

# DÁIL ÉIREANN

---

## AN COMHCHOISTE UM OIDEACHAS AGUS COIMIRCE SHÓISIALACH

## JOINT COMMITTEE ON EDUCATION AND SOCIAL PROTECTION

---

*Dé Céadaoin, 3 Deireadh Fómhair 2012*

*Wednesday, 3 October 2012*

---

The Joint Committee met at 10.00 a.m.

---

### MEMBERS PRESENT:

Deputy Ray Butler,  
Deputy Joan Collins,  
Deputy Peter Fitzpatrick,+  
Deputy Brendan Griffin,  
Deputy Simon Harris,  
Deputy Aodhán Ó Ríordáin,  
Deputy Aengus Ó Snodaigh,  
Deputy Mary Mitchell O'Connor,  
Deputy Willie O'Dea,  
Deputy Brendan Ryan,

Senator Jim D'Arcy,  
Senator Marie Moloney,  
Senator Diarmuid Wilson.

+ In the absence of Deputy Brendan Griffin, for part of meeting.

In attendance: Senator Mary Moran.

DEPUTY JOANNA TUFFY IN THE CHAIR.

### **Business of Joint Committee**

**Chairman:** Members are asked to turn off their phones completely. Apologies have been received from Deputy James Bannon. I propose that we go into private session to deal with correspondence and some housekeeping matters. Is that agreed? Agreed.

*The joint committee went into private session at 10.05 a.m. and resumed in public session at 10.15 a.m.*

End of Take

### **Policy to Minimise Unemployment: Discussion**

**Chairman:** The meeting is now in public session. I welcome the officials from the Department of Social Protection to discuss two aspects of their policy goal for minimising unemployment. They will discuss with us measures to integrate those with disabilities into the workforce and the entitlements for the self-employed. When the officials have concluded on both topics and the questions and answers session is concluded I will invite the representatives of Self-Employed Alliance Dundalk to make a separate presentation on the issues of concern to them. I will invite the representatives of the alliance to sit in the Gallery to hear the contributions of the Department officials.

I welcome Ms Teresa Leonard, assistant secretary with responsibility for illness and disability policy, Mr. Liam Walsh, principal officer, Mr. Eoin O'Shea, assistant principal officer, Ms Mary Kennedy, principal officer, and Ms Aideen Mooney, assistant principal for PRSI policy.

Members are reminded of the long-standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the Houses or an official by name or in such a way as to make him or her identifiable. By virtue of the Defamation Act 2008, witnesses are protected by absolute privilege in respect of their evidence to this committee. However, if witnesses are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her, them or it identifiable.

I invite the officials in the Department to make their presentation.

**Ms Teresa Leonard:** I thank the Chairman and members of the committee for the invitation to meet them this morning to discuss two items, the measures to integrate people with disabilities into the workplace and the social insurance entitlements of the self-employed. Members will have received copies of my opening statement. I am an assistant secretary with responsibility for illness and disability policy in the Department of Social Protection. My colleagues, Liam Walsh, principal officer, Eoin O'Shea, assistant principal officer, Alan Chapman, assistant principal officer disability policy, Mary Kennedy, principal officer, and Aideen Mooney, as-

sistant principal officer PRSI policy, are here to assist me in answering any questions members may wish to raise.

I wish to stress the Department's continued commitment to providing a wide-ranging system of supports, both in the area of basic income supports and, of particular relevance here today, in the area of work-related supports for people with disabilities. The context in which we seek to carry out our work in this area has been shaped by the wider transformation of the Department arising from the merger between the old Department of Social Protection and significant elements of FÁS which took place earlier this year. Prior to the merger the role of the Department related to the structure of the various welfare payments available to people with disabilities, notably the disability allowance scheme, invalidity pension and illness benefit together with schemes such as the back-to-education allowance, which the Department operates directly. Earlier this year, the range of income support measures was extended following the introduction of the partial capacity benefit scheme, on which I will say a few words in a moment.

Our remit has been significantly widened however with the transfer of elements of FÁS services into the Department. These include the range of disability support and awareness measures, the wage subsidy scheme and the employability programme. I should mention that responsibility for training, *per se*, remains with the Department of Education and Skills. Each of the measures for which the Department has responsibility has an important role to play in supporting increased participation in the labour force by people with disabilities. Clearly, the challenge to improve the level of that participation is all the greater when set in the context of the wider economic difficulties we face at present, but the merger of the two organisations presents us with the opportunity to develop a more cohesive and coherent approach to meeting that challenge.

Put simply, the challenge we face is to further enhance the shift in focus from disability to ability. The introduction of the partial capacity scheme in February of this year marked a significant milestone in that process. This scheme recognises that the welfare system, which categorised people as fit to work or unfit to work, did not reflect the reality for most existing welfare customers. It provides an opportunity for people with disabilities, and assessed to have an employment capacity which is restricted when compared to the norm, to avail of employment opportunities while continuing to receive a long-term income support payment. The scheme is still in its infancy and it will take time for it to develop, but we believe that it is already starting to serve its purpose in enabling hundreds of people to enjoy the benefits, from both an income and an inclusion perspective, of being engaged in the world of work. Since the scheme was introduced in February last, just under 700 claims have been awarded.

I should mention also another important measure, the disability activation project, which we are undertaking with the support of the European Social Fund. In a process which is being managed for the Department by Pobal, we have invited bids for projects which will test models of activation which can improve access to employment for people with disabilities, young people with disabilities and people with acquired disabilities, as well as projects which demonstrate better engagement with employers. The intention is that these projects will be announced by the Minister for Social Protection later this month. The projects will continue until early 2015 across the Border, midland and west region. We are hopeful and optimistic that they will provide a valuable input into the development of more effective pathways to employment for people with disabilities in the years ahead.

A number of additional programmes, which were formerly operated by FÁS, are now operated by the Department of Social Protection. These include: the employAbility service, formerly

the supported employment programme; the wage subsidy scheme; the disability support-awareness grants and schemes; and community employment. The main aims of the employAbility service are to facilitate the integration of people with disabilities into paid employment in the open labour market; to provide supports to assist with this integration; and to meet the requirements of employers. The scheme is open to people with a disability who are job ready and need the support of a coach to obtain employment in the open labour market. The service is open to people between the ages of 18 and 65 and in 2011 just under 3,000 people with disabilities were supported through this scheme.

We also operate the wage subsidy scheme, a demand-led programme to increase the numbers of people with disabilities participating in the open labour market. A disabled employee on a work subsidy scheme is subject to the same conditions of employment as other employees. The employer must pay the disabled employee the going rate for the job, at least the minimum wage. The wage subsidy scheme was placed on a permanent footing from October 2008, subject to the annual budgetary process, following the operation of a three-year pilot phase. The uptake of the wage subsidy scheme has been incrementally slow since its inception. It has taken a number of years to build it to this level of participation. Included in this budget is its predecessor programme, the employment support scheme, which was frozen to new applicants in 2005. In 2011, wage subsidy was paid in respect of 916 people.

A number of different employment supports for people with disabilities are provided for under the heading - disability support and awareness. These include the work equipment adaptation grant; the job interview-personal reader grant; the employee retention grant; the disability awareness support scheme and the discretionary fund for innovative projects. The purpose of these grants is to support unemployed people with disabilities to gain access to the open labour market by providing grants for reasonable accommodation in the private sector; to support private employers and encourage them in the employment of people with disabilities; and the funding of innovative disability projects within Department of Social Protection procurement guidelines. That is all I will say on the disability side for now and I will hand over Ms Mary Kennedy to deal with the social insurance entitlements of the self-employed.

**Ms Mary Kennedy:** Social insurance PRSI contributions broadly fall into two categories - employers and employees, over 16 years of age, pay PRSI towards establishing entitlement of employees to a broad range of both short-term and long-term social insurance benefits. A lower rate of PRSI is paid by the self-employed into the social insurance fund, which provides them with access to long-term social insurance benefits.

Self-employed persons are liable for PRSI at the class S rate of 4% which entitles them to access long-term benefits such as State pension, contributory and widow's, widower's or surviving civil partner's pension, contributory. Maternity benefit is also available to self-employed contributors. Ordinary employees who have access to short-term and long-term social insurance benefits pay class A PRSI at the rate of 4%. In addition, their employers make a PRSI contribution of 10.75% in respect of their employees, resulting in the payment of a combined 14.75% rate per employee under full-rate PRSI class A. For employees earning less than €356 per week, the rate of employer's PRSI is 4.25%.

