

INTRODUCTION BY MR JOHN MCKEON, SECRETARY GENERAL DEPARTMENT OF SOCIAL PROTECTION,
TO THE COMMITTEE OF PUBLIC ACCOUNTS

Thursday 12 November 2020

Check Against Delivery

Chairperson, Committee Members,

I would like to thank the Committee for inviting me here today to discuss the Appropriation Account for Vote 37, and Chapter 4 of the report of the Comptroller and Auditor for the year ending 2019. I also understand that the Committee would like to review the accounts of the Social Insurance Fund and I will be pleased to respond to any questions that the Committee members may have on these accounts.

I am joined today by Mr Tim Duggan, acting Deputy Secretary of the Department and Mr Ciaran Lawler, Assistant Secretary General with responsibility for Finance. Mr John Conlon, Assistant Secretary General with responsibility for Control Policy, joins us by video link. I may, with the Chair's permission, rely on assistance from my colleagues in addressing some of the questions that members may raise.

I arranged for an advance copy of this statement together with briefing material on the accounts and the chapter under review, the annual report of the Department and the annual statistics report and other relevant information to be provided to the Committee secretariat last week. I hope that members found this material to be of use.

I am aware that for some members of the Committee this is the first occasion on which they will have reviewed the accounts of the Department. If I may therefore, I would like, with permission of the Chair and apologies to those who have heard this before, to start by repeating some remarks made about the Department's work at previous meetings.

In previous opening statements at this Committee, I spoke about the role of social welfare in compensating for and mitigating the impact of failures in the market economy and about how our staff are acutely aware, through their everyday work, of the impact of welfare and employment services on the lives of individual citizens and families.

I emphasised that the term social welfare or social protection, insofar as it is colloquially used to describe the work of the Department, covers a far broader remit than is traditionally associated with the term. For some people the term social welfare creates images of dole office queues and connotations of handouts. This was never a fair reflection of the role of

the Department, the nature of its work or the disposition of the people who work in it, or, the people it serves, and, it is certainly not the case now.

The Department is, as you will be aware, responsible for the provision of policy advice and the delivery of services across a broad and expanding remit. As well as the traditional range of cradle to grave welfare services – which are themselves expanding - the remit now covers employment services, the operation of redundancy and insolvency payments, general registry services (including for example issues in relation to gender recognition), citizens information and advice services, (provided by CIB and MABS), and pensions supervision and regulation (under the auspices of the Pensions Authority).

In monetary terms the expenditure of the Department equates to about 30% of Government current expenditure in 2019; in staff terms the Department employs about 16% of all staff in the civil service. More notably, the impact of the Department's work is felt by every person, family and business in the State. If a single statistic can encapsulate its impact, it is that the schemes and services delivered by the Department reduce the risk of poverty by some 50% compared to that which would otherwise pertain.

In delivering on this brief the staff of the Department strive to always deliver an effective and efficient service and, in doing this, they are very mindful of the vulnerability of some of the people who rely on our services.

However, it is inevitable given our breadth and scale that failures will occur, and, it is equally inevitable that when these failures do occur that you and I will hear about them much more quickly than we hear about the normal, routine, high level of service in, for example, processing over 2m claims and making about 80m payments across over 80 different schemes and services every year. This is evidenced by customer satisfaction research showing an 85% satisfaction level, in the low level of appeals of less than 1%, in the accreditation for service quality excellence by the International Social Security Association, in the positive feedback from the Ombudsman's office with regard to our approach to resolving issues that are referred to his office, and in the award of QQI certification for our staff development and training programmes.

This is not to diminish the cases where we have failed or could do better; we also have to recognise and learn from these cases. That is why the work of the Comptroller and Auditor General not only in reviewing our accounts but in examining, every year, specific aspects of our operations, is welcomed, as is the scrutiny of this Committee in holding us to account in respect of findings by the Comptroller.

Turning now to the Comptroller's report for 2018, I do not, in the interest of time, intend to comment on all of the accounts but I do wish to make some summary remarks and comment on some issues that are, I understand, of interest to the Committee.

