



Department of Social Protection

A Survey of Class S PRSI Contributors

Benefits and entitlements
available to the self-employed



An Roinn Coimirce Sóisialaí
Department of Social Protection

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1: Introduction

The Statistics and Business Intelligence Unit of the Department of Social Protection conducted a survey of Class S contributors – largely, self-employed workers and certain company directors – in August 2016 to understand how the pay-related social insurance (PRSI) system is perceived by individual self-employed workers. The overall purpose of the survey is to better inform consideration of appropriate changes to the social insurance system for the self-employed in line with the commitment in the Programme for a Partnership Government to “seek to introduce a PRSI scheme for the self-employed and provide a supportive tax regime for entrepreneurs and the self-employed”.

Towards this end a stratified random sample of 20,022 people was generated from a population of 242,606 people who paid contributions under Class S in 2014, and who rely solely on Class S contributions to qualify for social insurance benefits. These people were then surveyed via a questionnaire to elicit their views of the social insurance system as it applies to them, their satisfaction with its range of coverage, and their suggestions on how the range of benefits can be extended.

2: Main findings

The main findings that can be drawn from the survey responses are as follows:

- (i) Respondents rated cover for long-term illness, short-term illness and unemployment as the most important extra benefits to them. 82% ranked long-term illness in their top three of preferred additional benefits.
- (ii) The current headline rate of PRSI for self-employed people is 4%. An overwhelming majority of respondents – 88% – said they would be willing to pay a higher headline rate of PRSI in return for at least one additional social insurance benefit.
- (iii) A smaller majority – 74% – would welcome an option to keep paying the current headline PRSI rate but also pay additional voluntary contributions in return for extra benefit coverage.
- (iv) Respondents reported low levels of coverage from private insurance, such as income continuance cover. Just 28% are covered for long-term illness and only 2% for unemployment.
- (v) Respondents are dissatisfied with the range of social insurance benefits available to them. Over 80% of respondents rated their range of benefits as ‘poor’ or ‘very poor’.
- (vi) Respondents do not believe that the contributions that they make represent good value for money. Again, over 80% rated the value for money as ‘poor’ or ‘very poor’.

3: Background

Social insurance, together with social assistance and universal payments, forms part of the comprehensive system of contingency-based income supports that is the Irish social welfare system.

The benefits accrued under social insurance act as a buffer against the economic shock of illness or injury, and provide income security in old age through the most important social insurance scheme, the State contributory pension.

The contributory principle is a central tenet of social insurance. During the economically active phase of their lives, people make contributions – compulsory payments made on earnings – that entitle them to future benefits.

Social insurance contributions in respect of any individual employee may be made both by the individual employee and the employer. Most employees and their employers pay Class A PRSI, which entitles the employee to benefits such as unemployment benefit, pensions, illness benefit, and reimbursement for treatment.

Employees covered by Class A PRSI generally make a contribution at a rate of 4% of reckonable income. Their employers pay between 8.5% and 10.75% depending on the weekly pay (see table 1). Therefore, the total contribution in respect of any individual employee is generally between 12.5% and 14.75%.

Arrangements in respect of self-employed people differ from those described above. Typically self-employed people pay total social insurance contributions at a rate of 4% (see table 2). In return, self-employed people have access to a reduced range of benefits. A comprehensive examination of the historical factors in tax and welfare systems that led to the difference in treatment between self-employed and the employed is contained in the 'Third Report: Extending Social Insurance Coverage for the Self-Employed' by the Advisory Group on Tax and Social Welfare for the Department of Social Protection.¹

The focus of this analysis is the PRSI contributions paid by people who make Class S contributions only. All self-employed persons aged between 16 and 66 years of age, with reckonable income or emoluments of €5,000 or more per year, are liable for compulsory insurance at Class S. Class S contributors to the Social Insurance Fund (SIF) include:

- o sole traders, people in partnerships, contractors and sub-contractors
- o people with income from investments, rents or maintenance payments
- o employees who are also self-employed
- o certain company directors, and others, who pay tax through the PAYE system and who are liable to pay Class S PRSI
- o certain artists and childminders who have been made exempt from income tax by the Revenue Commissioners

¹ <https://www.welfare.ie/en/downloads/Third-Report-Extending-Social-Insurance-Coverage-for-the-Self-Employed.pdf>

In the case of Class S company directors, PRSI is remitted under the PAYE system, usually on a monthly basis. In most other cases of self-employment, PRSI contributions are made through the Revenue Commissioners self-assessment system once a year.

Classes A and S are the largest groups of contributors to the extent that all other classes, in aggregate, amount to approximately 5% of contributors.

Table 1 outlines the rates of PRSI paid by Class A contributors at different levels of income.

Table 1 - Rates of PRSI contribution for Class A

PRSI Class	Weekly pay band	How much of weekly pay	% of income from employee ²	% of income from employer ³
A	€38 - €352	All	Nil	8.5
	€352.01 - €376	All	4.0	8.5
	€376.01 - €424	All	4.0	10.75
	More than €424	All	4.0	10.75

Table 2 sets out the rate of social insurance contributions for Class S contributors.

Table 2 - Rates of PRSI contribution for Class S

PRSI Class	Rate category based on income	Income level	How much of reckonable income	% of income from self-employed person	Minimum payment
S	Standard Rate	Annual income of €5,000 or more	All	4.0	€500
	Reduced rate (for those not obliged to make a tax return)	Annual income of €5,000 or more	N/A	€310 flat fee only	-

² A tapered employee PRSI credit of 12 per week applies on earnings up to €424.

³ 0.7% of the total employer contribution relates to the National Training Fund and is not part of the social insurance system.

Fund

Social insurance contributions are paid into the Social Insurance Fund (SIF). The SIF is financed by the contributions of employees, employers and the self-employed and, when required, by a subvention from the Exchequer. Table 3 shows the estimated contributions of employers, employees and the self-employed to the SIF.

Table 3 - Estimated contributions of employers, employees and the self-employed.

Source: Department of Social Protection, Accounts of the Social Insurance Fund 2015

Year→	2014	2015
Contributions:	€ '000s	€ '000s
Employer	5,749,428	6,165,212
Employee	1,703,956	1,826,407
Self-employed	406,266	460,266
Total	7,859,650	8,451,885

Classes and benefits

Those who have made PRSI contributions are entitled to a suite of social insurance benefits. Entitlement to benefit is based on the class, and number, of contributions. Former employed and self-employed contributors may, subject to certain conditions, make voluntary contributions which help to satisfy the contribution conditions for the State pension while former employed contributors may also be awarded credited contributions.