Self-employed workers may establish eligibility to assistance-based payments such as job-seeker's allowance. They can apply for the means-tested jobseeker's allowance if their business ceases or if they are on low income as a result of a downturn in demand for their services. In general, their means will take account of the level of earnings in the last twelve months in determining their expected income for the following year and, in the current climate, account is tak-

en of the downward trend in the economy. As in the case of a non-self-employed unemployed claimant of jobseeker's allowance, the means of husband-wife, civil partner or cohabitant will be taken into account in deciding on entitlement to a payment.

I made a presentation to the committee on 20 September on the findings of the actuarial review of the Social Insurance Fund, as at 31 December 2010. This is the third actuarial review of the fund and was completed by consultants KPMG in June 2012. It was presented to the Government on 24 July 2012 and published on 17 September 2012. The review covers a 55-year period between 2011 and 2066 and builds on the findings of the 2000 and 2005 actuarial reviews. The scope of the 2010 review was to update the results of the 2005 review, taking account of the policy, economic and demographic changes with particular reference to income and expenditure projections as well as break-even contribution rates. The review also considered the effects of various policy options, existing Government commitments and planned reforms. The review examined a range of value for money measures to examine the extent to which individuals currently receive value for money from the fund.

With regard to the self-employed, the report states that “the self-employed achieve better value for money compared to the employed - when the comparison includes both employer and employee contributions in respect of the employed person”. On possible future entitlements for the self-employed, the review examined the break-even contributions rates required, and the potential long-term cost implications to the fund, of providing invalidity pensions to the self-employed and to provide jobseeker's benefit for self-employed workers.

The 2010 review also looked at the break-even contribution rates required to provide invalidity pensions and jobseeker's benefit for self-employed workers. The report found that the effective annual rate of contribution, or the required contribution as a percentage of salary, needed to provide the core full-rate State pension (contributory) is approximately 15%. This compares favourably with the 4% rate currently paid by the self-employed. An incremental increase in contribution rates from approximately 15% to 16% would be required if jobseeker's benefit in addition to the core contributory State pension is provided. The average contribution rate required for the core pension in addition to the invalidity pension and jobseeker's benefit is estimated to be 17.3%.

KPMG modelled the costs associated with the introduction of these benefits by increasing the incidence by 12% in their models reflecting the increase in potential beneficiaries. This uplift is based on the distribution of PRSI contributors at 31 December 2010. The implicit assumption in this calculation is that the proportion of self-employed accessing these benefits is the same as the existing population with entitlement to access these benefits. For illustrative purposes, KPMG costed the extension of these benefits by assuming the extended scheme reaches full “maturity” in terms of the numbers of additional beneficiaries with immediate effect. One would not know; there are contribution requirements in these schemes but that was how the consultants did the calculations. In the absence of statistics pertaining specifically to the self-employed, KPMG assumed the incidence rates to be the same as for the overall labour force. This may or may not be appropriate depending on whether the self-employed may be expected to behave atypically. KPMG, therefore, indicated sensitivities to the incidence rates chosen setting out the range of costs involved where the self-employed numbers accessing jobseeker's benefit and invalidity pension are 20% higher or 20% lower than the base-case scenario.

Assuming the incidence rates are the same as for the overall population, KPMG found that the cost of extending jobseeker's benefit to the self-employed in 2013 would be €87 million. If

the incidence rate is 20% lower than the norm, the estimated cost would be €73 million in 2013 and if the incidence rate is 20% higher than the norm, the cost in 2013 would be €105 million. In the case of invalidity pension KPMG's analysis predicted a 2013 cost of €78 million where the incidence rate is the same as for the overall population. Where the incidence rate is 20% lower, the cost is estimated at €65 million and where the incidence rate is 20% higher than the norm, the cost would be €94 million. While, as stated by the consultants, the long-term projections, by their very nature, are unlikely to be borne out in practice, the report emphasises the trends which emerge over the period.

Last year the Minister for Social Protection established an advisory group on tax and social welfare. Under its terms of reference, the group examines and makes recommendations on a number of key issues, including child and family income supports, working age income supports, the appropriate unit of assessment and interactions in both the tax and social welfare codes, issues concerning social insurance for self-employed people and budget 2012 proposals concerning disability allowance and domiciliary care. The advisory group's overall method of working is based on producing modular reports on the priority areas identified in the terms of reference. Where possible, the aim is to provide recommendations that can be acted upon in time for the annual budget, estimates and legislative cycle and to allow the Government to best address its commitments under the EU-IMF Programme of Financial Support. The group has been considering the issue of social insurance coverage for the self-employed and will submit its report once its examination of the various questions has been completed. I thank the Chairman and the committee for inviting us to appear.

**Deputy Willie O'Dea:** I thank the officials for attending and for their presentation. I also welcome the group from Dundalk who will make the case later for social insurance for the self-employed, although I regret I may not be able to stay for the presentation because Wednesday mornings are awkward for us.

How many people aged between 16 and 65 are registered as disabled? What percentage is in employment? A study in 2004 stated the number registered was 298,300 of whom only 37% were in employment with only a quarter of them employed on a part-time basis. What progress, if any, has been made in integrating the disabled into the workforce? I refer to the change from the previous system to partial capacity benefit. I acknowledge the scheme is in its infancy but Ms Kennedy stated 700 claims have been awarded. How many claims have been turned down? How many are pending? What is the estimated cost of the scheme in comparison to what it replaced? What budget has been provided for the disability activation project? Ms Kennedy said 916 people were successful in accessing the wage subsidy scheme in 2011. How many applied? Is a specific budget provided for the scheme or is it demand-led? What is the budget for disability awareness supports such as the employee retention grant, work equipment and adaptation grants, etc? How many people were helped under this scheme over the most recent measurable period?

Ms Kennedy said that for the contributory State pension to be self-financing, the self-employed would be required to pay 15%. Is that correct?

**Ms Mary Kennedy:** Yes.

**Deputy Willie O'Dea:** If jobseeker's benefit is included, the percentage increases to 16% and invalidity pension would increase it to 17.3%. What about illness benefit?

**Ms Mary Kennedy:** We did not look at illness benefit as part of the review.

**Deputy Willie O'Dea:** I refer to a jobseeker's system for self-employed people who do not have the necessary contributions - in other words, self-employed people who are looking for jobseeker's allowance. There is a widespread perception that once somebody is self-employed, he or she can forget about looking for the allowance. I am not familiar with other parts of the country but, in the Limerick area, that perception is being encouraged and being promoted by the interaction people have with the local social welfare office. I am sorry to have to say that but I have to say it clearly and bluntly. People have come to my constituency clinics and said, "We have been in touch with the labour exchange in Limerick and because we are self-employed we have been told our chances are virtually nil." There is a perception that a person who has been self-employed is automatically disbarred from jobseeker's allowance, regardless of his or her circumstances.

One of the delegates has cited the rule applying to someone who has been self-employed and whose business is gone when he or she applies for jobseeker's allowance. The rule states that, in general, the means calculated against him or her "will take account of the level of earnings in the last 12 months". A self-employed person whose business goes down the tubes has no income. Such a person has no income but is debarred from jobseeker's allowance because he or she had income in the 12 months up to the time the business failed. That seems to be perverse, to say the least. In fairness, the delegate went on to say, "in the current climate account is taken of the downward trend in the economy." That might be done on paper, but the reality is different.

Reference was made to the advisory group on tax and social welfare. Over the weekend we heard some of its proposals which had mysteriously made their way out of the Department and into the press. I note that the group was also advising on social insurance for the self-employed. Now that part of the report is in the public domain. Perhaps the officials might share with us what the group had to say about providing insurance for the self-employed. I note that it has also been advising on disability and domiciliary care allowances. Perhaps we might receive some information on its deliberations on these weighty matters.

**Deputy Aengus Ó Snodaigh:** In her opening statement Ms Leonard said 3,000 people were supported by the EmployAbility service and that the wage subsidy was paid to 916 people. We know that last year more than 100,000 were in receipt of disability allowance. That shows the scale of the challenge faced by the Department in capturing the people concerned. I note what was said about the partial capacity scheme and some of the changes suggested. Is the Department considering other ways to promote and expand these two schemes? From my limited knowledge of them, they seems to be working well. Some employers do not seem to be aware of the partial capacity scheme, or do not seem to be taking up the opportunities it presents. Is that because they are not aware of the scheme or are they discouraged by the bureaucracy associated with it? What is the waiting time under the scheme? In many schemes there is a delay between the application and the sign-off, but an employer wants an employee in place as quickly as possible. How is the scheme working and how quick is the turnover?

Various other grants are available to individuals and employers. Work equipment adaptations can be made, for example, to ensure someone can be made to feel a full member of staff. Sometimes the cost of getting to work can be onerous for a person with a severe disability. Are employers aware of grants to adapt workplaces and equipment? What is the delay between the application for such a grant and its delivery?