Accounts of Vote 37 and the Social Insurance Fund

Payments and services delivered by the Department fall into two broad categories – those which are based on social insurance contributions and which are funded from the Social Insurance Fund (SIF), and those which are provided under Vote 37 being mainly means-assessed welfare payments, employment services and programmes, and agency services. So, for example, people who suffer from a long-term illness or disability can, if they have enough social insurance records avail of an Invalidity Pension payment from the SIF. If they do not have enough contributions, or if they have never worked, they can apply for Disability Allowance from the Vote.

The Committee will note, from the 2019 accounts that total expenditure on Vote 37 services and administration, nett of appropriations-in-aid, amounted to €10.65Bn. This represented a reduction of €79m (0.7%) compared to 2018 and was within 0.5% of the revised estimate for the year, taking account of the supplementary provision for the Christmas bonus paid in December of 2019.

Expenditure on SIF services amounted to €10.73Bn an increase of €672m (6.7%) compared to 2018.

Combined expenditure of €21.4Bn represents approximately 10% of modified Gross National Income.

Looking across both SIF and Vote the total increase in gross expenditure from 2018 to 2019 was €592m or 2.8%. It is clear that there are a number of key drivers of this change. For example, 2019 budget measures included increases in primary rates of payment across all schemes.

However, leaving aside budget increases, the key driver of note is the demographic effect on pensions. Pension expenditure increased by €457m or 6%. Similarly, illness/invalidity payments which are also related to demographic changes increased by €230m or 5.4%. By contrast, notwithstanding the general rate increase, payments on working age income and employment supports reduced by €222m (5%).

As previously discussed at this Committee these demographic trends are likely to continue with significant implications for expenditure and funding of the Social Welfare system. The most recent actuarial review of the Social Insurance fund, for example, indicated that Social Insurance contribution rates would need to double, from a current date, in order to maintain the fund in balance over the next 30 - 50 years. Stated another way, at present pension payments are equivalent in value to about 27% of all income tax and PRSI receipts, the actuarial review projections would see this ratio increase to somewhere between 40% and 50% over the next 30 years or so.

Control of Expenditure.

Chapter 4 of the Comptroller and Auditors General's report is concerned with control over welfare payments – meaning the processes and systems used by the Department to try to minimise incorrect payments.

I have said at this Committee before that one of the challenges faced by the Department is to strike a balance between, on the one hand, designing and managing large scale service processes that are reliable, efficient and effective for the overwhelming majority of customers and, on the other, implementing controls and checks to assure payment and service integrity - to reduce fraud and error. However, we are mindful in doing this that our primary purpose is to support people who need support and that we cannot pursue the elimination of error or fraud at the cost of unreasonably denying entitlement to service or frustrating access to that entitlement.

Looking at the Report the key table of note is, I believe, Figure 4.3. This summarises the level of excess payments due to error or fraud as measured across 16 of the Department's key schemes representing about 80% of Vote expenditure and 88% of SIF expenditure. Although the level of excess payments varies by scheme – reflecting in the main the varying complexity in eligibility criteria - the overall level of excess payment is estimated at about 3.4%.

This level of excess payment is similar to that measured in peer organisations. For example, the most recent report for the Department of Work and Pensions in the UK indicates an excess payment rate of about 2.5%, while, as I have previously reported, the equivalent figure in Canada is about 5% (2017). It also compares with rates of bad debt (typically 2 – 5%) and 'shrinkage' (typically 2%) reported in commercial industry.

That is not to say that we cannot do better. In recent years we have taken on board previous recommendations of the Comptroller and Auditor General with regard to, for example, tighter management of claim processing for age related jobseeker payments and ongoing staff briefings, training and mentoring to reduce error and ensure greater consistency in decision making. We have also expanded our use of data analytics to target control reviews more effectively.

The Comptroller and General's report contains a number of further recommendations with regard to further targeting of reviews, the monitoring and resourcing of review activities, the more timely completion and publication of control survey reports, and the testing of new system implementations. The Department will take all of these recommendations on board for implementation in 2021.

