

21 Expenditure on Welfare and Employment Schemes

21.1 Approximately €20.1 billion was spent on welfare schemes in 2011. The vast bulk of this was spent by the Department of Social Protection (the Department). These funds were processed through Vote 38 and the Social Insurance Fund (SIF) — €11.1 billion¹ and €9 billion respectively.

21.2 The Department makes three types of welfare payments

- Social insurance payments are made on the basis of Pay Related Social Insurance (PRSI) contributions. Payments made under the social insurance system are funded, in part, by contributions from employers and employees. Any deficit in expenditure is met by Exchequer subvention.
- Social assistance (or non-contributory) payments are made on the basis of satisfying a means test. Social assistance schemes are financed entirely by the Exchequer.
- Some payments (such as Child Benefit or Free Travel) are not dependent on PRSI contributions or a means test. These payments are funded entirely by the Exchequer.

21.3 This chapter consolidates and summarises expenditure on welfare and employment schemes met from various public accounts, setting out the source of the funds applied.

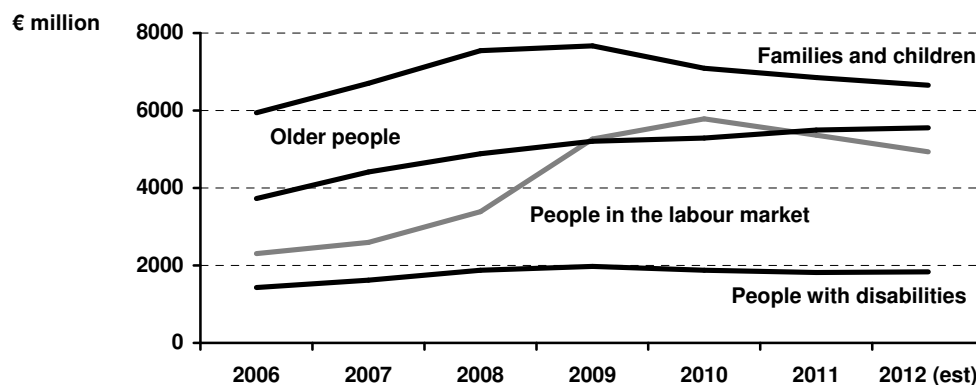
Trends in Expenditure

21.4 Figure 21.1 shows the recent trend for the main categories of welfare expenditure. Annex A presents a breakdown of welfare expenditure by category of recipient and by scheme.

21.5 Expenditure under certain other programmes that could be considered to have broad welfare objectives have not been included in the consolidation including

- medical card expenditure met from the HSE's Vote, estimated at €1.8 billion in 2011
- certain educational expenditure such as the School Support Programme, which is designed to provide a variety of supports to pupils in areas categorised as disadvantaged.

Figure 21.1 Trend in Expenditure on Social Welfare, by category of recipient, 2006 to 2012



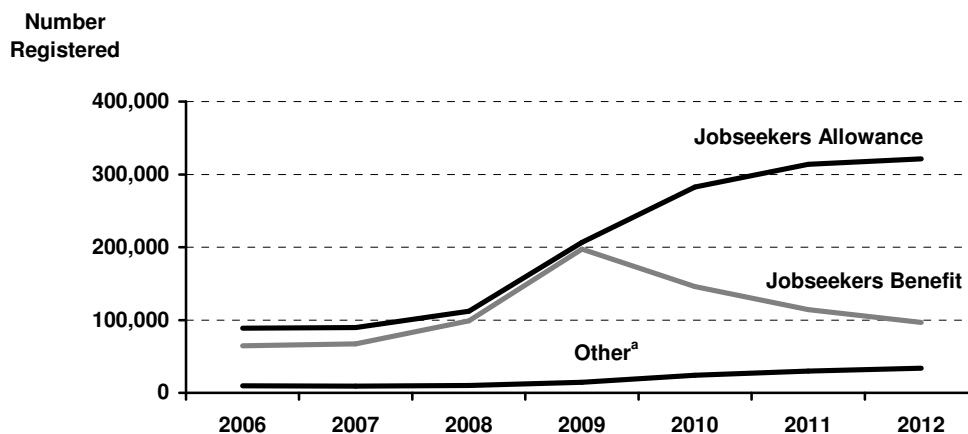
Source: Annex A

¹ Net of subvention provided to, and administration costs recovered from, the Social Insurance Fund.

Support For People in the Labour Market

- 21.6 Expenditure on welfare support for people in the labour market increased rapidly up to 2010, reflecting increasing unemployment. Figure 21.2 shows the numbers on the live register between June 2006 and June 2012, by claim type.