Last year the Minister's proposals regarding disability allowance were shelved and the disability allowance scheme was reviewed. Has this impacted on the work of the Department?

## POLICY TO MINIMISE UNEMPLOYMENT: DISCUSSION

Has there been an increase in the numbers applying to participate in schemes to help them to move from disability allowance into the workforce? It is not always for monetary gain that people move from dependency on disability payment into the workforce. Often it has to do with inclusion. Community employment schemes have helped in many ways in this regard. Public representatives have been hearing that the changes the Minister made to the community employment scheme and what was termed the double payment have discouraged people with disabilities from taking up opportunities which would have left them job-ready at the conclusion of the scheme. For an employer or a person with a disability to avail of the two schemes, the delegate mentioned that the employee must be job-ready. The severity of a disability can exclude a person from the workforce and in need of time in a scheme targeted at addressing that exclusion.

We have had some discussion on the exclusion of self-employed persons from the PRSI system. I do not doubt this is a complex area, but I have heard of strange cases from people who came to my clinic. Some taxi drivers who are managing to survive on very low earnings have been able to avail of payments, while others have been told they must give up their PSV licence in order to qualify for jobseeker's allowance. Some are being obliged to exit the taxi industry completely. Some PSV licence holders, while not working as taxi drivers, have been told they must surrender their licence, although this is their only access to the workforce. This is a complex area and needs to be looked at in detail.

The KPMG report on pensions suggests an employer's contribution rate of 17.3%. The Class A contribution which covers the majority of employees consists of a combined employee and employer contribution rate of 14.75%. Will the officials explain the reason for the difference?

Self-employed persons often have irregular incomes. There may be periods during which they have a reduced income or no income at all. The current system is based on days worked. The committee recently had a discussion on casual work during which we spoke about changing the social welfare code from days worked to hours worked. How difficult would that be in terms of extending the social welfare system to the self-employed, who often work longer hours than PAYE workers? There is also the issue of extending FIS to the self-employed.

**Chairman:** I must ask the Deputy to conclude.

**Deputy Aengus Ó Snodaigh:** This is my last point. The FIS is based on annual income but there could be periods for people who are self-employed when there is no income. Has that issue been considered?

**Deputy Ray Butler:** I thank the witnesses for their presentation. I welcome the work being done by the working group at present and look forward to its results being issued. It is long overdue because the group was due to get back to us last year but, hopefully, that will happen in November. There has to be a way forward with regard to the self-employed because there is no incentive to be self-employed in this country at present. A safety net must be put in place for self-employed people.

Speaking from experience, I agree with what Deputy O'Dea said about the frustration among the public regarding the entitlements of self-employed people. They go to the social welfare office and are told they are entitled to nothing. They then come to our constituency offices and we work with them. One is at the mercy of the community welfare officer in certain cases. In fairness to them, however, they work with and help many self-employed people. If one is

self-employed, one pays an S stamp or, if one is paying PRSI, an A stamp. When I was self-employed I had an accountant to pay my returns to the Revenue Commissioners. They told me what stamp I should pay and when I paid it, I received a receipt. However, the receipt did not tell one what entitlements one had. That is one of the issues the Department of Social Protection should deal with. People need information, particularly the self-employed. Self-employed people will read the fine details even though they are basically very busy people working seven days a week. They need this information.

Many self-employed people are calling to my constituency office at present. Their business and turnover are down by 60% or 70% and they are living on their savings. They are also keeping their businesses going with their savings, but the savings are drying up. Self-employed people are in a terrible mess. They were never really represented, and I am not blaming any Government for that. They are a small minority of people who kept this country going, but they were never represented when it came to their entitlements. More information should be given to self-employed people about their entitlements.

The witnesses say that if a self-employed person can produce their facts and figures to the community welfare officer, he or she is entitled to some type of social welfare payment. The problem is that a self-employed person's business could have been going badly for a year or two years and if they wish to get all their figures, he or she must get them from their accountant. In certain cases, they do not have the money to pay their accountant to give them the figures so one is left in no-man's land. The person might have a young family to feed or a mortgage to be paid but there is no money available. The social welfare officer cannot give one anything because he or she must have the facts and figures. We must see what the working group has to offer for self-employed people. We need something positive from the working group and the Department of Social Protection for the future because there is a definite need for a safety net for self-employed people.

**Chairman:** I call Deputy Ryan as he wishes to raise a related matter.

**Deputy Brendan Ryan:** It is the partial capacity benefit scheme. Do the witnesses have any early thoughts on how it is working? It appears that many of the people who apply for it are people who might have had an exemption and a disability pension and the exemption has been removed. They apply for the partial capacity benefit in order to keep working. It also appears that many of them are applying initially just to see what categorisation they achieve, that is, whether it is mild, severe or profound. That indicates how much of their basic social welfare payment they can retain. Therefore, some people are just testing it and there is probably a great deal of work in the Department dealing with the applications but perhaps, in the end, the applicant walks away and decides not to avail of it because it does not make economic sense for them.

**Ms Teresa Leonard:** I will ask my colleagues to answer some of the questions as well. I will start with the question about partial capacity benefit. The scheme was introduced earlier this year. There is no forced take-up of partial capacity at this point. People can apply for it and they can take up the option of partial capacity or employable partial capacity. It is on a voluntary basis initially. That is the position at present. The points the Deputy has raised are in that context. Mr. Ó Seaghdha can give further information.

**Mr. Eoin Ó Seaghdha:** Deputy O'Dea asked about the numbers. Up to a fortnight ago, 21 September, 1,019 applications had been received. Of those, 764 had gone through the process of having a medical assessment and a medical opinion provided, 645 were in payment and the

vast majority of those medical opinions had indicated, as we would have expected, that the people concerned were in the moderate category. Typically, they are people one would expect to be closest to the labour market in any event. Very few were found to be ineligible for payment. It was inevitable that some people might come through who would have been due for review in the ordinary course of events and might have been found to be ineligible. A total of 18 so far have fallen into that category, so it is very few.

The Deputy asked about costs. Essentially, the “savings” the Department is making in terms of giving slightly reduced payments to people who are availing of the scheme are negligible at present in the context of the sums the Department pays out for invalidity pension or illness benefit. We have not started to calculate what they are, but they would be thousands rather than the millions we pay out.

Deputy Ryan asked for our thoughts on the scheme. He is correct that to some extent people are testing the waters and trying to see where they would fit in it. On the operational side in the Department for the people dealing with this, a large part of the work is trying to tease through these matters with applicants. This is a voluntary scheme. There is no compulsion to take it up. Even if people take it up and it does not work, there is no penalty. People go back to their original entitlement without question. They do not have to go through a hoop again but return to their primary payment.

What we are trying to move from is a system where there was an exemption, which was, again, a way of testing the water. The idea was that it would be a time limited thing. One would get an exemption from the rules of invalidity benefit or invalidity pension and take up work. If it worked for the person, he or she might move on. However, that was not recognising that people needed an income support payment given their position in terms of their capacity to engage in the labour market. Partial capacity provides that long-term support. It can last until the person is 66 if he or she is able to continue in work. It is a shift away from a short-term testing of the waters to a longer-term income support, permanently provided by the State. As Ms Leonard said, we are at the infancy stage of the scheme and we will keep an eye on it all the time to see if we can tweak and improve it. As the scheme involves a medical assessment, there is inevitably a time lag. Those on the operational side of the Department are trying to ensure that a red flag is raised when a job is hanging on the medical assessment and it is fast-tracked through the medical assessment system. As members will know, the pressures on that system are significant. On average it takes between six and seven weeks from the receipt of the application and the award or otherwise of the payment. On an operational basis they try to fast-track people who contact them. There is considerable dialogue between the Department and individual clients in trying to address that.

**Mr. Liam Walsh:** Deputy O’Dea mentioned statistics for the numbers of people with disabilities in the workforce. We would not necessarily have the full picture because some people with disabilities in the workforce would not necessarily be claiming a social welfare payment. It is probably small but we do not have the full picture. The three main schemes are as follows: the disability allowance scheme with 103,000 people; illness benefit with 69,000; and invalidity pension with 49,000. Approximately 6,000 people on disability allowance are availing of the earnings disregard in addition to those on partial capacity benefit as mentioned in our presentation and those on the supported employment programme. That would be our picture of the numbers of people with disabilities in the workforce who are involved in the social welfare system. We would accept the figure is still quite low.

