Chapter 10

Department of Enterprise, Trade and Employment

10.1 Redundancy Payments Scheme Debt

Under the Redundancy Payments Scheme, eligible employees are entitled to a statutory lump sum on being made redundant. It is the duty of the employer, in the first instance, to pay the lump sum. Subsequently, the Department of Enterprise, Trade and Employment (the Department) refunds the employer 60% of the cost from the Social Insurance Fund (SIF) when payment has been made to the employee.

In liquidation, receivership, examinership or bankruptcy cases, the situation is reversed and the Department is obliged to pay eligible employees and later seek to recover 40% of the amount from the employer concerned. In the case of informal insolvency where the employer shows evidence of inability to pay, the employer is treated in a similar manner. In cases where redundancy payments must be paid from the Fund because of an employer's refusal to pay, 100% recoupment is pursued.

Level of Debt

The level of debt arising out of these transactions has increased considerably in recent years and, at the end of 2007, it amounted to €37.7m. Year end balances outstanding for the years 2002 to 2007, as well as amounts repaid in those years, are shown in Table 34.

Table 34 Year End Debt Balances and Repayments 2002 to 2007

Year	Redundancy Debt €m	Redundancy Repayments €m
2002	13.5	0.7
2003	20.0	0.5
2004	21.8	4.5
2005	24.9	2.2
2006	31.1	0.4
2007	37.7	0.7

Between 2001 and late 2007 there was no dedicated unit pursuing recovery of the debt.

Audit Concern

It would be good practice to actively pursue outstanding debt and once it is judged uncollectable to write it off.

I was concerned that there had been no active pursuance of historic debt since 2001 and that this inaction might have compromised debt collection.

The Accounting Officer informed me that the position outlined above had arisen following a doubling in the number of redundancies in 2001, when it became necessary to deploy all staff to the processing and payment of claims to companies and to individuals in order to achieve reasonable customer service targets - delays of up to 26 weeks were not uncommon at that time.

An internal review of the Redundancy Payments Section was finalised in early 2002. It examined the operation of the redundancy legislation and scheme from both an administrative efficiency perspective as well as from a customer service viewpoint, reviewing

- the rationale and continued relevance of the scheme
- whether the delivery of the scheme could be made more customer-friendly
- the potential for greater use of information technology
- ways in which the operation of the scheme could be streamlined.

Arising out of Social Partnership talks in early 2002 a demand emerged for an increase in the amount of statutory redundancy entitlement. In response, the Government established a review group to examine the operation of the scheme to ensure it best met the requirements of employers and employees. Redundancy legislation was amended by the enactment of the Redundancy Payments Act, 2003, to allow for the implementation of some of its recommendations.

Implementation of the group's findings involved business process improvement, systems development and training. A new computer system was designed to assist in expediting rebate and lump sum payments and a new on-line system became operational in May 2005. New customer service targets of six weeks for on-line claims and lump sum applications, and ten weeks minimum for manual claims, were set and are generally being complied with.

After the new system became operational and proved to be working satisfactorily, it was possible to prioritise the recovery process. A review of this aspect of administration was completed in 2006-2007, resulting in the re-establishment of a Recoveries Unit in October 2007, together with the establishment of a Write Off Committee in April 2008. He assured me that the section is now active in the area of recovery and write off of historic debt.

In regard to the impact of the delay, the Accounting Officer did not consider that the risk to debt collection has been significantly increased by the passage of time. He stated that no correlation has been established in the redundancy payments area between the age of debt and the rate of success of recovery.

As to when it was considered that all outstanding debt will have been assessed for collectability and the requisite adjustments made, he informed me that the target was to fully assess the collectability of all outstanding debt by end 2009. It was difficult to predict when the requisite adjustments would be made. It would be done in stages as the Recoveries Unit worked its way through the caseload. There was, for example, a write off target for 2008 of some €10m of irrecoverable debt. It was anticipated that there would, over the next number of years, be a series of adjustments to more accurately reflect the true recoverable debt at any given time. The initial priority for the Recoveries Unit was to focus on historic debt since 1998. No aged analysis of debt outstanding at 31 December 2006 is as yet available.

Conclusion

When the Department reprioritised its activities to concentrate on customer service targets in 2001 it reduced emphasis on debt recovery from employers and this continued until 2007. There has been a threefold increase in the level of debt recorded between 2002 and 2007 and the Department has a backlog of debt recovery work to complete. It will not be in a position to present a realistic statement of what is, or is not, recoverable before end 2009.