Figure 21.2 Trend in Live Register 2006 to 2012



Source: Central Statistics Office Live Register June 2006 to June 2012

Note: a Principally includes unemployed persons who do not qualify for a Jobseekers payment but have applied for credited social insurance contributions.

- 21.7 Overall, the number of people on the live register increased from 163,000 in June 2006 to 458,000 in June 2011. By June 2012, it had dropped slightly to 452,000.
- 21.8 From 2009 onwards, Jobseekers Allowance claims continued to increase as individuals exhausted their entitlement to Jobseekers Benefit — up to June 2008, Jobseekers Allowance claimants accounted for just over half of all live register figures but by June 2012, this had increased to 71%.
- 21.9 Overall, an 8% expenditure reduction is being projected in 2012 in relation to the provision of supports to people in the labour market. The bulk of this reduction relates to a €332 million projected decrease in expenditure on Jobseekers payments. This is based on
- a projected 4.5% decrease in the numbers of people claiming Jobseekers payments. The average weekly live register figure for 2012 is estimated at 425,000 as compared with 445,000 in 2011. The average live register figures January to June 2012 was 438,000.
 - a reduction in the base payment entitlement from a six-day week to a five-day week, with effect from 25 July 2012, affecting part time or casual workers who account for about one fifth of those on the live register.

Support For Families and Children

- 21.10 Expenditure in relation to support for families and children decreased by 3.4% between 2010 and 2011 and a further decrease of 2.8% is projected in 2012. The decrease is principally accounted for by reductions in one parent family payment, Supplementary Welfare Allowance and treatment benefit.

Welfare Funding

- 21.11** The consolidated welfare expenditure includes expenditure under both the Department's Vote and the SIF, and welfare expenditure met from other Votes. By 2011, the Department was responsible for almost all welfare expenditure, following the transfer of responsibility for various schemes from the HSE and the Department of Children and Youth Affairs. Figure 21.3 summarises social welfare expenditure by source for the period 2008 to 2012.

Figure 21.3 Source of Welfare Expenditure

Source of Welfare Funding	2008	2009	2010	2011	2012
	€m	€m	€m	€m	Est €m
Social Insurance Fund	8,400	9,783	9,458	9,004	8,903
Voted Expenditure					
Vote 38 Social Protection	9,192	10,503	11,051	11,057	10,719
Vote 40 Health Service Executive	120	103	11	11	9
Vote 41 Children and Youth Affairs	480	231	11	1	1
Expenditure under other votes	94	99	64	39	48
Notional rent on State owned property	17	16	15	10	10
Total Funding	18,303	20,735	20,610	20,122	19,690

Source: Audited Appropriation Accounts 2008-2011; Audited Social Insurance Fund Financial Statements 2008-2011; Estimates for 2012 as voted by Dáil Éireann

Social Insurance Fund Deficit

- 21.12** PRSI contributions collected by the Revenue Commissioners from employers, employees and self-employed persons are paid into the SIF. Benefits under social insurance schemes are paid out of the SIF's current account. Under the Social Welfare Consolidation Act 2005, there is provision for the Exchequer to fund any deficit. Conversely, when receipts exceed payments, there is provision that funds that are not required to meet current expenditure are transferred to an investment account, managed and controlled by the Minister for Finance.
- 21.13** Since 2008, expenditure has exceeded the income received in the SIF (See Figure 21.4). The shortfall was met until May 2010 from accumulated reserves and since then, the shortfall has been met by Exchequer subvention. In 2011, a total of €1.46 billion was paid from the Exchequer to the SIF. There is provision for a subvention of €1.82 billion in 2012.

Figure 21.4 Surplus/(Deficit) on Social Insurance Fund 2006 to 2012

Source: Social Insurance Fund Financial Statements 2006-2011; Estimated subvention to the Social Insurance Fund in 2012 provided for in Vote 37: Social Protection