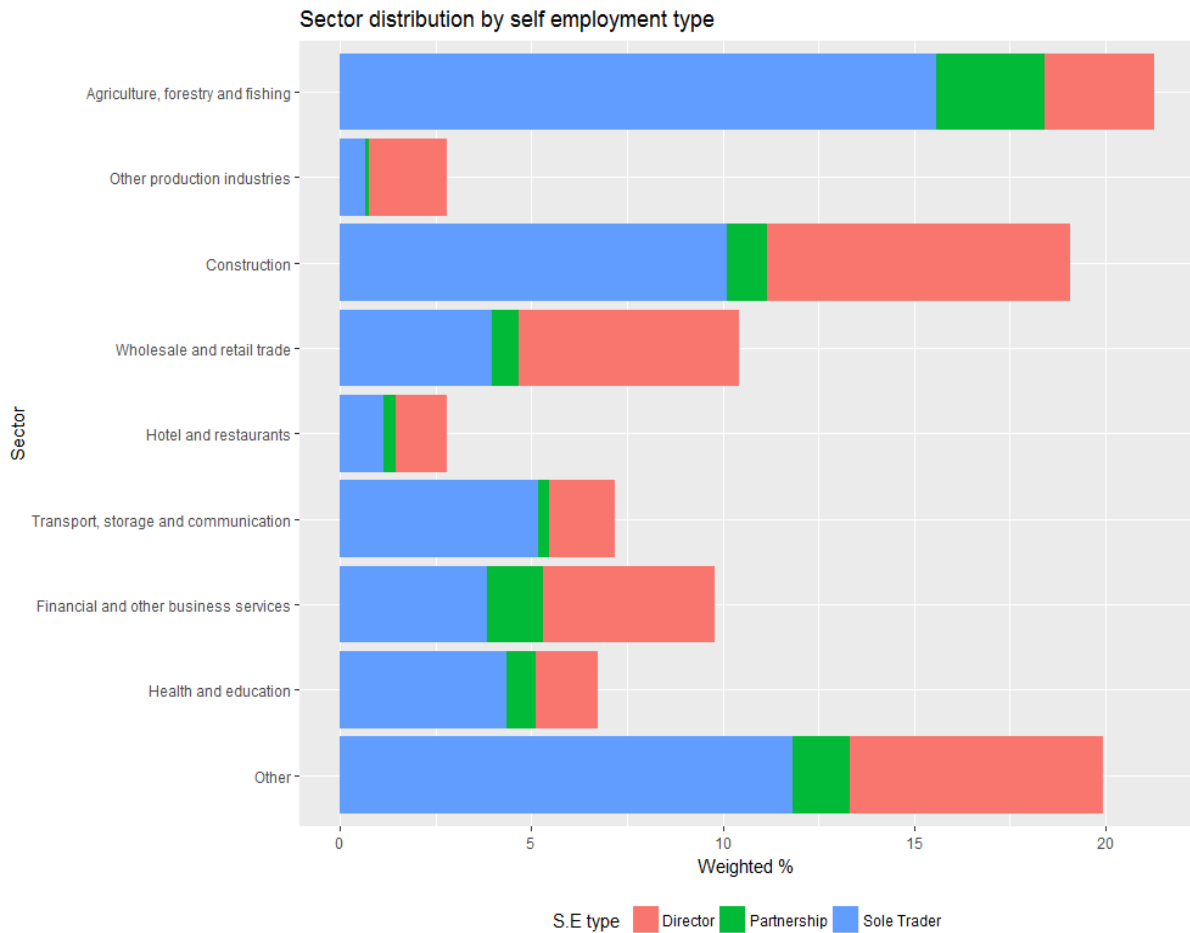
Self-employed people who rely on their Class S contributions (the target population of this survey) are not entitled to Jobseekers' Benefit, or contributory illness, treatment, carer or work-related injury benefits. However, they do receive contributory benefits such as Adoptive Benefit, Guardian's Payment Contributory, Maternity Benefit, Paternity Benefit (since September 2016), State Pension Contributory, and Widow/er's and Surviving Civil Partners Pension Contributory.

Table 4 outlines the standard amount of PRSI as a percentage of earnings contributed in respect of Class S and Class A contributors, along with their principal benefit entitlements.

