable under Schedule D of the Income Tax Acts from a trade, profession or vocation;
- employed contributors who are insured at modified rates; and
- persons in receipt of widow's (contributory) pension or analogous payments.

Self-employed persons who are covered by the new system will qualify for contributory old age and widow's and orphan' pensions subject to similar conditions as apply in the case of employed contributors at present. Sections 13 and 14 provide, however, that in the case of persons who become self-employed contributors on 6th April, 1988, when the new system comes into operation, and who were previously insured as employed persons, their date of entry into insurance for the purpose of entitlement to pension may be either their previous date of entry to insurance or 6th April, 1988, whichever is the more favourable.

Section 16 provides that any provisions of the existing legislation applying to employed contributors and employment contributions may by regulations also be applied to self-employed contributors and self-employment contributions.

Section 18 provides that, for a period of 12 months after the coming into effect of the Act, the Minister may by order remove any difficulties in bringing the new social insurance system for the self-employed into operation.

Part IV — Miscellaneous Provisions

Prosecutions and Proceedings

Sections 19 and 20 provide for changes in the provisions relating to proceedings, and to the taking of prosecutions under the Act. Section 19 serves to preclude the application of the Probation of Offenders Act in proceedings until such time as any social welfare payments due to be repaid by the person concerned have been repaid. Section 20 is an omnibus provision which consolidates existing provisions in relation to the taking of proceedings and prosecutions for offences under the Act.

Increased Penalties

Sections 21 and 22 provide for increased penalties for prescribed offences under the various social insurance and assistance schemes to bring them into line with those provided for in the Social Welfare (No. 2) Act, 1987. The maximum fine for conviction on indictment is being increased from £3,000 to £10,000 and the maximum term of imprisonment for conviction on indictment is being increased from two to three years. Certain fines for lesser offences are also being increased.

Disability Benefit

Section 23 provides that in determining whether a person has exhausted 312 days disability benefit only claims which occurred during the previous six years will be taken into consideration.

Rounding to the nearest 10p

The rates of payment as set out in the Act are in units of 10p in all cases. In certain cases, however, payments for periods less than a week can give rise to odd amounts. *Section 24* provides for the amount of injury benefit and unemployment assistance payable for periods less than a week to be rounded to the nearest unit of 10p. *Section 25* provides that the scale of rates of unemployment assistance for persons with means will be in units of 10p rather than 5p as heretofore.

Payments by Local Authorities

Section 26 provides for the abolition of the local authority contribution to the cost of the unemployment assistance scheme. The amount involved (£0.5 million in 1987) will in future be met by the Exchequer.

Employers' Employment Contribution Scheme Act, 1981

Section 27 makes provision for an amendment to the Employers' Employment Contribution Scheme Act, 1981 so as to permit unspent funds under the scheme to be transferred to the Occupational Injuries Fund.

Pre-Retirement Allowance Scheme

Section 28 provides for the introduction of a new scheme of pre-retirement allowance for elderly long-term unemployed persons who have effectively retired from the labour force. The rate of pre-retirement allowance will be equivalent to the rate of unemployment assistance and provision is made for regulations to specify the conditions which will attach to the receipt of the new allowance.

ACOT and CERT Trainees

Section 29 provides that unemployed persons undergoing training courses provided by ACOT or CERT shall be insured for occupational injuries benefit purposes in the same manner as FÁS (formerly AnCO) trainees.

Conditions for the receipt of pensions

Section 30 provides for the making of regulations entitling to old age (contributory) pension persons who re-entered compulsory social insurance following the abolition in 1974 of the remuneration limit on compulsory social insurance for non-manual workers, and who failed to satisfy the average test conditions for receipt of pensions because of breaks in their insurance record. The rates of pension payable will be prescribed in regulations and will vary, depending on the extent to which the contribution conditions are satisfied. *Section 30* also makes similar provision as regards widow's (contributory) pension and deserted wife's benefit.

Exchange of information

Section 31 makes provision for the transfer of information between the Department of Social Welfare and the Revenue Commissioners and also for similar transfers between the Department and various other Departments and specified bodies for the purposes of the proper administration of social welfare schemes.

*An Roinn Leasa Shoisialaigh,
Máirta, 1988.*

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Disability Benefit
Section 27 provides that in determining whether a person is disabled, the fact that he is receiving a pension or other benefit shall not be taken into consideration.

Rounding to the nearest 10p
The rates of payment as set out in the Act are to be rounded in all cases to the nearest 10p. However, payments for periods less than a week can give rise to odd amounts. Section 24 provides for the amount of injury benefit and unemployment assistance payable for periods less than a week to be rounded to the nearest unit of 10p. Section 25 provides that the scale of rates of unemployment assistance for persons with means will be in units of 10p rather than 5p as heretofore.

Employment Contribution Scheme
Section 26 provides for the abolition of the local authority contribution to the cost of the unemployment assistance scheme. The amount involved (£2.5 million in 1987) will in future be met by the Government. The Government has announced that it will introduce a new Employment Contribution Scheme in 1988. This will be a new scheme for the payment of unemployment assistance to persons who are unemployed for more than 12 weeks. The scheme will be financed by a levy on employers. The levy will be 1% of the gross wages paid to employees. The scheme will be introduced in 1988.

Pre-Retirement Allowance Scheme
Section 28 provides for the introduction of a new scheme of pre-retirement allowance for elderly long-term unemployed persons who have effectively retired from the labour force. The rate of pre-retirement allowance will be equivalent to the rate of unemployment assistance and provision is made for regulations to specify the conditions which will apply to the receipt of the new allowance.

ACOT and CERT Trainers
Section 29 provides that unemployed persons undergoing training courses provided by ACOT or CERT shall be insured for occupational injuries and diseases in the same manner as if they were employed. This will be done by the new social insurance system which is being introduced.

Conditions for the receipt of pensions
Section 30 provides for the making of regulations entitling to old age (contributory) pension persons who re-entered compulsory social insurance following the abolition in 1974 of the remuneration limit on compulsory social insurance for non-manual workers and who have been insured for at least 10 years. The regulations will provide for the payment of old age pension to persons who have been insured for at least 10 years and who have been insured for at least 10 years. The regulations will also provide for the payment of old age pension to persons who have been insured for at least 10 years and who have been insured for at least 10 years.

Exchange of information
Section 31 makes provision for the transfer of information between the Department of Social Welfare and the Revenue Commissioners and also for similar transfers between the Department and various other Departments and specified bodies for the purposes of the proper administration of social welfare schemes. The maximum fine for an offence under the Act is £1000. The maximum fine for an offence under the Act is £1000.