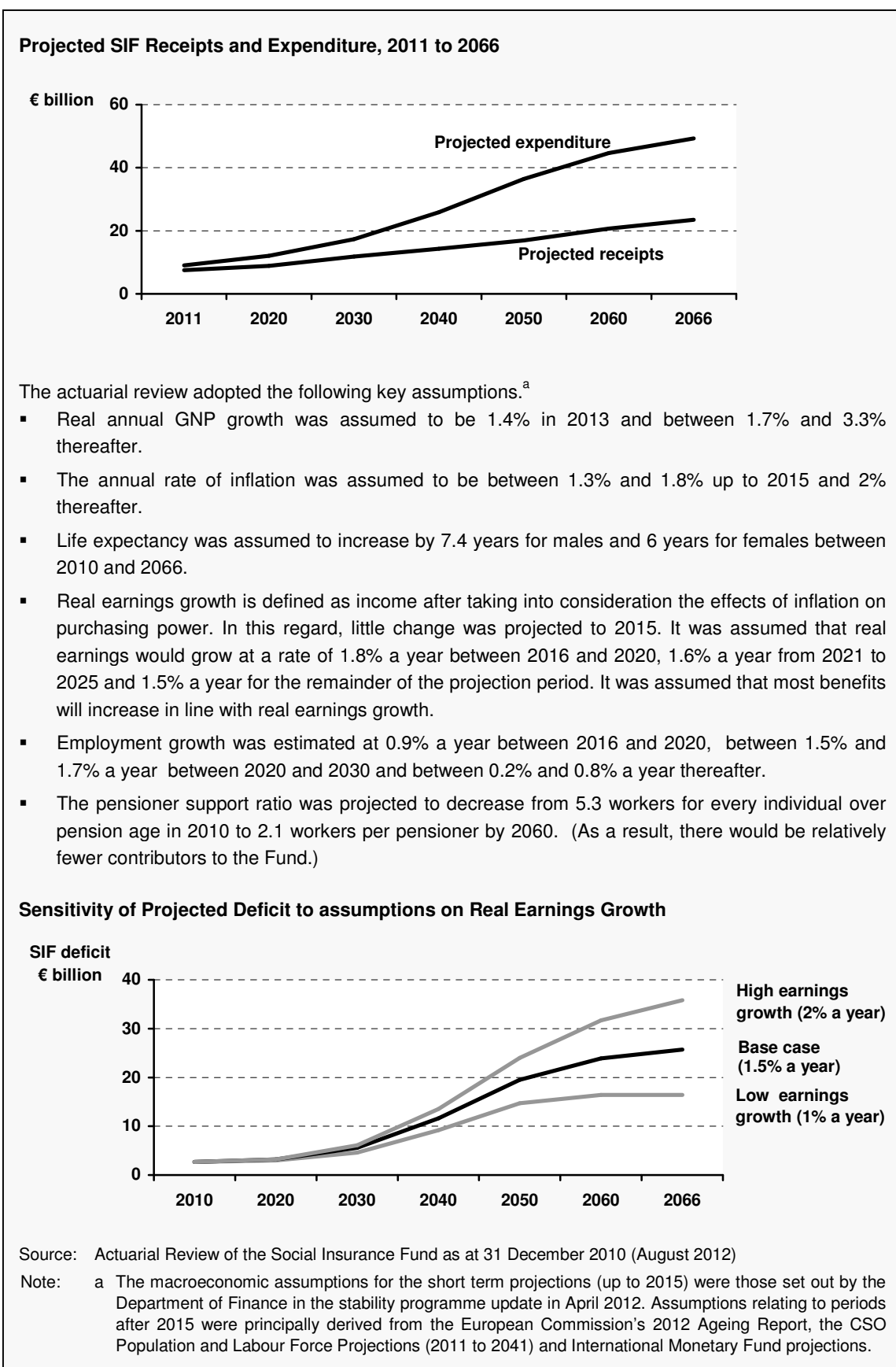
Actuarial Review of the Social Insurance Fund

- 21.14** The Minister for Social Protection is required by law to commission and publish actuarial reviews of the financial condition of the SIF at least every five years.² The review of the Fund's position as at 31 December 2010 included projections from 2011 to 2066.³
- 21.15** The main conclusion of the review was that the Fund's current deficit is projected to further deteriorate. It projected that the 2011 deficit will double to €3 billion by 2019 and will have increased to €26 billion a year by 2066. The projected Fund receipts and expenditure are shown in Figure 21.5.
- 21.16** In the medium to long term, pension related expenditure was projected to become the most predominant component of the Fund expenditure, rising from 57% in 2011 to 85% in 2066. This projected increase is attributed to Ireland's rapidly changing population structure and in particular the large rise in the over-65 year old population, which is projected to increase from 11% of the total population in 2010 to 15% by 2020 and 24% by 2060.
- 21.17** The actuarial review included an analysis of the sensitivity of the deficit projections to changes in the key underlying assumptions (see Figure 21.5). Changes in the assumptions for real earnings growth and life expectancy had the most significant impact on the projected SIF shortfall.
- The review assumed that real earnings would grow significantly, with the base case assumption including real earnings growth of 1.5% for the majority of the projection period. As shown in Figure 21.5, if real earnings grow by just 1% per annum, the projected deficit in 2066 is €16 billion rather than the €26 billion deficit projected under the base case.
 - Based on the CSO Population and Labour Force Projections (2011 to 2041), the review assumed that life expectancy would increase by 7.4 years for males and 6 years for females between 2010 and 2060. When smaller increases in life expectancy were assumed (5.4 years for males and 5.5 years for females) the deficit for 2066 was projected at €21 billion. The lower rates of improvement in life expectancy were those used in the European Commission's 2012 Ageing Report.