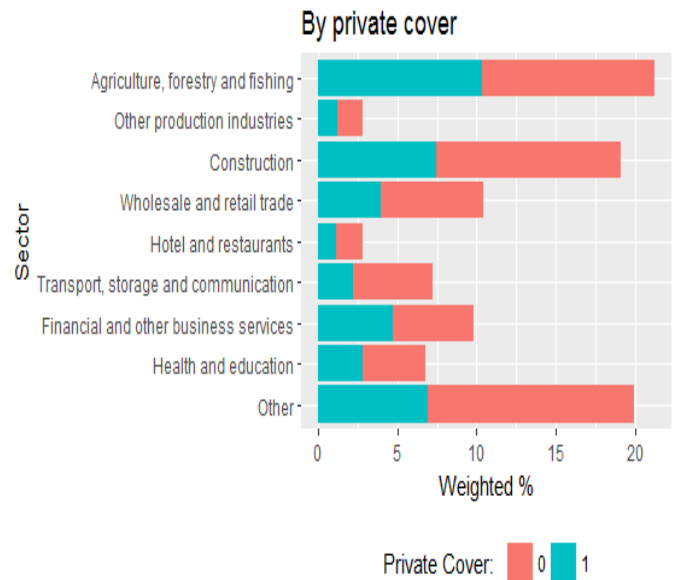
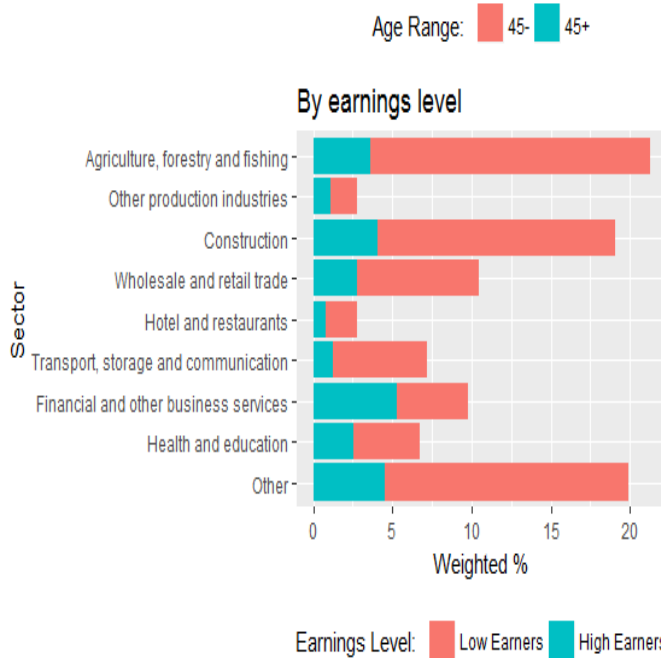
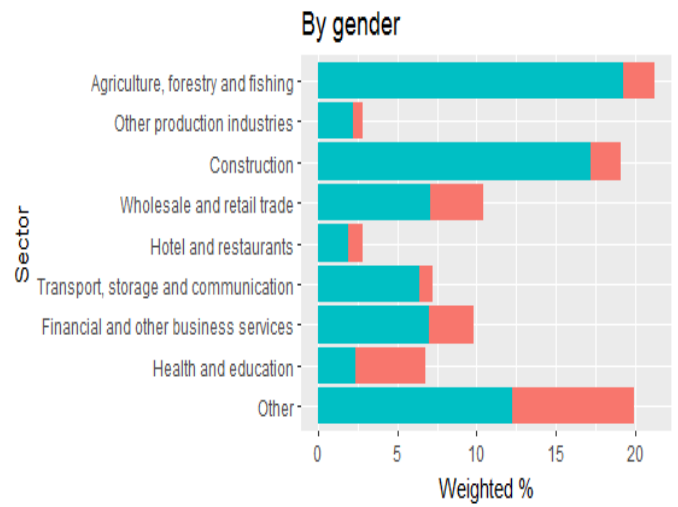
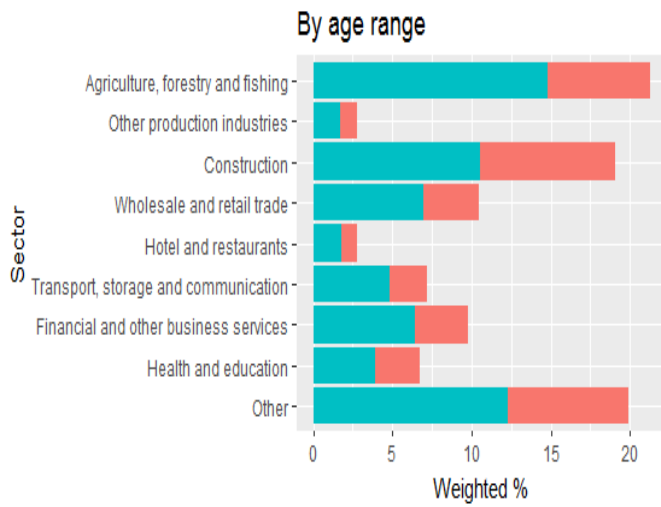
Table 4 - Standard amount of PRSI as a percentage of earnings contributed in respect of Class S and Class A contributors

Type of Worker	PRSI as % of earnings	Benefit Entitlements								
		State Pension	Widow/er and Surviving Civil Partner Pensions	Maternity, Paternity, Adoptive and Guardian benefits	Long-term illness benefits	Short-term illness benefits	Dental & optical treatment benefit	Work-related injuries benefits	Unemployment (Job-seeker) benefit	Benefit for time as full-time carer
Self-employed	04.00%	✓	✓	✓						
Employee	14.75%	✓	✓	✓	✓	✓	✓	✓	✓	✓

Question 2 asked in what business sector the respondents operate. Nine categories were provided, with 'Agriculture, Forestry and Fishing' the most frequent response and 'Other Production Industries' and 'Hotel and Restaurant' the least frequent. In this and further questions, earnings level categorises high earners as the top 25% of the income distribution and low earners as the remaining 75%.