Deputy Ó Snodaigh asked about making employers more aware of the supported employ-

ment programme. We only took over the schemes formerly managed by FÁS such as the FÁS supported employment programme earlier in the year. We now have an opportunity to get an overall handle on what is happening with regard to supports for people with disabilities in the workforce. We now have the whole picture, so to speak. We have the income support schemes and these programmes. It would be our intention to investigate what opportunities present themselves such as making employers more aware, which ties in with the disability activation project Ms Leonard mentioned. One of the strands of those projects will be the area of engaging with employers and raising their awareness about the opportunities that might exist for people with disabilities to be employed.

**Mr. Eoin Ó Seaghdha:** The budget for the disability activation project is of the order of €7 million, which is a substantial amount. It will run from now until the first quarter of 2015. It is half funded by the European Social Fund and half funded by the Department. As Ms Leonard said earlier it is being managed by Pobal on behalf of the Department. Pre-contract negotiations are ongoing and we hope to have announcements later this month on what projects have been selected and where they will go. Those projects will deal with the interaction with employers. Clearly awareness raising is a major aspect of the work we have to do.

**Ms Teresa Leonard:** There was also a question on the increase in numbers on all the disability schemes. There is an overall increase in numbers on all the disability schemes. It is not substantial but it is a continual increase as with all the Department schemes in recent years.

The Deputy also asked about the advisory group on taxation and social welfare report on domiciliary care and DA, which is due later in the year. That report is not available from the group - it is still under consideration. I have no information on the outcome of it. The advisory group is preparing reports in a number of areas and the one on child benefit is complete and with the Minister for consideration. The other reports on self-employment and domiciliary care and the others have not been finalised. It is an incremental report as Ms Kennedy mentioned in her presentation. That is why certain areas are more advanced than others in that group's reporting.

**Deputy Willie O'Dea:** When is that work expected to be concluded?

**Ms Teresa Leonard:** We are expecting a report on domiciliary care and disability allowance before the end of the year. On the self-employed report, we have no indication when that will be ready.

**Chairman:** There were a number of questions on the self-employed.

**Ms Mary Kennedy:** Our information on access to job seeker's allowance is that the local offices have been informed that they would have to be aware of the income of somebody who has been self-employed and is seeking job seeker's allowance. They are aware of the downward trend in the economy. They will take into account changes in the person's income and will not just base it on the previous 12 months. I know Deputy Butler said it is difficult to get the figures to prove the position because of having to pay the accountant or whatever. However, we would need some information on their position. I do not deal on a day-to-day basis with that area and do not know exactly what information is sought. When our local offices deal with these cases they are aware of the downward trend as we all are and have been asked to take that into account when assessing formerly self-employed people for jobseeker's allowance.

Deputy Ó Snodaigh mentioned that some people were being told to give up PSV licences, etc. My information is that people are being told not to deregister as self-employed. There is

awareness that people can have an income from self-employment but still be in need of additional income from the State and in those cases they will be eligible to apply for jobseeker's allowance. Obviously we cannot comment on individual cases and the Deputy may be getting information on a daily basis. When dealing with people who were formerly self-employed, the instruction is for local offices to look at their income in so far as they can establish it at the moment and not just rely on the previous 12 months because there has been such a downturn. They are also recommended not to deregister and continue to be self-employed and having assessed their needs they would still be entitled to anything to which they might be entitled on the basis of that means assessment.

**Deputy Willie O'Dea:** I am aware of cases where people have been told they will not even be considered unless they deregister.

**Ms Mary Kennedy:** The Deputy should bring those to the Department's attention and we will look at them.

**Deputy Willie O'Dea:** I would be delighted to do so.

**Ms Mary Kennedy:** As far as I am aware-----

**Deputy Ray Butler:** I would have to agree Ms Kennedy. My constituency office has dealt with two cases and they were told not to deregister.

**Ms Mary Kennedy:** There are a number of local offices and that is the instruction. If there are cases where there are difficulties the members should bring them to the Department's attention.

**Chairman:** If anybody feels their questions have not been answered they should come back to me. I will now call Senator Jim D'Arcy, followed by Senator Moloney, Deputy Fitzpatrick and then Deputy Harris.

**Senator Jim D'Arcy:** Deputy O'Dea asked about budgets. What is the budget for the work equipment support grant? Is there a link-up with the HSE with regard to assessing what is needed or does it just pertain to computers and such like? Does the Department take in equipment the HSE also might supply and is there an overlap in this regard? As for the self-employed, the fact that groups such as the Self-Employed Alliance Dundalk are being established means it is becoming a big issue. I have been approached by both the people themselves and their mothers. The latter have been in great distress about their sons in their 30s and 40s with young families who are unable to access benefits. Their perception, from the feedback I get, is they are not entitled to anything. That is the word on the street, regardless of whether it is true. I listen to accounts about all the hoops they must go through to secure the jobseeker's allowance and they have no money.

On the broader issue of social insurance for the self-employed, am I correct that Ms Mary Kennedy suggested it would cost €87 million on present figures? Second, I note the present PRSI payment is 4%, while class A is 14.75%. Are members to take anything from those two figures in respect of costs and the forthcoming report? It would be great were Ms Kennedy in a position to provide members with an indication of what is being considered in that report. I thank her for her presentation.

**Chairman:** Before bringing in the other speakers, I ask members to be as brief as possible as I want to bring in the Dundalk group by 11.30 a.m.

**Senator Marie Moloney:** I will be brief. I welcome the departmental officials and the Self-Employed Alliance Dundalk to the meeting. I apologise for being late and for missing Ms Mary Kennedy's presentation. I got a lesson in driving through Dublin today, as 15 miles in Dublin certainly is not like 15 miles in Killarney.

When the Minister herself and the departmental officials appeared before the joint committee in recent weeks, I raised the issue of the self-employed and I continue to do so today. I again ask that they be given the option to pay the contribution. Ms Kennedy may have referred to this issue in her presentation. Moreover, when people who were self-employed finally gain access to jobseeker's allowance, they are not allowed a credit contribution, which they need to ensure their pension in the future. This absolutely fascinates me and I ask that serious consideration be given to allowing such people their credit contribution when they draw jobseeker's allowance.

I can never understand the reason the family income supplement is not available to people who are self-employed. A little help sometimes can keep people going, including those who are self-employed, and this issue should be examined. All members know that self-employed people pay their tax, their PRSI and their employees' PRSI. The departmental officials have informed the joint committee in recent weeks that self-employed people's own contribution would have to increase to approximately 16% in order to derive any benefit but I am sure the benefits would be worth it. It would be just like taking on one additional person, for whom one would be paying the extra 10% or 12% to ensure one's own benefits were in order. When such individuals apply for benefits such as medical cards or the jobseeker's allowance, trying to get and provide figures involves a quagmire of bureaucracy. I ask the officials present to ensure that a memorandum is issued to all social welfare offices advising them they are not to ask people to deregister as self-employed because, regardless of what the witnesses might say here today, this does happen. Perhaps the creation of uniformity among the departmental offices around the country would prevent this from happening.

Many people who draw illness benefit or invalidity pension have a small farmholding and they pay PRSI and tax on the income from the farm. They might have a few dry cattle or whatever the case may be. When their accountant registers this income, it now emerges that they are drawing illness benefit while making self-employed contributions by paying PRSI. Consequently, they are in a lot of trouble with the Department and in some cases, the fraud squad has contacted such people, alleging they are working and drawing the benefit.

Two weeks ago I asked the officials for figures in respect of the overseas pensions being paid but I have not received anything to date. Consequently, they might provide me with an update in this regard.

**Deputy Peter Fitzpatrick:** First, I welcome the Self-Employed Alliance Dundalk. I myself was self-employed for a number of years. I took a chance and I gave employment. I do not understand the reason self-employed people cannot pay the same PRSI contributions as their employees. Being self-employed, one pays all one's taxes, one pays one's PRSI, one's universal social charges and one's PAYE obligations. One takes a chance every day that one will get paid for the service one supplies. One pays all one's staff holiday pay and overtime and one is taking people off social welfare. However, if things change and if business gets bad, one does not get paid. Moreover, when one's business can no longer survive, one spends all one's savings. If one seeks help from the social services, one is told that as one was self-employed, one is entitled to nothing. Even if such people have families to look after, where do they go? After working all their lives and paying all their taxes, they do not even get jobseeker's benefits, as to so do one must pay PRSI at the class A rate. Similarly, one does not receive redundancy payments.

Self-employed people are being punished and this must stop.