² Section 10 of the Social Welfare Consolidation Act 2005.

³ Laid before the Houses of the Oireachtas in August 2012.

Figure 21.5 Impact of Key Assumptions on 2010 Actuarial Review Projections



Employment Schemes

21.18 In 2011, just under €1 billion was spent on employment support and activation measures. Following a Government decision on 27 April 2010, responsibility for certain employment schemes transferred to the Department. The Department took over responsibility for the FÁS employment programmes and services from 1 January 2011. As a result, the majority of expenditure on employment supports is now also met from the Department's vote. Details of expenditure on employment schemes for the period 2008 to 2012 are set out in Figure 21.6.

Figure 21.6 Expenditure on Employment Schemes

Expenditure Category	2008	2009	2010	2011	2012
	€m	€m	€m	€m	Est €m
FÁS - Administration and General Expenses	150	150	133	129	83
Employment Programmes and Integration Support	533	508	460	465	366
Employment Support Services	161	194	278	343	537
Employment Subsidy Scheme	—	18	94	4	—
Community Services Programme	47	50	45	45	45
Total Expenditure	891	920	1,010	986	1,031
Funded through^a					
Vote 37 Social Protection	161	194	286	856	924
Vote 32 Jobs, Enterprise, and Innovation	683	676	288	4	—
Vote 26 Education and Skills	—	—	399	126	107
Vote 25 Environment, Community, and Local Government	47	50	37	—	—
Total Expenditure	891	920	1,010	986	1,031

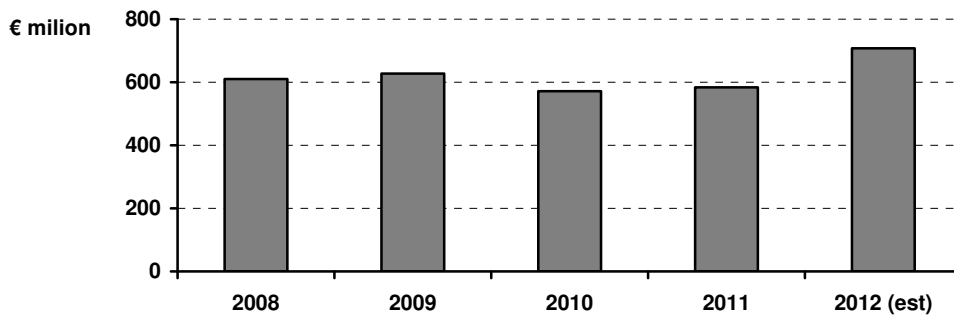
Source: Annual expenditure data is based on audited appropriation account figures (2008 to 2011); estimate for 2012 as voted by Dáil Éireann

Note: a Historic provisions have been reclassified in line with the alterations in Department functions in 2010.

Administration Costs

- 21.19** Figure 21.7 shows the trend in the Department's administration costs from 2008 to 2012.
- 21.20** There is a projected increase of 21% in 2012 for expenditure on administration, management and research. This is mainly due to the transfer of staff and associated budgets of the Community Welfare Service from the Health Service Executive to the Department on 1 October 2011 and FÁS Employment and Community Services staff into the Department on 1 January 2012.

Figure 21.7 Trend in Administration Costs, 2008 to 2012 (est)



Source: Annex A

Conclusions and Recommendation

- 21.21** Around €20.1 billion was incurred on welfare measures in 2011 – about 3% below the peak expenditure in 2009. However, there were more substantial changes in the funding for key categories of welfare recipients over the same period. Most volatility has been in relation to spending on income support for people in the labour market, reflecting high levels of Jobseekers claims. It is projected that expenditure on welfare to that group will drop further in 2012.
- 21.22** The 2012 deficit on the SIF is expected to be €1.82 billion, some 25% above that which occurred in 2011. An actuarial review of the Fund, as at 31 December 2010, projected a substantial deterioration in the shortfall between receipts and expenditure in the long term.
- 21.23** Long-term projections of SIF receipts and expenditure are necessarily based on a set of assumptions about uncertain future events. The 2010 actuarial review included assumptions in relation to economic growth, earnings growth, life expectancy and a range of other demographic factors. Projections in relation to the Fund shortfall are sensitive to assumptions in relation to real earnings growth and life expectancy, which have a significant effect on the projection result.