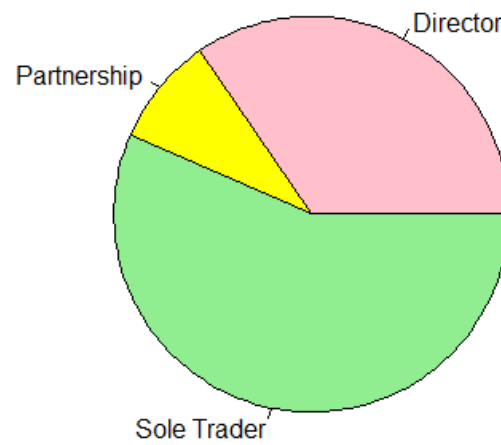


Q2: Sector Distribution

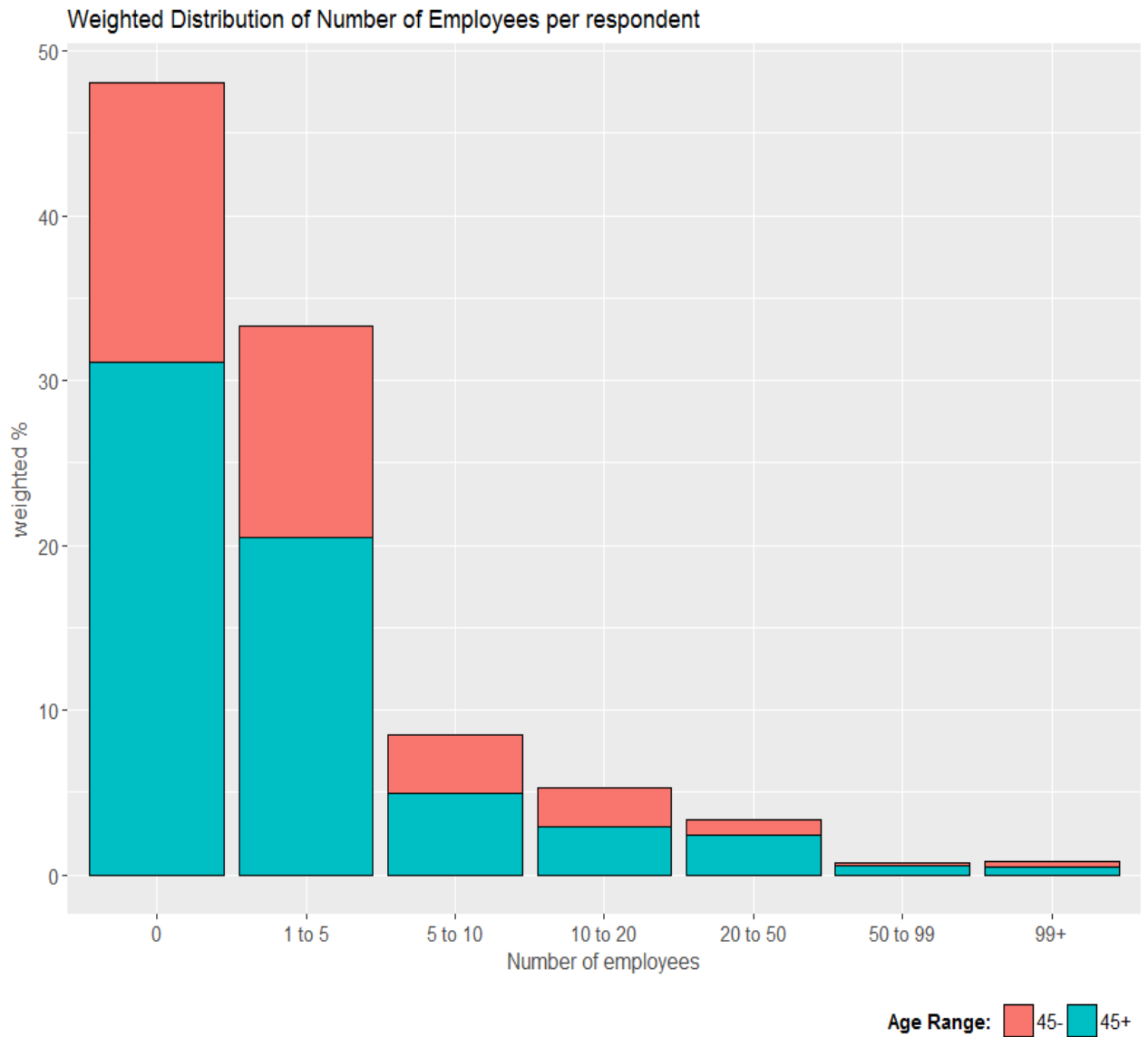


Question 3 focussed on the kind of business structure under which the self-employed people operated. The majority were sole traders.

Weighted Distribution by Self-Employment Type

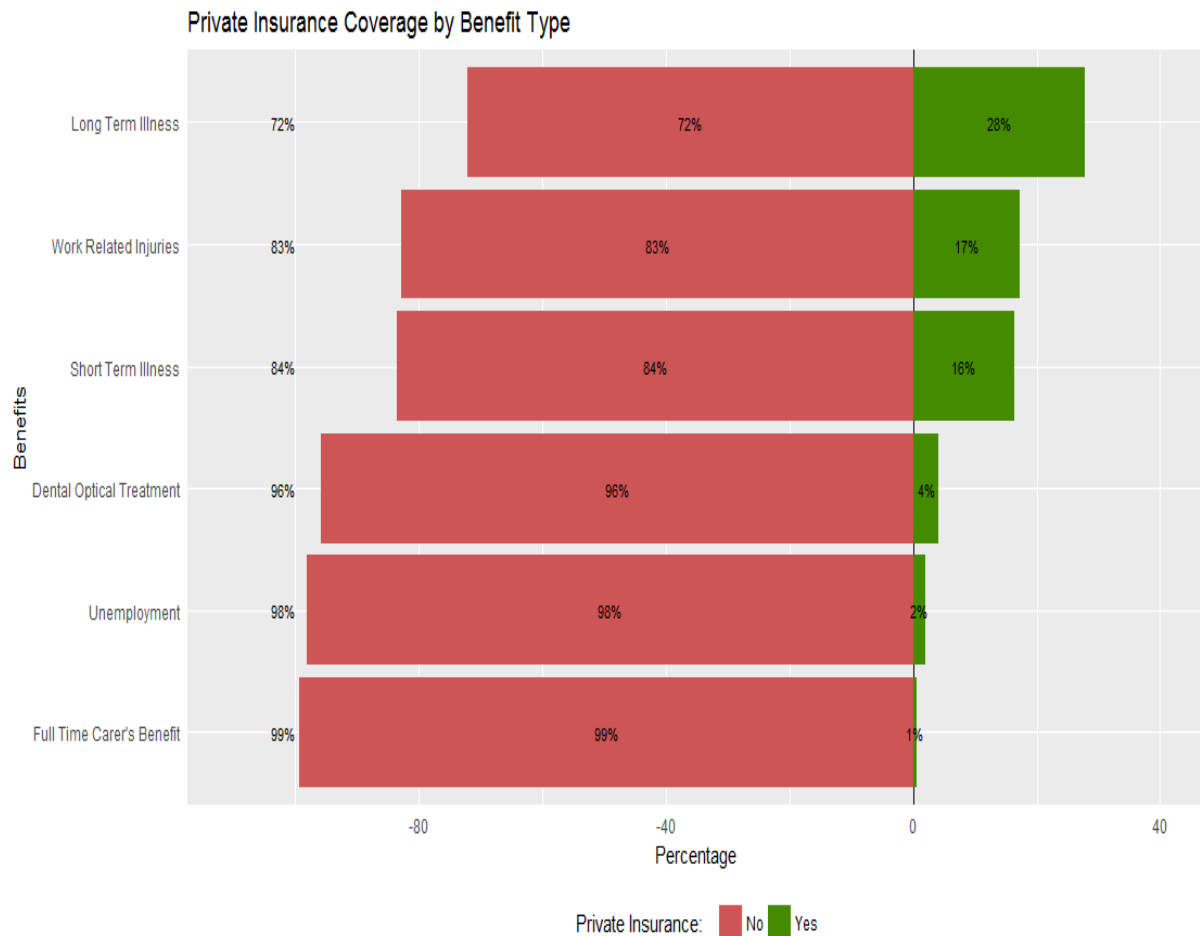


Question 4 asked how many people were employed in the business, excluding the respondent and any partners or fellow directors. The majority of respondents had no employees.