**Deputy Simon Harris:** I thank the witnesses for their presentation. While I agree with Deputy Fitzpatrick with regard to the self-employed, I wish to revert to the issue regarding the supports available to enable people with disabilities to gain access to the workforce. The key job for this joint committee and for Members of the Oireachtas is to try to ensure that each euro being spent on disability services is making a difference. With that in mind, I wish to discuss the wage subsidy scheme. The departmental officials should outline what checks are carried out to make sure the aforementioned scheme is actually working for the employer who is availing of it in the name of an employee with a disability. What background checks are conducted or what evidence does the Department have that the employees are receiving the reasonable support and accommodation they are meant to receive? As I am sure have many other Oireachtas Members, I have encountered instances in which employees in a company who are doing precisely the same work as other employees without a disability, are not being given that reasonable level of accommodation. They are not being allowed to start a little later or to finish a little earlier or whatever may be required to accommodate their disability. One must remember that in many cases, the employer is receiving nearly 50% of the hourly wage from the Department for that perceived lack of productivity. This is one of my questions because I am not convinced that in every case, sufficient checks are being carried out to ensure that employers are passing on the benefit to the employees for which the taxpayers are paying.

When one talks about helping people with disabilities to get into the workforce, it really is a cross-departmental and cross-Government issue. Obviously, the Department of Social Protection has a key role in this regard but so has the HSE, the Departments of Health and Environment, Community and Local Government and so on. What sort of cross-departmental work is under way at present? By way of example, many employees with a disability might need the support of a personal assistant, PA, to actually access work. I note there has been much recent media comment on PA hours. Obviously, the issue of PA hours is a matter for the HSE and the Department of Health but if such hours are not available, the Department's initiative to get people with disabilities back into the workforce obviously cannot happen. I have witnesses to comment on such cross-departmental work.

In the context of disability, one hears a great deal from those who provide the services, from officials and from politicians but one rarely hears the voice of the person with the disability. The witnesses should outline the structures the Department has in place to hear feedback from those who are availing of the employment support and the assisted employment services. With that in mind, this may be something the joint committee could consider because while it is highly beneficial to have the officials in attendance today and I greatly welcome that, it might be useful at some point to hear from those who avail of such services about some of the anomalies they experience.

**Chairman:** I think the committee has such a meeting listed in its work programme and we can do that. Before asking the officials to respond, I note Ms Kennedy mentioned the KPMG report and stated it was published on 17 September. I make the point that it was laid before the Houses of the Oireachtas on 24 August and was a public document thereafter. Deputy Ó Snodaigh made a point to which others alluded, on how Ms Kennedy gave a figure of 15% or 16% as the contribution self-employed people would need to make to break even. Other people who are not making contributions are not breaking even which sets a higher standard for self-employed. This is borne out by the fact that an employee's contribution is 4% in addition to the employer's contribution of approximately 10%. It appears to be slightly less than the wit-

nesses are seeking from employers and surely they should be comparable. I ask the witnesses to respond to the questions and we can then take any concluding remarks.

**Ms Teresa Leonard:** We will take the questions on the self-employed first and I ask Ms Kennedy to respond.

**Ms Mary Kennedy:** Deputy O'Dea mentioned the 14.75% and the 17.3%. He mentioned the €87 million, which is the cost assuming that the same level of self-employed would claim jobseeker's benefit as applies to the bulk of the population. Figures were also produced based on it being 20% lower and 20% higher. If the numbers claiming were 20% lower than the norm, the estimated cost would be €73 million in 2013 and if the incidence is 20% higher than the norm then the cost in 2013 would be €105 million. One needs to remember that these are estimates based on the best information they can use because obviously there is no information available to us of the number of self-employed who would seek these payments. We are assuming the incidence would be the same as applies in the normal population and then doing a costing on that basis and also doing some sensitivities for 20% higher and 20% lower. The €87 million figure assumes that the rate applying for jobseeker's benefit would be the same as applies to the overall population.

Senator Moloney mentioned the option to pay at class A. It is not possible to opt in or out - by and large social insurance is compulsory. If the self-employed were to pay at class A then all self-employed would have to pay whatever rate is deemed appropriate to meet the cost of the benefits. She also mentioned credits for the self-employed. As she knows there are no credits for self-employed persons at the moment. If self-employed individuals want to preserve their entitlement to their pension they would have the option of becoming a voluntary contributor. That is the only route at the moment for self-employed persons.

**Senator Marie Moloney:** That means paying so a person on jobseeker's allowance ends up having to pay.

**Ms Mary Kennedy:** That is the position at the moment. We accept there are no credits for self-employed and the route, if one likes to preserve entitlement-----

**Senator Marie Moloney:** Is there a reason for that?

**Ms Mary Kennedy:** I do not have that knowledge. I suppose it goes back to the fact that they are paying 4% and doing very well on the 4%. To give them credits on top of that might have been considered inappropriate at the time. It is something we can certainly look at.

**Senator Marie Moloney:** It certainly needs to be examined.

**Ms Mary Kennedy:** It is certainly something we would have to look at over time but at the moment they do not get credits. We suggest that the option is there to become a voluntary contributor. The Senator also raised the issue of FIS and the self-employed. I do not have any information on that. Again it is something we may need to look at in the context of the other issues.

A number of members mentioned the lack of information. We recently posted to [www.welfare.ie](http://www.welfare.ie) a detailed note on the self-employed. It deals with assessment of needs and other such information. I take the point that more information may be needed. I believe the Senator suggested sending a memo to all the local offices and we will certainly bring that comment back to our colleagues in that area. We have already done this and we will do it again if there is an

issue with different treatments in different areas. We can certainly do that.

The Senator also sought information on pensions and I am aware of that. My understanding is that we are very close to issuing a letter to the Senator if it has not already issued. We can also send that to the Chairman to provide it to other members of the committee.

With regard to the 14.75% and 17.3%, all I can say is that the 17.3% and the other figures are the figures KPMG calculated as being the cost. The 14.75% is the current combined rate. Some people on very high salaries are paying a high amount because of the redistributive nature of the fund. What is paid in respect of some people at the lower level is quite low. That is probably how it balances out at an average of 14.75%.

**Deputy Willie O'Dea:** Does Ms Kennedy have a costing for extending FIS to the self-employed?

**Ms Mary Kennedy:** We do not - that was not covered by the review.

**Senator Mary Moran:** I am not a member of the committee, but I came when I heard that the representatives of Self-Employed Alliance Dundalk were attending. I add my voice to welcoming them.

Is there any possibility of providing the credit system? My husband is self-employed. I appreciate what the officials have said about posting the recent information to the website. However, more needs to be done to provide greater information for self-employed people. As has been pointed out, in the economic downturn when business goes bad we need a system in place for the self-employed to carry them over and make allowances.

**Chairman:** I ask the witnesses to make their concluding remarks and deal with any outstanding questions.

**Ms Teresa Leonard:** We will take the wage subsidy scheme and disability activation.

**Senator Jim D'Arcy:** Could the officials give us any leaks from the report that is coming out? It would be very helpful.

**Senator Marie Moloney:** No kite flying now.

**Deputy Willie O'Dea:** The Senator should keep in touch with RTE and he would find out soon enough - sooner than this committee will I would imagine.

**Chairman:** On the Senator's point my understanding is that it is modular with some modules complete and others outstanding. I made the point about documents being laid. It is very important that the documents come fully into the public domain as opposed to leaks. That is preferable for the sake of representative democracy.

In the list of witnesses I had earlier, I did not have Mr. Alan Chapman's name. I acknowledge his presence and welcome him.

**Ms Teresa Leonard:** There were some questions on disability activation and the wage subsidy scheme.

**Mr. Liam Walsh:** I wish to intervene briefly and will then pass to Ms Leonard. Deputy Harris spoke about the ongoing cross-departmental work. The main vehicle for that at the moment is the national disability strategy implementation group, chaired by the Minister of State,

Deputy Kathleen Lynch. It draws together all the main players working in that area and tries to co-ordinate the response across the public sector to the delivery of the national disability strategy. That is the main formal vehicle that exists in that space.

The Deputy asked about the structures in the Department. I reiterate a point I made earlier that we have now taken over some of the support to the employment services previously delivered by FÁS. That in itself delivered some degree of rationalisation in that area because that has now been added to our brief and work in the area. In terms of formal structures, within the Department we have a consultative forum, whereby we met people with disabilities mainly to talk about operational issues on the ground as opposed to policy. However, that forum exists and people with disabilities are represented on it. From time to time the Department also holds focus group sessions with targeted groups.

**Ms Teresa Leonard:** On that point, we have a working group on domiciliary care allowance on which we have people representing children with disabilities. We actively engage with them and include them in these separate reviews.