Recommendation 21.1: Given the importance of the actuarial projections of SIF receipts and payments for pensions policy, the basis for assumptions included in the statutory pensions review, and in particular the assumptions in relation to real earnings growth and life expectancy, should be subject to detailed analysis and testing, including multi-variable (scenario) testing.

Accounting Officer's Response: Agreed in part. The actuarial review report notes that the projections made are based on a wide range of assumptions about the future which are unlikely to be borne out in reality. The report includes an analysis of the sensitivity of projections to changes in macroeconomic assumptions including real earnings growth. The statutory requirement to undertake actuarial reviews at five yearly intervals provides an opportunity to revisit the underlying assumptions.

Annex A Welfare Payments by Scheme and Category^a

Expenditure Category^b	2008	2009	2010	2011	2012
					Est
	€m	€m	€m	€m	€m
Support for Families and Children					
Child Benefit	2,454	2,495	2,213	2,076	2,079
Child Related Payments ^c	1,342	1,392	1,371	1,379	1,389
One Parent Family Payment	1,067	1,121	1,110	1,089	1,063
Supplementary Welfare Allowance	867	1,032	1,009	962	775
Carer's Payment	484	533	528	532	544
Maternity Benefit	316	331	324	309	312
Treatment Benefit	97	100	52	23	21
Family Income Supplement	170	167	186	205	199
Respite Care Grants	98	99	128	130	132
School Meal Grants	32	35	35	35	35
Bereavement Grant ^c	24	24	25	19	19
Deserted and Prisoner's Wives	111	106	98	90	86
Adoptive Benefit	2	1	1	1	1
Early Childcare Payments	480	231	11	1	1
Total Expenditure	7,544	7,667	7,091	6,851	6,657
Support for People in the Labour Market					
Jobseeker's Benefit	929	1,734	1,285	927	773
Jobseeker's Allowance	1,159	2,005	2,809	2,975	2,797
Illness Benefit	852	920	943	876	847
Occupational Injury Benefit ^c	112	112	105	102	98
Partial Capacity Benefit ^d	—	—	—	—	13
Farm Assist Scheme	85	93	111	114	115
Redundancy and Insolvency	202	350	490	326	247
Health and Safety Benefit	1	1	1	1	1
Rural Social Scheme	49	48	44	47	46
Total Expenditure	3,389	5,263	5,788	5,367	4,937
Support for people with Disabilities					
Disability Allowance	1,053	1,143	1,110	1,089	1,078
Invalidity Pensions	686	682	640	607	628
Blind Pensions	16	16	16	16	16
Domiciliary Care Allowance	110	123	96	100	104
Blind Welfare Allowance ^e	11	11	11	11	9
Total Expenditure	1,875	1,975	1,873	1,822	1,834

Expenditure Category^b	2008	2009	2010	2011	2012
	€m	€m	€m	€m	Est €m
Support for Older People					
State Pensions	4,183	4,473	4,537	4,727	4,880
Pre-retirement Allowances	118	97	78	60	48
Free Travel	68	73	74	76	77
Fuel Allowance	176	200	228	266	214
Electricity Allowance ^f	157	166	172	179	148
Telephone Allowance ^f	112	120	119	112	108
Free TV licence ^f	56	56	58	58	59
Natural/Bottled Gas Allowances ^f	16	18	20	21	19
Total Expenditure	4,885	5,203	5,286	5,498	5,554
Administration, Management, Research etc					
Administration and management	518	543	514	487	601
Agency and service grants	86	81	55	45	47
Notional rents	—	—	—	10	10
Expenditure under other votes	—	—	—	39	48
Other	7	3	3	2	2
Total Expenditure	610	627	572	584	708
Expenditure on all Schemes^g	18,303	20,735	20,610	20,122	19,690

- Notes:
- a Annual expenditure data is based on audited appropriation account figures (2008 to 2011) and audited SIF data (2008 to 2011). Estimates for 2012 as voted by Dáil Éireann.
 - b Employment Support Services, previously included in Support for People in the Labour Market, now included in Figure 21.6 – Expenditure on Employment Schemes.
 - c Previous years figures have been restated to take account of the re-categorisation of schemes.
 - d Partial Capacity Benefit is a payment made to insured people after a Medical Assessor of the Department assesses the restriction on their capacity to work.
 - e While a Government decision was taken in 2006 to transfer responsibility for the Blind Welfare Allowance schemes from the HSE to the Department, a date has not yet been set for this transfer.
 - f These four categories are now included in one category called Household Benefits Package as per the 2012 Estimates.
 - g Due to rounding, certain scheme expenditures may not sum to the category totals reported.