Existing private insurance coverage

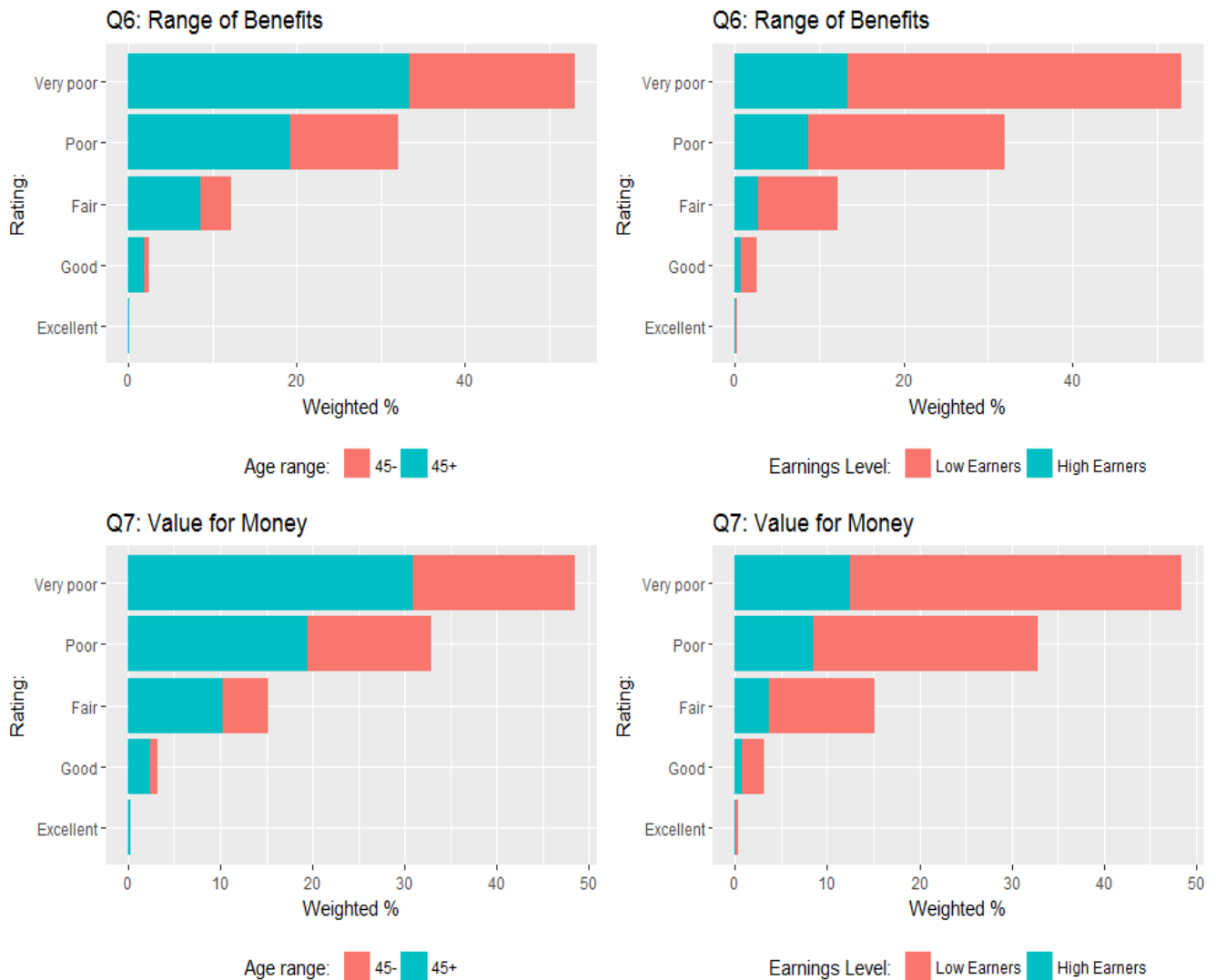
Question 5 asked whether the respondent had private insurance coverage, such as an income continuance plan, for risks such as unemployment, long-term illness or work-related injuries. In general, respondents with private insurance had cover only for long-term illness, work-related injuries and short-term illness.



Satisfaction with existing PRSI coverage

Question 6 asked respondents to rate the range of benefit entitlements arising from PRSI contributions, while Question 7 asked them to rate the value for money of PRSI contributions. In both cases, a large majority of respondents find the range and the value for money to be either 'poor' or 'very poor'.

Q6 and Q7 Responses by Age and Earnings Level

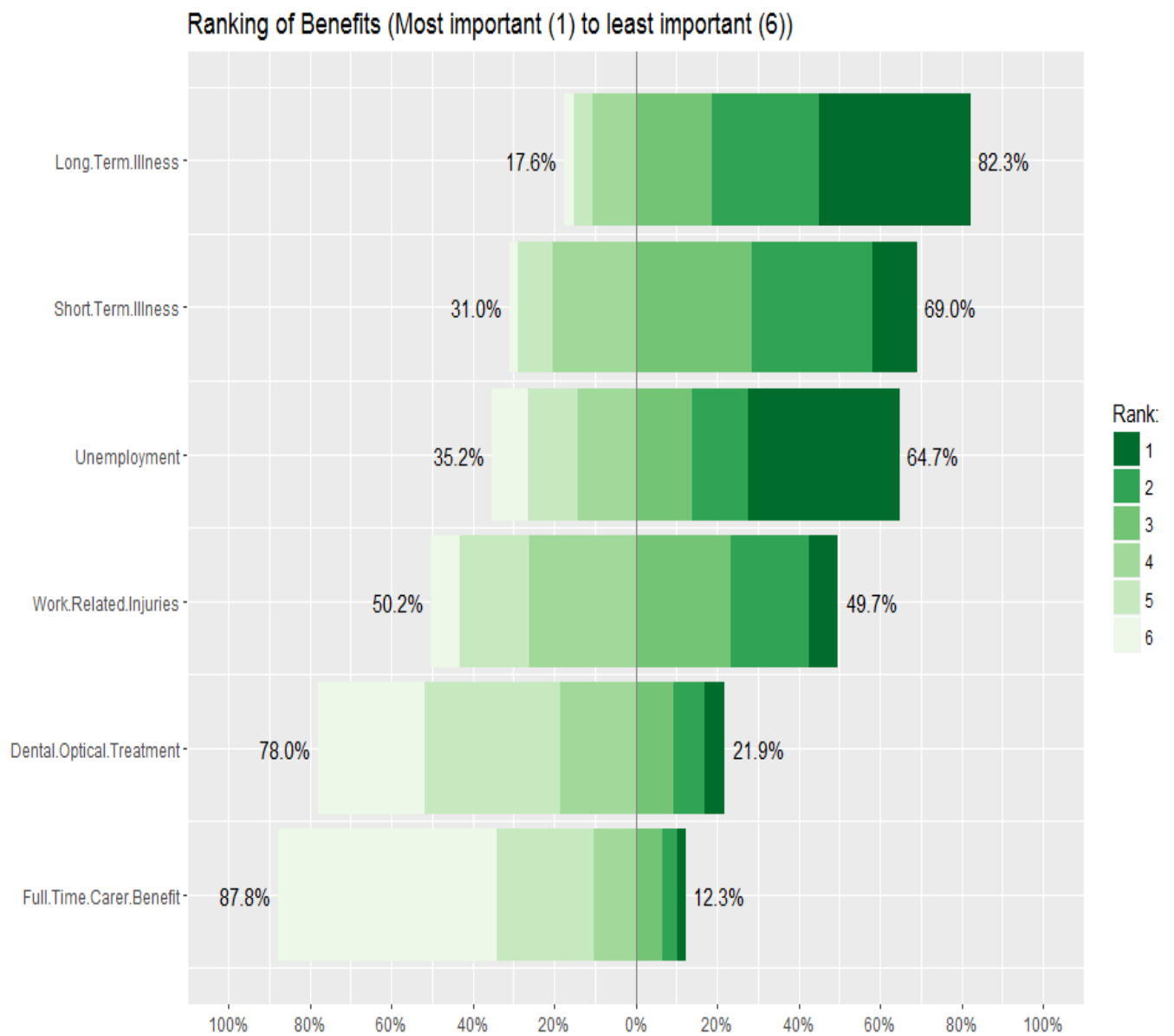


Question 8 asked what extra benefit entitlements would be most important if made available to self-employed workers. Some 82% ranked long-term illness either first, second or third, followed by short-term illness (69%) and unemployment cover (65%). The least valued were full-time carer benefit (88% ranked it fourth, fifth or sixth) and dental and optical treatment (78%).