**Deputy Simon Harris:** Does the Department carry out spot checks of the wage subsidy scheme?

**Mr. Liam Walsh:** I will ask Mr. Chapman to comment on that as he works closely on it.

**Mr. Alan Chapman:** On the wage subsidy scheme, there is a monitoring visit by the employment service officer every year to see that the terms are being complied with. The Deputy asked about working with the employers and the sorts of supports involved. Since we took over the programme from FÁS, the new people who have gone on the wage subsidy scheme since the end of last year and the employers have the facility to use our employability service if they have any problems with regard to assistive technology or queries about difficulties in the workplace. However, I highlight the fact that it is a financial subsidy to do things. Most of the checks are made to ensure tax compliance by employers in receipt of the subsidy.

**Deputy Willie O'Dea:** Is it demand-led?

**Mr. Alan Chapman:** Yes. The budget is approximately €10.5 billion per annum. There has been an underspend since the inception of the scheme in 2005. For the disability support awareness programmes, the total budget is €1 million, which is broken down into a work equipment adaptation grant of €150,000, a job interview interpreter and personal reader grant of €100,000, a disability awareness support scheme grant of €175,000, an employee retention grant of €75,000, an assistive technology fund for community employment of €200,000 and an innovative fund of €300,000.

**Chairman:** Would the delegates like to make further points?

**Ms Teresa Leonard:** On community employment, I understand departmental officials will appear before the joint committee next week to discuss the scheme. There are 22,300 people participating in community employment schemes, of whom 13.1% are people with disabilities. There is a high level of participation in such schemes by people with disabilities.

**Chairman:** The meeting to which Ms Leonard refers will take place in two weeks time. I thank the delegates for their comprehensive presentation.

*Sitting suspended at 11.32 a.m. and resumed at 11.34 a.m.*

### **Entitlements for Self-Employed: Discussion with Self-Employed Alliance Dundalk**

**Chairman:** I welcome the representatives of Self-Employed Alliance Dundalk to discuss matters of concern to them regarding the Department's policies under discussion. I thank them for appearing before us and apologise for the long wait. However, it is hoped our discussion with the departmental officials has provided them with an insight into the Department's policies in this area.

Before we commence, I draw attention to the fact that, by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a person, persons or an entity by name or in such a way as to make him, her or it identifiable. I now invite Mr. McArdle to introduce his colleagues and make his presentation.

**Mr. Kevin McArdle:** I am accompanied by Mr. Fred Matthews, Mr. Cathal Cassidy and Mr. Derek Watters. Mr. Denis Dolan who is self-employed had to leave to attend a prior engagement. He did not expect to be here very long. As a self-employed person, one cannot always hang around for as long as one would like.

There has been much discussion on some of the issues we wish to address. I get the impression that many members have been visited at their clinics by self-employed persons whose situation has increasingly become serious in the past few years owing to the downturn in the economy, which is what drove us to establish our organisation. We thank the committee for providing us with the opportunity to state our case against the unjust and unwarranted discrimination against members of Self-Employed Alliance Dundalk and all self-employed persons in the country. Self-employed individuals have contributed enormously to the financing and social structure of the country. Latest Central Statistics Office figures show that in the first quarter of this year there were just under 300,000 self-employed persons in the State. The people in question employ a larger section of the workforce than the multinationals which many consider are the dominant employers in the country.

I run a shop in my home town of Dundalk, selling outdoor activity products. Self-Employed Alliance Dundalk was formed in early 2011 as a result of the fear, anxiety and lack of hope within the local business community. Our members include a wide range of retail and service providers. Many businesses have seen a dramatic reduction in turnover, while many others have closed in recent years, primarily as a result of the economic downturn. Large numbers of shops have closed in Dundalk, some of which were in business for generations. It was obvious from early meetings of the group that there was a wide diversity of factors which were having a detrimental effect on members, including a lack of credit from banks, the withdrawal of long-term overdraft facilities with little notice and no discussion, the burden imposed by the local authority rate increase, bad debts and redundancy payments, etc. However, the number one issue of concern for many self-employed persons was that there was no safety net for them from the Government when things went wrong.

Examples of the disadvantages of being self-employed, as identified by our members, are, first, there is no exposure to unfair dismissal procedures; second, there is no guarantee of a

weekly or monthly income; third, there is exposure to financial risk in carrying out work, including bad debts where they arise. In addition, when things go wrong, family homes can be repossessed. The fourth reason is the lack of social welfare benefits available should they become unemployed. Illness, disability and unemployment are not covered by class 3 contributions.

Fifth, most self-employed persons cannot qualify for jobseeker's benefit since it is only given to those who have paid class A PRSI. Sixth, there is no requirement to provide for holiday pay. Seventh, the self-employed are not entitled to extra pay or time off for working overtime - generally, the self-employed put in much greater hours. Eighth, the self-employed are not entitled to sick pay. Ninth, they have no invalidity pension cover; and, tenth, they are not entitled to redundancy payments. Eleventh, in calculating jobseeker's allowance, if the amounts drawn are higher than income, the drawings figure is used.

Twelfth, in calculating income, the deciding officer will ask for the previous set or, possibly, the previous two sets of financial statements, but many self-employed persons' previous accounts will be for 2010. It is possible, therefore, that a person with a year-end date of 31 January may be assessed on accounts for the period 1 February 2009 to 31 January 2010, that is, up to 2.5 years ago and much will have changed in that period. Thirteenth, jobseeker's allowance is available if income is below a certain level. One can remain registered as a sole trader. However, the rules also state one must be available for work which, if self-employed, technically, one is not. Fourteenth, there are problems in obtaining rent and mortgage interest supplement, as it is only available to those working less than 30 hours a week. Self-employed persons have obvious difficulties in establishing the number of hours they work. Fifteenth, owing to rules relating to the number of hours worked, self-employed persons are not able to claim family income supplement. Sixteenth, the PRSI system is a disincentive to self-employment - a key component of economic recovery and job creation. No safety net is provided if things do not go to plan. Therefore, the risk taken in starting a business is greater. This could put off would-be entrepreneurs from taking that risk. Seventeenth, there is a reliance on social welfare deciding officers to decide on claims rather than having exact and complete rules. As self-employed citizens, we do not enjoy equal status when it comes to unemployment assistance, which most PAYE workers take for granted. Self-employed workers cannot make the same contributions as PAYE workers, but they must pay most of the PRSI contributions of their employees.

As self-employed workers, we have made significant sacrifices and are still making them. Most of us work a minimum of 50 hours a week - some work more than 70 hours - yet there is no recognition of the hardship we must endure to keep our business going. We invest our time, money and health to keep us from going under. Most of us do not recognise words such as "overtime", "holidays", "days off", "sick pay", "lunch breaks", etc. The committee may not believe us, but these are luxuries we seldom enjoy. Many of our members could not come here today because of work commitments. Most of us are rushing back to our businesses after the meeting. An employee could simply take a day off.

How much have we contributed in financial terms to the country through income tax, PAYE, PRSI, USC, RCT and VAT? What is our reward if we find ourselves, as many already have, in a situation where we can no longer support ourselves? When we turn to the system to which we have been paying most of our earnings in one form or another, we are told we are not unemployed citizens but unemployed self-employed citizens. At social welfare offices we have been turned away because there are no benefits available and no recognition of self-employed unemployed workers. One is then put through the mill of assessment to be told that one may be entitled to this or that, but, unfortunately, it usually means one is not entitled to anything, which

leaves one feeling like a criminal.

This group of unemployed self-employed workers and self-employed workers who may yet find themselves unemployed came together to try to address this appalling inequality. We want equality, like all other citizens of the country. We want to be able to make the same PRSI contributions as all employed workers and also to receive the same benefits without omissions.

In accordance with a commitment given in the programme for Government, in 2011 the Minister for Social Protection established an advisory group on tax and social welfare. Included in its terms of reference were:

To constitute a forum to which the Minister for Social Protection may refer specific issues around the income supports and tax systems so that they provide good incentives to take up work and to contribute to the reduction of poverty and child poverty ...

To 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 ...

The terms of reference also stipulated that the advisory group should consider any proposal for changes to existing arrangements in a cost-neutral or cost-reducing context. The Minister recently stated any change to the PRSI system to provide access to short-term benefits such as jobseeker's benefit would have significant financial implications and would have to be considered in the context of a much more significant rise in the rate of contribution payable. She also noted that the question of social insurance cover for the self-employed was being considered in the actuarial review of the social insurance fund which was due to be completed in mid-2012. We await same.

The Oireachtas website outlines three major areas covered by the Joint Committee on Education and Social Protection, two of which link directly with our goals: ensuring our most vulnerable citizens are protected by a strong and equitable social welfare system; and supporting economic recovery. Therefore, we appeal to the committee to take on board our views when discussing the formulation of future legislation in this regard. We want equality and justice.

I will hand over to Mr. Fred Matthews who has been through the process of seeking unemployment benefit.

