



8 December 2021

Mr Martin Hughes
Clerk of the Committee
Committee of Public Accounts
Leinster House
Dublin 2

Dear Martin

Your Ref: S0654 PAC33

I refer to your letter of 2 December in which you which sought updates on the Committee's recommendations following its engagement with the Department on 29 November 2019 and further information on the actions we are taking concerning Recommendation 1.57:

The Department of Employment Affairs and Social Protection did not conduct enough PRSI inspections in 2018. The Committee recommends that annual targets are developed to ensure the number of PRSI checks remains consistent.

The following is a progress update on our actions:

- In addition to the existing cadre of SCOPE section staff who accept and assess social insurance classification queries and the ongoing work of its inspectorate of 347 inspectors the Department has established a dedicated Employment Status Investigation Unit comprising 8 staff. (6 Inspectors) and intends to increase this to 21 staff over the coming months. (This expansion was planned for 2020/21 but resources were diverted to essential Covid-19 related activities).
- As part of the 2019 Control plan, the Department set a target of 8,000 employer inspections per annum and this remains the case.
- The onset of the COVID-19 pandemic and the associated issues regarding levels of economic activity (lockdowns/restrictions) and the associated effect on the Department's ability to visit those employers still operating through the restrictions severely hampered the achievement of this target in 2020 and 2021.
- Inspections/reviews and visits to employers were resumed as restrictions lifted with an initial focus on compliance with requirements that employees on the Pandemic Unemployment Payment (PUP) closed their claims upon resumption of work.
- The following employer investigations were completed in 2019 – end October 2021
 - 2019 – 3,568
 - 2020 – 3,316
 - 2021 – 2,767 (to end October)

- The Department is committed to increasing the number of employer inspections in future once the pandemic ceases.

You also sought a progress update on recommendations 20.1 to 20.3 in Chapter 20 of the C&AG's Report of the Accounts of the Public Service 2017 which dealt with PRSI Contributions by the Self-Employed.

The following are progress updates on these recommendations:

Recommendation 20.1:

- As indicated above dedicated team of Social Welfare Inspectors (the Employment Status Investigation Unit (ESIU)) was established in late 2019 to focus solely on investigating potential false self-employment to determine the correct PRSI class.
- The ESIU proactively targets employers and responds to requests for investigations from a range of stakeholders including workers, employers, other inspectors or the Revenue Commissioners. Targeting is based on intelligence gathered from completed investigations, external sources and from work carried out with the Business Analytic unit to identify risk sectors/employers.
- Since Q4 2019 ESIU has reviewed almost 500 employers and their contractors. They have completed 110 individual employment status investigations and currently has 144 such investigations ongoing. These cross a wide range of sectors, including construction, meat processing, retail, fitness and language training.
- The ESIU has to date assessed PRSI savings of approx. €470,000.
- The Unit has also been engaged in advising, assisting and building relationships with other Social Welfare Inspectors and the Special Investigation Unit on employment status investigation, including the sharing of best practice and training in tackling this issue nationwide. A suite of training modules are being designed in conjunction with the internal Staff Development Unit to assist Investigators in identifying possible misclassification of employment status.
- Scope Section is the decision-making unit of the Department for employment status and other matters of PRSI categorisation. It decides on average around 1,400 cases per year. Typically, approx. 6% of these cases related to the employment status. In 2021 this has increased to 15%, due to the impact of the ESIU work.
- The Department led the updating of the Code of Practice on Determining Employment Status, in consultation with the Revenue Commissioners, the WRC and the social partners. The updated Code was published by the Minister for Social Protection in July 2021.
- The Code provides up to date information in clear language on the difference between being an employee and self-employed and the consequences of each on social protection, tax and employment rights.
- Steps are underway to place the Code on a statutory footing ensuring DSP Deciding Officers have regard to it when making employment status determinations.