Table 5 shows the responses to the question by mention rather than by rank, with the results remaining broadly similar. The table of results by mention includes any indication of a preference for a given benefit including, for example, where the response is a tick mark under one of the benefits or only '1' instead of the full ranking, 1 to 6.

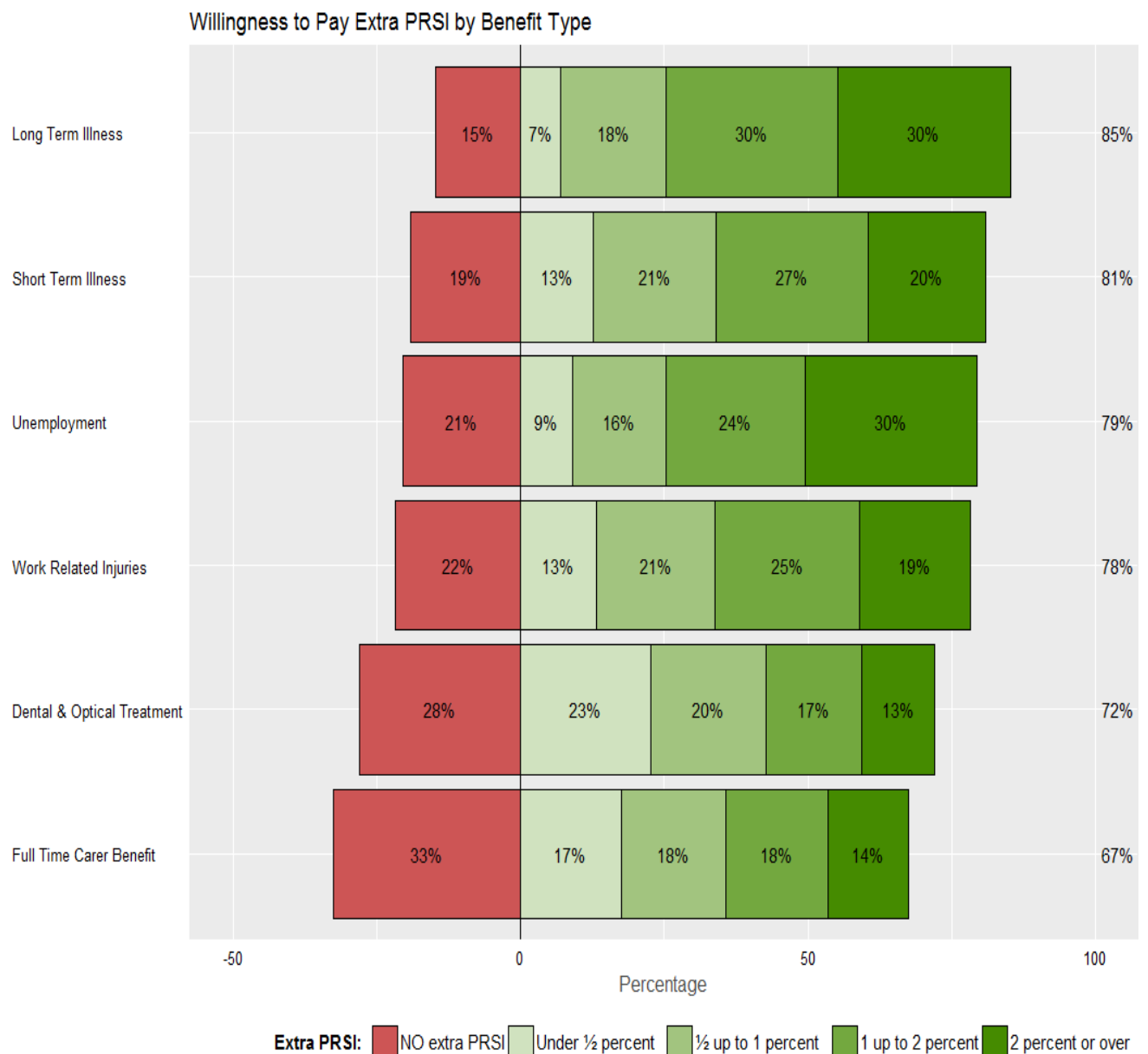
Table 5 - Any indication of preference for each benefit

Benefit	Proportion who mentioned the benefit
Long Term Illness	89.7%
Short term Illness	82.3%
Dental and Optical	78.5%
Work Related Injuries	81.4%
Unemployment	87.3%
Full time carer	74.6%



Additional PRSI contribution and benefits

Question 9 outlined that self-employed people generally pay 4% PRSI and asked how much extra PRSI respondents would be willing to pay for entitlement to six listed benefits. The benefit for which the largest number of respondents were prepared to pay no extra PRSI was full-time carer benefit, followed by dental and optical treatment. The most valued benefit, as indicated by the largest number of respondents being prepared to pay some extra PRSI, was long-term illness.