**Mr. Fred Matthews:** I have been self-employed as a pharmacist all my life and I am now 62 years of age. I have employed between 20 and 25 persons for up to 25 years at a time and contributed millions of euro in tax to the State. Three years ago my financial well-being hit a wall and I am now treated as worthless by the State. My daughters decided to go back to education and, because they did not understand the social welfare system and had worked up until the time they sat the leaving certificate examination, were unable to access grants. They had worked until the month of May, sat the leaving certificate examination and obtained their places. However, if they had gone on the dole or received jobseeker's allowance in February, they would have been fully funded by the State. I went to the VEC and other places looking for help because I did not have the ability to fund the fees. I came out of the VEC in tears; I felt humiliated. At 59 years of age the State had nothing for me. I went back to work. All I understand is that, as an individual, I can create wealth and generate an income. It is humiliating that my adult daughters, because I am perceived to have the wealth I used to have, are being put through the mill to receive a basic education. It is stressful and I have had to attend for counselling to get myself in fit shape to live a life. It has affected my whole family. This is the impact on the

self-employed. I am independent, but what I do is lunacy. I create wealth instead of finding a job. People tell us it cannot be done, but one goes and does it. That is the core of independent SMEs, but it is being decimated and savaged by being ignored. That independence leaves us totally isolated because we are easily picked off.

I am looking for leadership from members and the Deputies and Senators who lead the country. They give me the impression that they are on this treadmill that was vacated by the Fianna Fáil-led Government and that they are busy running, but they lack a vision for the future. Without the ability and support of SMEs, the country will collapse totally because they create the wealth and employment. I employed 25 persons; now I am indebted everywhere. Social services which are within the remit of the committee should be available to me and my family when needed. No one should feel like a second-class citizen in the State. Social services, which fall under the remit of this committee, should be available to me and my family when needed, and one should not be made feel like a second-class citizen. I ask that the system be changed so families associated with SMEs can have access to social services.

Normally SMEs go to the credit union when they are stuck. I realise this is not in the remit of the committee. The credit unions are currently being crucified. To date, the organisation has not received one shilling from the State, yet it is being posited as a failure. The unions were established by SMEs and people such as myself and my father, yet we cannot get money from them either.

Where does a person such as me go for money to educate my daughters? The State does not give them support by way of social protection. We have learned a lesson. One of my daughters had a baby, went on maternity leave and is now on the jobseeker's allowance. She buys my rugby tickets and funds my trips if I want to go away because I cannot afford them. That is the current position; it is the state of the world in which I live. While I will get nothing off the State - I do not expect to - it should at least treat my family fairly.

**Chairman:** When we were examining this issue, Deputy Butler suggested the delegates would have some insight into it. We very much welcome the delegation's contribution because it is good to receive a briefing on how people are affected on the ground.

**Mr. Fred Matthews:** There should be a means of giving an SME funding instantly in an emergency. It could be assessed later. If I go broke, I will have nothing tomorrow.

**Chairman:** We will take questions and give Mr. Matthews a further opportunity to elaborate on the points he is making.

This committee does not formulate legislation but we, as Oireachtas Members, have an input into its scrutiny. It is possible to introduce Private Members' legislation. Legislation generally comes from Departments. One reason for this meeting is to highlight the issues that arise and focus on the detail from the delegates' point of view.

According to the usual order at meetings, we will begin with the Fianna Fáil spokesperson.

**Deputy Willie O'Dea:** I thank the delegation for its presentation. While it was quite succinct, it was very clear and comprehensive. When the delegation referred to the context of job losses, etc., it could have been talking about my town. I know exactly where it is coming from.

One will have noted from the discussion with the officials that we are all aware of the imbalance between the treatment of the self-employed and the treatment of other employees in the

social welfare system. I thank the delegation for its efforts to help correct the imbalance. It is quite a sacrifice for those who are trying to run their businesses daily to form a pressure group. They put a lot of time and effort into their cause. It is a sacrifice for the delegation to be present here today. My party is now aware that there is a severe imbalance between the treatment of the self-employed and the treatment of employees with regard to the social insurance scheme. I deal with this daily in my constituency. I will work very hard to ensure the sacrifices the delegation is making to correct the imbalance are not being made in vain.

**Deputy Ray Butler:** I welcome the delegates. It is great to see them making a presentation. Their concerns comprise one of the most significant issues that arose on the doorsteps during the last general election campaign.

I had a shoe shop for 24 years and have been self-employed all my life. It is disappointing to see so many doors being shut and a lack of information. Self-employed people really do not know their entitlements because they are busy protecting their businesses and getting on with what they do. For a self-employed person to enter a constituency office is a huge step. The self-employed have never been in looking for anything in their lives and, therefore, do not know their entitlements. All self-employed people have done all their lives is paid. They kept paying.

My late father – Lord have mercy on him – used to say that once one puts one's name over the door and becomes self-employed, one becomes an unpaid tax collector. It is great to see the delegates making their case. Many of the Senators and Deputies are aware of the problem that exists because they have encountered it in their constituencies. They hear about it daily.

Many self-employed people have battled to retain their businesses, yet those businesses have deteriorated even more. They are receiving no help from the banks or credit unions. I agree totally with Mr. Matthews on this. The self-employed have been using their savings and the savings are now drying up. If we are serious about getting this country moving and taking it out of its current mess, we will need self-employed people and SMEs. The latter will restore the country. We need a safety net for SMEs.

I am delighted to see representatives from the Department of Social Protection present. They have changed their attitude to the self-employed and their entitlements considerably since I became a Member 18 months ago. In fairness to the Minister for Social Protection, she is working on the issue. An independent group is producing a report and we will determine how we should proceed when we receive it.

Circumstances have changed. During the last general election campaign, I was on local radio, LMFM, and remember Mr. Michael Reade asking me what I would like to do if I got elected. The issue we are talking about is one I said I would like to address because it has affected me personally. I know what it is like to go home with the stress and strain of trying to pay one's bills, including one's rates, electricity bill and staff bill. The SME owner is the last person to get paid and does not get a shilling at all some weeks; he or she is just trying to survive. I know what it is like to have no money and to bring all one's pressures home with one. We need a safety net for the self-employed if there is to be progress.

When I know we are in tough times, I realise we need a safety system if we are to get the country going again. Self-employed people and SMEs will get the country out of the hole it is in if they are given a chance.

**Chairman:** By way of explanation, the reason the Senators left earlier is that they had to

attend a vote.

**Senator Marie Moloney:** I apologise for my having had to leave to attend a vote in the Seanad. However, I brought the presentation with me and was reading it when voting.

We are all singing from the same hymn sheet. Since I became elected, I have raised the problems of the self-employed on numerous occasions in the Seanad; this is on public record. Every time there was a debate on social welfare in the Seanad, I raised the problem of the self-employed. At every meeting of this committee since I became a member two months ago, I have raised the issue, and I will continue to do so. We await the advisory committee's report and I hope it will contain recommendations that suit the self-employed.

While we are always worrying about the big multinational companies and saving 400 jobs here and 300 there, we must realise that if we concentrated on retaining one job here and two or three there, the combined number would be considerable. The self-employed, while generating an income for their families and not drawing on the Exchequer, help their few employees. It is vital, therefore, that we help the self-employed. I will continue to fight their case until we achieve at least some of their objectives.

**Deputy Peter Fitzpatrick:** I welcome the representatives of Self-Employed Alliance Dundalk. I am a newly elected Deputy and know how hard it is to appear before an Oireachtas committee to make a statement. The delegates have done a fantastic job. Mr. Kevin McArdle's presentation was very honest. He did not leave anything out and everything he said is true. It took a lot for a very established businessman in Dundalk to make time to come here to tell the truth. He is a very lucky man to have the support of his family. I thank everyone who made a contribution.

I am a former self-employed person and fully appreciate the position of the delegates. I employed 20 people. My business was different. One gave people 60 or 90 days' credit and depended on them to pay. All that our guests wanted after busting their backsides and providing a fantastic service was to get paid. If someone did not pay them, it was not their fault. The system is wrong where the self-employed are concerned. They took a chance, tried to better their lives and took people off social welfare. They have done everything right. If a business is not going well, one-----

*(Interruptions).*

**Chairman:** There seems to be mobile telephone interference. Whoever it belongs to might move it.

**Deputy Peter Fitzpatrick:** Our guests put their savings and every penny they have into their businesses. I commend them. Members from the Louth and east Meath area are present and would be happy to help. Too many people talk without acting. Do not be afraid to ask for our help. As a newly elected Deputy, I know the efforts our guests have invested.