Recommendation 20.2

The Department is continuing to work with Revenue to exploit their PAYE modernisation and self-employed data to provide timelier and more comprehensive sector information of the PRSI contributions, and to commit to publishing these breakdowns in the Annual Statistics report. I attach a table setting out the number of PRSI contributors by sector in each PRSI classification for 2019. It is intended to publish this data on an annual basis as part of the Department's normal statistical release. (Self-employed returns are only made once per annum)

It should also be noted that people who earn non-employment rental income also pay Class S contributions in respect of that income.

Recommendation 20.3

A structured process has been in place since December 2018, which facilitates the resolution of queries which arise relating to variations in PRSI collected to estimated receipts, as well as other PRSI-related issues arising. This system has been operating effectively with, in some instances, responses and resolutions of issues received from Revenue during the same working day. The Department continues to monitor the effectiveness of this process to ensure its efficacy. Further development of the system is being considered to include greater sharing of estimates of PRSI receipts to underpin the Department's forecasting processes.

The system is part of broader co-operation between the two Government bodies, through the Memorandum of Understanding, and regular reviews by the high-level group of senior officials from both Departments, who, inter alia, consider opportunities for cooperation and sharing of information of PRSI data.

Yours sincerely



John McKeon

Accounting Officer

Number of Pay-Related Social Insurance (PRSI) Contributors by Sector 2019

Class	Class A	Class B	Class C	Class D	Class E	Class H	Class J	Class K	Class M	Class P	Class S	Class V
Agriculture, Forestry and Fishing	32,709	99	2	229	0	44	4,075	1,148	5,974	2	20,825	113
Mining and Quarrying	4,383	5	0	8	0	2	252	144	1,114	0	743	10
Manufacturing	229,660	63	3	292	2	168	15,428	8,911	10,262	0	21,562	149
Electricity, gas, steam and air conditioning supply	7,119	3	1	1,323	0	9	280	683	1,295	0	537	14
Water supply; Sewerage, waste management and remediation activities	9,902	3	0	5	0	11	660	207	556	0	1,185	10
Construction	138,247	129	8	315	0	219	14,334	3,640	12,026	0	46,467	211
Wholesale and Retail Trade; Repair of Motor Vehicles and motorcycles	373,322	228	19	457	3	312	43,616	10,221	23,202	1	41,713	342
Transportation and storage	80,946	113	6	2,239	1	195	7,369	2,502	15,030	0	11,698	80
Accommodation and food service activities	202,382	124	8	241	5	468	35,740	2,216	14,986	0	17,717	131
Information and communication activities	124,879	113	3	1,352	3	200	7,539	5,893	6,313	0	16,025	86
Financial and insurance activities	137,831	1,048	8	4,281	2	30	12,801	11,849	191,068	0	35,866	575

Real Estate activities	22,648	42	1	134	1	31	2,901	1,362	2,506	0	5,514	55
Professional, Scientific and Technical activities	160,683	277	6	1,026	2	97	19,593	7,965	13,423	1	31,088	235
Administrative and support service activities	190,241	392	4	1,318	1	600	30,295	4,412	18,179	0	18,068	156
Public Administration And Defence; Compulsory Social Security	171,271	13,345	190	7,704	17	5,802	26,582	11,420	79,652	0	20,127	277
Education	150,316	274	25	8,570	19	146	28,701	8,660	26,316	0	20,596	218
Human Health And Social Work activities	246,453	136	9	6,241	20	118	26,176	8,727	40,604	0	18,499	251
Arts, entertainment and recreation	36,249	105	0	162	0	207	6,500	920	3,328	0	5,102	56
Other Service activities	72,547	211	5	733	120	43	9,387	2,137	7,654	0	13,177	116
Activities of Households as employers	10,396	45	0	1,469	2	23	1,822	910	16,963	0	4,509	81
Activities of Extra-territorial Organisations And Bodies	204	0	0	0	0	0	10	9	9	0	16	1
Unclassified or unknown	3,237	114	2	409	2	7	2,883	893	1,511	3	17,964	279
Total	2,405,625	16,869	300	38,508	200	8,732	296,944	94,829	491,971	7	368,998	3,446

Note that the sector breakdown is based on the economic activity code of the last known employer as captured by the Department's administrative systems, and may not reflect the sector of the contributor within the reference year