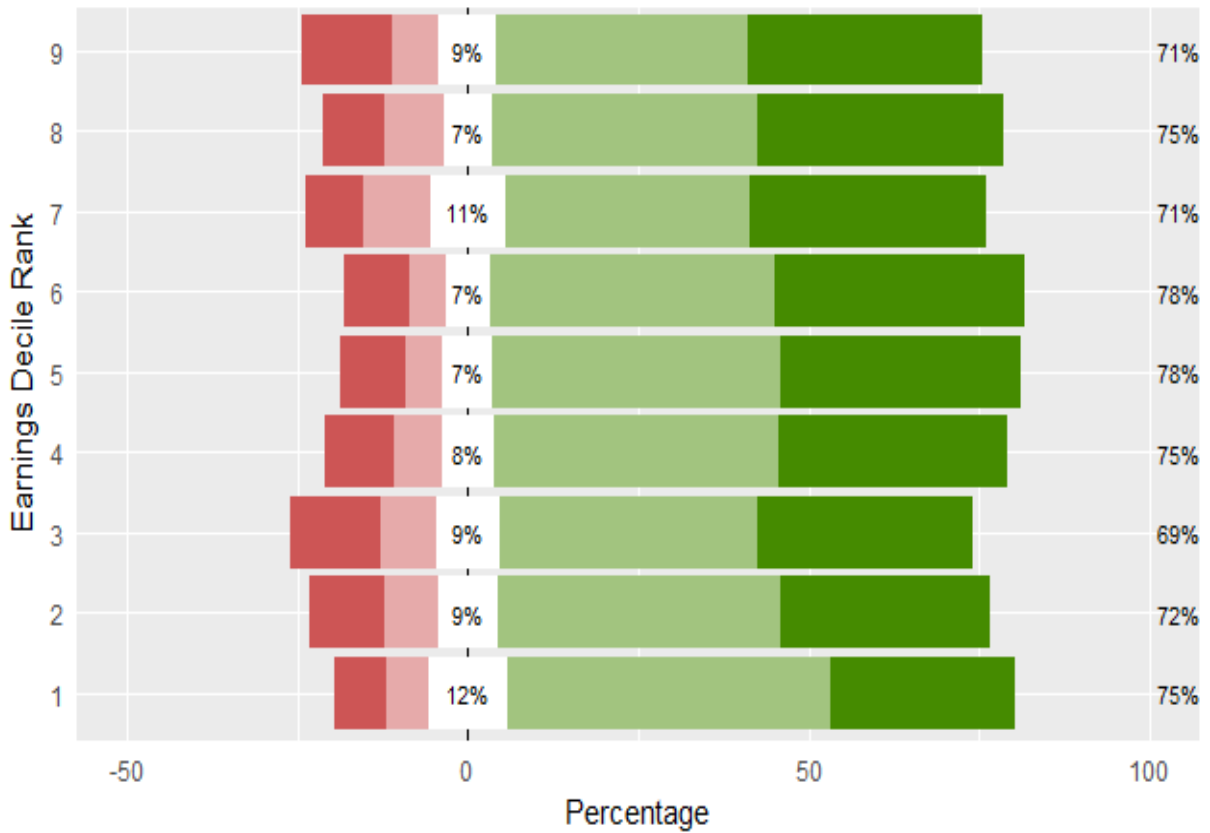
The average (mean) level of extra contribution (excluding respondents who are not prepared to make any additional contribution) for the most highly valued extra benefit (long-term illness) is 1.6%. An overwhelming majority of respondents - 88% - said they would be willing to pay a higher headline rate of PRSI in return for at least one additional social insurance benefit.

Table 5 - Estimated mean of additional PRSI, weighted responses

Q9: Extra PRSI by Benefit	Long Tem Illness	Short Term Illness	Dental Cover	Work related Injuries	Unemploy-ment	Carer's Benefit
Excluding no extra	1.58%	1.34%	1.06%	1.33%	1.59%	1.17%
Including no extra	1.38%	1.08%	0.75%	1.04%	1.25%	0.78%

Question 10 asked respondents to tick a box to indicate how much they agreed or disagreed with the proposition that self-employed people should retain their existing contributions and benefits but, in addition, should be able to choose to pay a higher rate of PRSI on a voluntary basis in return for some extra benefit entitlements. There was broad agreement with the proposition: 74% of respondents agreed to the retention of the existing arrangements with the introduction of a voluntary scheme of additional contributions. Willingness to pay some additional PRSI is presented here by earnings decile, from the lowest 10% of earners (1) to the highest (9).

q10: Agreement to payment of voluntary PRSI by earnings decile rank



Response ■ Strongly disagree ■ Disagree ■ Neither agree nor disagree ■ Agree ■ Strongly agree

Conclusions

This survey provides a new dataset to gauge the opinion of Class S contributors on the range of benefit entitlements and whether they are prepared to pay additional PRSI for a greater range of benefits.

In this respect, the survey highlights that:

- o Most respondents do not have private insurance cover to cater for the range of contingencies covered by the social insurance system.
- o A majority of respondents rated the current range of social insurance benefits and value for money in respect of the contributions they pay as 'poor' or 'very poor'.
- o A large majority of respondents indicated that they would be willing to pay extra PRSI for at least one benefit.
- o The benefits that attracted the highest number of people willing to pay 2% or more in extra PRSI were Unemployment and Long-term Illness.
- o A scheme whereby the existing contribution and benefit arrangements are retained, together with an option to pay additional voluntary contributions for extra benefits, appears to have strong support among respondents.

Subsequent developments

The following changes were announced in Budget 2017 on 11 October 2016:

- o Invalidity Pension to be extended to self-employed workers from December 2017.
- o Dental and Optical Benefits and the Medical Appliances scheme (hearing aids) to be extended to self-employed workers from March 2017.
- o Dental Benefit to be expanded in October 2017 for all insured employees and the self-employed.
- o Optical Benefits to be expanded in October 2017 for all insured workers including the self-employed to cover the cost of glasses or a contribution towards the cost, depending on customer choice.
- o Jobseekers taking up self-employment to be able to access the Back to Work Enterprise Allowance after 9 months, down from 12 months.
- o The rate of Class S PRSI contributions to remain unchanged in 2017.

Appendix 1: Survey methodology

DSP survey practices

The Statistics and Business Intelligence Unit of the Department, a part of the Irish Statistical System, oversaw the design, sample selection, analysis, and reporting of the survey, ensuring that it was produced in an objective, transparent, independent and confidential manner, in line with the requirements of the Irish Statistical System Code of Practice.

Generally, supporting materials in surveys conducted by the Statistics and Business Intelligence Unit make clear that individuals' survey responses can only ever be used for statistical processing and research. Correspondence also emphasises the following points:

- o Participation in the survey is entirely voluntary.
- o Individual responses to the survey constitute confidential statistical data under the terms of the Data Protection Acts and/or the Statistics Act.
- o As such, responses cannot legally be used for any administrative, operational, or control purposes by the Department of Social Protection or any other body, and can therefore never affect respondents' current or future social welfare claims.

A contact telephone number and email address were also provided to address queries about the survey, and respondents were also given the option of completing the form in Irish. To reassure recipients about the legitimacy and authenticity of any correspondence about surveys purporting to come from the Department, ongoing surveys are listed at www.welfare.ie/en/surveys.

Survey design

Self-employed people are required to submit tax returns for the reference year by 31 October of the following year. Accordingly, 2014 data represented the most complete year from which to sample PRSI contributors.