**Senator Mary Moran:** We needed to leave the meeting to vote. I apologise for having missed some of Mr. McArdle's presentation. Like my colleague, I read it in the Seanad Chamber. We are all singing from the same hymn sheet and well aware of the issues. I am married to a self-employed man. The mention of being unable to take a holiday was particularly poignant. The employees are paid and well looked after in terms of PRSI, etc., but the self-employed are caught in a loop and nothing can be done for them.

There has been plenty of talk, but we need to progress matters. Perhaps our guests have already offered their opinions, but how best can we support them further? In the past year, I have been inundated by self-employed people attending my office. Being expected to pay rates is a big deal for someone who has never sought anything from or been beholden to the State. As a PRSI and PAYE employee, I never needed to deal with such considerations. Everything was deducted from my final cheque. It is shocking that self-employed people are still expected to pay their bills even when they are receiving no money. I would value our guests' opinions on how we can best help them.

**Senator Jim D'Arcy:** I welcome the Self-Employed Alliance Dundalk. This is a major issue for the entire country and the Department of Social Protection must address it. The cost of providing social insurance for self-employed people will need to be met, but that insurance is necessary, given the significant increase in the number of people seeking help in this regard. I would support a system of social insurance for the self-employed. I hope that the committee will determine to support such a system as well.

**Chairman:** Our guests heard the departmental officials. The Social Insurance Fund report has been published and is available online. If physical copies are required, we could point our guests in the right direction. The report states that it would take a contribution of 15% to 16% to get the State pension and other benefits. How do our guests feel about self-employed people being required to pay extra contributions while they are at work?

**Mr. Fred Matthews:** I am 62 years of age. What sort of pension would I get if I started paying now?

**Chairman:** I appreciate that, but-----

**Senator Marie Moloney:** The class S stamp would get Mr. Matthews a pension anyway.

**Chairman:** That is exactly the point that needs to be made. The 4% gives one entitlements to the State pension, but one would need to pay the additional contributions outlined by departmental officials to receive jobseeker's benefit and other benefits. How does the group feel about doing so?

**Mr. Cathal Cassidy:** We just want equality with the employees. We want to pay what they pay and get what they get.

**Chairman:** As an employer, Mr. Cassidy pays a contribution for his employees.

**Mr. Cathal Cassidy:** Yes.

**Chairman:** Would he be willing to pay the employer's and the employee's contributions?

**Mr. Cathal Cassidy:** Can we count ourselves as being employed by ourselves?

**Senator Mary Moran:** As employees.

**Mr. Cathal Cassidy:** As self-employed people, we want to be employees and employers.

**Chairman:** The employee's overall contribution comprises the employer's contribution and the employee's contribution. Our guests are suggesting that they only make the 4% contribution yet receive all of the entitlements.

**Mr. Cathal Cassidy:** No.

**Chairman:** Could they clarify?

**Mr. Derek Watters:** This morning, the official outlined the different rates determined by KPMG. They were as high as 17.3%, yet that rate did not include all of the benefits. Mr. McArdle rounded off his presentation by stating that we were looking for equality. We have no difficulty with paying the additional PRSI and we do not expect to get benefits without paying for them. However, I have a difficulty with paying an additional 3% or so and not getting the same benefits.

**Senator Marie Moloney:** That 3% provides many benefits. The departmental officials were adamant that the benefits were good, in that they included an old age pension, a survivor's contributory pension, the bereavement grant and maternity benefit. We are trying to get the self-employed into the bracket for other benefits, for example, carer's, jobseeker's and illness. The extra payments would go towards them.

**Mr. Fred Matthews:** There is a sense of unentitlement and frustration at the bureaucracy that has a chance of delivering entitlement. It would be brilliant if our entitlements could be put on our payslips.

**Mr. Derek Watters:** Not knowing is an issue. An employee who becomes redundant goes to the Department of Social Protection and sees his or her list of entitlements. Senators and Deputies spoke this morning. That there are different district offices poses difficulties.

**Senator Marie Moloney:** There is no uniformity.

**Mr. Derek Watters:** One is left to the discretion of individuals. A notice might be sent to local offices concerning these items. As we heard this morning, however, some offices tell self-employed people that they will get nothing while others tell them they will. Clarity needs to be brought to the situation.

**Deputy Ray Butler:** The self-employed need clarity. As self-employed people, our accountants do our books, we pay what we must to Revenue and we pay for our stamps. We receive receipts from Revenue and in respect of our stamps, but are not told what "class S" stands for. When we were in-----

**Senator Marie Moloney:** The booklet tells people what it means.

**Deputy Ray Butler:** Yes, but self-employed people are busy. What "class S" means should be written on their receipts. The Department could do this. When we were county councillors, we were all on class K stamps, which is a different type of stamp. When I closed my business and sought to find out whether I was entitled to the family income supplement, FIS, I had to wait 25 weeks for a decision. I did not have two bob to rub together. The decision was that I was not entitled, as I had not paid a class A stamp. This is basically where it breaks down as there is no information out there for self-employed people. We have been ignored for years and put in a corner but we paid the bills.

**Senator Jim D'Arcy:** The point is being made regarding equality. I did not get an answer this morning from the Department of Social Protection as to why PAYE workers would pay a total of 14.75%, made up of rates of 10.75% and 4%, with self-employed people having to pay a rate of 17.3% and not even getting the same benefits. If this has an actuarial basis, we must consider both sectors and formulate one true figure rather than two. The principle of entitlement should be considered first.

**Deputy Ray Butler:** When we first addressed this matter I asked a question of the Department of Social Protection about getting a stamp for self-employed people and the figure quoted had a rate in the high 20s. Now the rate is at 17%. This is pie in the sky so we should see what the working group produces and move forward.

**Deputy Peter Fitzpatrick:** The presentation this morning discussed the financial position and how the Department goes back two and a half years in a business history. Two and half years ago I am sure people's businesses were thriving, so there is no true reflection of what is happening now. There should be some kind of emergency provision so that people could get money now while the Department considers the circumstances of that business. Two and half years is a long way to go back in anybody's books.

**Chairman:** We had a meeting concerning social insurance and a presentation about the KPMG report. That was one of the issues raised by Deputies and Senators. The 17% figure arises as the fund has a shortfall of approximately €1.5 billion this year and will have a shortfall of €3 billion in four years. There will be a major shortfall in years to come if nothing is done. The 17% figure comes from an assumption that the shortfall cannot be widened further. We had a comprehensive debate and we can send links to the transcript to interested parties.

**Mr. Fred Matthews:** The nub of the matter is that small and medium enterprises are independent and different. There is a bit of a maverick about them as they act in ways that others may not. It may not be easy to find a certain element and that must be encompassed in whatever system is put in place for small and medium enterprises. It is against the grain for any of us to look for something. One may feel awkward or remiss or rejected if somebody is looking for a form. These business people need help and are not looking for a hand-out. Nobody wants to do that.

**Chairman:** That applies to the population in general and there are issues concerning how people are dealt with when they interact with the Department of Social Protection. There is a need to make the process more user-friendly so that the information can be available to people and so on.

**Senator Marie Moloney:** This is more of an observation than a question. This morning I asked about an optional payment and I am disappointed that the group is not agreeable to this; it seems it is all or nothing. The bigger self-employed businesses, which are making some money, may fight such a process because they may not want to pay extra. I was hoping people could opt for a payment and if they fell on hard times, they would be able to draw benefits.

There must be a fight for credit contributions as it is vital for pensions. There will be a gap in the pensions of these business people if they do not get that credit stamp. It was not mentioned in the presentation but it is vital. I hope the witnesses will fight hard for that and we will fight from this end.

**Deputy Ray Butler:** I thank the Chairman for inviting the group and the representatives of the Department of Social Protection for coming in. It is a long road we must travel and we are getting there slowly. I think all Senators and Deputies are singing from the same hymn sheet. This is a work in progress.

**Mr. Derek Watters:** I thank the committee for inviting us here today to give a presentation. We will always be available for future input. We thank the Chairman for giving us the opportunity to speak on behalf of the self-employed this morning.

JOINT COMMITTEE ON EDUCATION AND SOCIAL PROTECTION

**Chairman:** I thank the witnesses. It is very helpful to speak to individuals affected by the issue we are discussing. I assure the delegation that the issue is constantly being raised at the committee by Deputies and Senators, and it has been discussed in recent weeks. We will continue to do this. The committee does not bring forward legislation but we can raise the issue when legislation is discussed or the Minister is before us. We will send a copy of the presentation to the Minister and ask for her views on what the witnesses have said. When we get a reply from the Minister we will send it to the witnesses. Any further comments to the committee may be put in writing and we can keep it in mind. I thank the representatives of the alliance for briefing us so comprehensively.

The joint committee adjourned at 12.20 p.m. until 10 a.m. on Wednesday, 10 October 2012.