Other Issues

I understand that Committee Members have expressed an interest in discussing issues related to “false” self-employment and the operation of the JobPath service. Both of these topics were the subject of detailed discussion at this and other Committees in recent years including in response to reports presented by the Comptroller and Auditor General. In order to assist the Committee, I have now provided some additional material that was not available at the time of the previous discussions and will be happy to take further questions

In brief the most recent data shows that the share of self-employment in the workforce continues to trend downwards and, to the extent that self-employment is increasing it tends to be among the category of people who have employees. This suggests that the prevalence of ‘false’ self-employment is not as widespread as might be thought.

However the Department continues to be concerned, as it knows Committee members are, that the mis-categorisation of employment status should be minimised. – We are conscious that even if the overall level of misclassification may be low, for the people concerned the experience is 100%. Accordingly, the Department has taken steps in recent years to highlight the issue and to increase its compliance activity including increasing construction sector inspections by 50% and establishing a dedicated Employment Status Inspection Unit to focus on this issue. The Department is also working with ICTU, IBEC, Revenue and the Department of Enterprise Trade and Employment to update the ‘Code of Practice for Determining Employment and Self-Employment with a view to placing it on a statutory footing.

JobPath is a contracted personal advisory/employment case management service which sits alongside the services provided directly by the Department’s own staff and those provided by other contractors in the Local Employment Services. The material circulated sets out the results of a robust econometric evaluation of the service conducted under the aegis of the Irish Government Economic Evaluation Service and under the supervision of the OECD. It indicates that employment outcomes for people who participated in the service were 37% better than that of a control group of people with a similar profile who did not participate in the service. This report is currently being updated and I will be happy to forward this update when it is completed.

It is traditional for an Accounting Officer to conclude his/her address to the Committee by acknowledging the role of staff in delivering the services for which s/he is accountable.

While the topics for discussion today relate to the 2019 calendar year it would be remiss in my acknowledgement today not to reflect on the 8 months just past.

In a normal year we typically receive about 200,000 jobseeker claims.

So far, in response to the Covid-19 crisis, the staff of the Department have processed about 1.5m claims from people who were laid-off due to Covid-19 - This is equivalent to about 7.5 years' worth of claims.

In the five week period from 13 March alone they dealt with over four years' worth of claims and got them into payment quickly, on a new scheme - the Pandemic Unemployment Payment (PUP) that was itself designed, developed and implemented on a new IT system in a matter of days. We have since modified this scheme to introduce pay-related payments and migrate it onto a more robust IT platform.

We also introduced a new Illness Benefit payment, worked with Revenue to develop the temporary wage subsidy scheme and revised processes for community welfare services. We set up and staffed new call centres to respond to millions of queries and deployed new online service systems. Visits to our website (over 12m), use of our online services (over 1.5m) and calls to our call centres (over 5m) exceeded those to all other organisations. We received an online application on average once every 40 seconds.

And to facilitate all of this, staff worked on emergency legislation to enable us to provide payments, modify redundancy arrangements and operate the civil registration service.

In addition, throughout all of this the staff continued to accept and process claims for all of our other key services including Carers, Pensions and Disabilities.

None of this could have been achieved unless staff continued to come to work, and work long hours, at a time when public health advice was to stay at home. I am proud to work in the same organisation they do; I thank them for their commitment; their demonstration of real public service values has, I believe, been exemplary.

But it wasn't just our staff. I also wish to acknowledge and thank the staff of other Government Departments - Fáilte Ireland, the Passport Office, the Department of Justice and the NSSO - who came to work with us. I also wish to acknowledge and thank our colleagues in the Revenue Commissioners who took on the development and administration of the wage subsidy scheme. Service partners such as An Post and our Branch Office providers and our IT partners also contributed greatly.

The response of staff in the Department, and the wider public service, to the Covid-19 pandemic while exceptional is not unexpected.

I see every day how the managers and staff of the Department, work hard to deliver services to the communities from which they come and in which they live, conscious that it is their families, their friends and their neighbours who not only depend on these services, but who, through their social insurance contributions and taxes, pay for these services.

Having said that we know, as I have said before, that we are not perfect and we don't always get things right.

This process today plays an important role in reminding us of our purpose, helping us to identify areas for improvement and helping us to learn from our mistakes. It is through such a process that we would hope to improve.

I and my colleagues will be pleased to take any questions that members may have.

ENDS