Although Class S contributors have a relationship with the Department of Social Protection in respect of their contributions to the SIF, they have no obligation to maintain contact with the Department or to update their address for correspondence purposes. PRSI contributions data are collected and collated on behalf of the Department of Social Protection by the Revenue Commissioners.

Survey responses can only be reliably analysed by various categories if a sufficient number of responses are received so that results are statistically significant. The number of survey packs sent out was decided on the basis of previous survey response rates with an upward adjustment to account for the low level of interaction between the Department and Class S PRSI contributors, compared to other clients of the Department.

A dual mode survey was chosen, with the option for respondents to return the survey in a freepost envelope or phone a dedicated phone number and provide responses to DSP staff over the phone.

Using PRSI data collected on behalf of the Department of Social Protection by the Revenue Commissioners, a stratified random sample of 20,022 people was generated from a population of 242,606 people who paid contributions under Class S in 2014, and who rely solely on Class S contributions to qualify for social insurance benefits. This is a considerably larger sample than applies to other comparable surveys and took account of the uncertainty regarding the most recent postal address on file.

Fieldwork

Survey packs, containing a survey questionnaire, a Frequently Asked Questions document to explain the purpose of the survey and to address concerns about data protection, and a freepost envelope, were delivered to the sample on 17 August 2016. Recipients were invited to either use the freepost envelope included in the pack or to phone a dedicated phone line where staff of the Department of Social Protection were ready to collect responses. This phone line operated between 10 am and 4.30 pm on weekdays from 17 August 2016 to 31 August 2016.

Responses

In total, 3,179 responses were received, of which 103 were made by telephone. Responses were weighted to ensure that the responses of those who responded were representative of the entire sample of Class S contributors on the basis of the following characteristics:

- o Age
- o Sex
- o Dublin/non-Dublin

The difference between the weighted and unweighted distribution is minimal. A comparison table of the weighted and unweighted distribution of values for the three variables is included in Appendix 3.

Missing data was an issue in two cases: where respondents had either not received or not completed the survey, and where they had only partially completed it. In particular, some respondents misinterpreted Q8 as requiring a tick rather than ranking from 1 to 6. Where respondents made no attempt to respond to a question, they were excluded for that question only and their responses to other questions were retained.

Appendix 2: Survey delivered on 17 August 2016

Welcome to the Department of Social Protection survey of self-employed workers.

The survey is totally confidential and it should only take a few minutes to complete.

If you would like to give your answers to the survey by phone, or if you'd like help or guidance on any aspect of the survey, please call 076-1087899.

The **first part** of the survey (pages 1 and 2) asks about **you and your business**.

The **second part** (pages 3 and 4) asks for your views on how the **Pay-Related Social Insurance (PRSI) system** is working for self-employed people.

Thank you for taking part in this survey.

Q.1 What is your primary trade, business or activity?

--

Q.2 What business sector do you operate in?

(Please tick ✓ one option)

Agriculture, forestry and fishing	
Other production industries	
Construction	
Wholesale and retail trade	
Hotel and restaurants	
Transport, storage and communication	
Financial and other business services	
Health and education	
Other	

Q.3 What kind of business structure do you operate under?

(Please **tick** ✓ as many as apply)

I'm a Sole Trader	
I'm in a Partnership	
I'm a Company Director	

Q.4 How many people does your business employ?

(Please **include** both full-time and part-time employees but **exclude** yourself and your partners or fellow directors. Write 0 (zero) if your business does not have employees.)

The number of employees in my business is:	
--	--

Q.5 Do you have private insurance coverage (funded by you or your business), such as an income continuance plan, for any of the following risks?

(Please **tick** ✓ as many as apply)

Long-term illnesses	Short-term illnesses	Dental & optical treatment	Work-related injuries	Unemployment	Time spent as a full-time carer

Now go to the next part of the survey on page 3.

Here are the current PRSI rates and benefit entitlements for most employees and self-employed workers (see FAQ for details).

Type of Worker	PRSI as % of earnings	Benefit Entitlements								
		State Pension	Widow/er and Surviving Civil Partner Pensions	Maternity, Paternity, Adoptive and Guardian benefits	Long-term illness benefits	Short-term illness benefits	Dental & optical treatment benefit	Work-related injuries benefits	Unemployment (Job-seeker) benefit	Benefit for time as full-time carer
Self-employed	04.00%	✓	✓	✓						
Employee	14.75%	✓	✓	✓	✓	✓	✓	✓	✓	✓

Q.6 As a self-employed worker, how do you rate the range of benefit entitlements you get from your PRSI contributions?

(Please tick ✓ one box)

Very poor	Poor	Fair	Good	Excellent

Q.7 As a self-employed worker, how do you rate the value for money you get from your PRSI contributions?

(Please tick ✓ one box)

Very poor	Poor	Fair	Good	Excellent

Q.8 What extra benefit entitlements would be most important to you if they were made available to self-employed workers?

(Please rank from 1 (most important) to 6 (least important))

Extra entitlement →	Long-term illness benefits	Short-term illness benefits	Dental & optical treatment benefits	Work-related injuries benefits	Unemployment (Job-seeker) benefit	Benefit for time as full-time carer
Importance to me →						

Q.9 Self-employed people generally pay 4 percent PRSI. How much extra PRSI would you be willing to pay for entitlement to the following benefits?

(Please **tick** ✓ one box for each column)

For this benefit entitlement → I'd be willing to pay ↓		Long-term illness benefits	Short-term illness benefits	Dental & optical treatment benefits	Work-related injuries benefits	Unemployment (Job-seeker) benefit	Benefit for time as full-time carer
This much extra PRSI as % of my taxable income	2 percent or over						
	1 up to 2 percent						
	½ up to 1 percent						
	Under ½ percent						
NO extra PRSI							

Q.10 Please tick one box to show how much you agree or disagree with the following statement:

Self-employed people should keep getting the current range of benefit entitlements and should keep paying the current rate of PRSI.

However, they should be able to choose to pay a higher rate of PRSI on a voluntary basis in return for some extra benefit entitlements.

Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree

Thank you for taking part in this survey.

Your input will help to shape the future of PRSI for self-employed workers.

Appendix 3: Comparison of weighted and unweighted distribution

Variable	Value	Unweighted %	Weighted %
Sex	Male	74.87	76.04
	Female	25.13	23.96
Area	Non-Dublin	78.61	74.42
	Dublin	21.39	25.58
Age band	<25	0.06	0.39
	25-29	0.66	1.41
	30-34	4.47	7.29
	35-39	7.83	9.05
	40-44	16.51	18.45
	45-49	13.94	13.49
	50-54	20.92	19.77
	55-59	12.93	11.2
	60-64	17.05	13.44
	65+	5.63	5.51