Investing *in* Children

Submission to the Minister for Social, Community and Family Affairs on the 1999 Budget

October 1998

Combat Poverty Agency
working against poverty and inequality in Ireland

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Contents

1. Introduction

The aim of the Combat Poverty Agency is to work for the prevention and decrease of poverty and social exclusion and the reduction of inequality in Ireland

The aim of the Combat Poverty Agency is to work for the prevention and decrease of poverty and social exclusion and the reduction of inequality in Ireland by striving for change which will promote a fairer and more just, equitable and inclusive society.

Delivering on the NAPS - the role of the budget

The Agency's pre-budget submission to the Minister for Social, Community and Family Affairs is a very important opportunity to advise Government on the key priorities to tackle poverty. Research commissioned by the Agency shows that the numbers of people experiencing poverty between 1987 and 1994 increased.[1] In particular, this research identified the persistent and worsening problem of child poverty. Spatial analysis of the data has concluded that poverty is not concentrated in any one area but spread throughout the country.[2] The research results confirm that poverty is still a very real experience for many Irish people. They also strongly indicate that local efforts to tackle poverty must be matched by a national strategy. In theory, this approach is reflected by the Government's continued commitment to the National Anti-Poverty Strategy (NAPS)[3] and it is encouraging that there is a Cabinet sub-committee on social inclusion, chaired by the Taoiseach, co-ordinating efforts in this area.

However, in practice we are still not doing enough as a nation to address the underlying causes of poverty. The Government needs to give a still higher priority to tackling poverty when making decisions about competing priorities and the allocation of resources. Anti-poverty policy should be a primary and not a residual consideration in the next budget. This budget must bridge this gap between theory and practice by ensuring that all budgetary proposals are assessed to ensure that they reduce and prevent poverty and do not contribute to greater poverty or inequality. Information on how to poverty-proof the budget is outlined below.

The budget is the single most important tool by which Government reflects its priorities for action. There was considerable criticism of last year's budget in that it overly favoured those who were better off in society and did not adequately help those living on low incomes.[4] It is clear that tax cuts introduced in the budget disproportionately benefited the better-off, while the increases in social welfare still left approximately 60,000 social welfare recipients below the minimum adequate rate (£70.10 in 1998). The lack of focus on child poverty, by failing to substantially increase child benefit, was especially disappointing, given that Ireland has the second highest national rate of child poverty in the European Union. Budget '99 must re-route Government fiscal policy to so that the poorest in Irish society are a policy priority. Irish society is in an unprecedented situation of economic growth, favourable demographic characteristics[5] and strong public support for measures to tackle poverty.[6] Budget '99 should reflect this consensus by placing tackling poverty at the top of the agenda.

1 Callan, T., Nolan, B., Whelan, B., Whelan, C. and Williams, J. (1996) *Poverty in the 1990s: Evidence from the 1994 Living in Ireland Survey.* Dublin: Oak Tree Press in association with the Economic and Social Research Institute and the Combat Poverty Agency.

2 Nolan, B., Whelan, C., and Williams, J. (1998) *Where are Poor Households: The Spatial Distribution of Poverty and Deprivation in Ireland* Dublin: Oak Tree Press in association with the Combat Poverty Agency.

3 The National Anti-Poverty Strategy was launched in 1997 and marks the development of agreed targets and goals to fight poverty and social exclusion. It is based on a clear understanding of the multidimensional nature of poverty and the need to tackle the deep-seated underlying structural inequalities that create and perpetuate poverty. The NAPS gives particular attention to the following key areas: educational disadvantage, unemployment, income adequacy, disadvantage in urban areas and rural poverty.

4 For a detailed analysis of last year's budget from an anti-poverty perspective see Combat Poverty Agency (1998) *Poverty Today Supplement: The National Anti-Poverty Strategy and the 1998 Budget.* Dublin: Combat Poverty Agency.

5 See for example: Fahey, T. and Fitz Gerald, J. (1997) *Welfare Implications of Demographic Trends.* Dublin: Oak Tree Press in association with the Combat Poverty Agency.

6 In a recent survey, commissioned by the Agency and conducted by Research and Evaluation Services, only 2 per cent of respondents thought that poverty in Ireland was 'no problem at all'. On the other hand, over half (53 per cent) of respondents thought poverty in Ireland was a serious problem. The overwhelming majority of respondents (81%) felt that the Government should be involved in a National Anti-Poverty Strategy. The survey was based on a representative sample of 1,000 people.

7 Baker, T., Duffy, D. and Shortall F. (July 1998) *Quarterly Economic Commentary.* Dublin: Economic and Social Research Institute.

8 Minister Dermot Ahern, TD. (press release, 30 July 1998) *'Government policies to be tested to ensure that they do not adversely affect the less well off'.* Dublin: Department of Social, Community and Family Affairs.

A unique opportunity to tackle poverty

The ESRI's most recent *Quarterly Economic Commentary* recorded 1997 as the fourth year of successive economic growth, and a positive forecast is given for 1998.[7] The ESRI describe the performance of the public finances in 1997 as 'exceptionally strong'. Public savings, or the excess of current income over net current expenditure on an accruals basis, was some £1,102 million in 1997 compared to £225 million in 1996. Even accounting for tax cuts introduced in last year's budget, a similar level of general government surplus is projected for 1998. It is extremely important that these additional funds are used efficiently and effectively to tackle poverty. Section five of this submission outlines the Agency's top priorities in this regard.

Unemployment is projected to continue to fall, having dipped under the 10 per cent rate in 1998 to recede to about 8 per cent by the millennium. A steady decline in the numbers on the live register is also estimated by the ESRI: from 256,000 in April 1997 to 210,000 in April 2000. There will be a continued increase in the average numbers at work, though this growth will slow over the next two years. The proportion of part-time working will continue to rise and the average hours worked will also increase. Average earnings are projected to rise by about 5.5 per cent per annum for the next two years, while the consumer price index is projected to rise by about half that (2.8 per cent per annum) over the same period.

The forecast, therefore, is for continued prosperity. However, it is important that we use this opportunity to tackle poverty in Ireland. In keeping with the commitment in the NAPS, the impact on poverty should be a key consideration when decisions are being made about spending priorities in the context of the budget. The Agency strongly advises that this budget is more progressive and redistributive in its approach, in keeping with the commitments laid down and agreed both in the NAPS and the national agreement, *Partnership 2000*. This is imperative, not just on grounds of social justice, but also as an essential element in investing in the future and of ensuring sustainable development and Ireland's continued competitiveness in the global market. Our economic growth could be threatened by labour force constraints unless we invest in improving the skills of those who are still unemployed to take up work. Finally, directing resources at the low paid and unemployed is not inflationary, unlike tax cuts for the better-off.

Poverty-proofing the budget

The Agency believes that, in keeping with the NAPS, it is imperative that all budget proposals are poverty-proofed so that Government can assess clearly the impact of their spending on anti-poverty measures and, if necessary, refocus expenditure to meet the NAPS targets. Such poverty-proofing should be put in place in this coming budget.

Poverty-proofing the budget would also help to ensure that potential budgetary decisions do not contribute to greater poverty and inequality and that they are arrived at in such a way that not only benefit people living in poverty but prevent others from slipping into poverty. Earlier this summer the Cabinet cleared the way for significant policy proposals to be assessed at design and review stage for their impact on poverty.[8] The introduction of the poverty-proofing mechanism underlines this Government's commitment to build a more inclusive society by addressing the issues of exclusion, marginalisation and poverty across the range of Government policies and programmes. The Combat Poverty Agency recommends that this commitment now be implemented in relation to the most significant decision-making area of the year - the budget. The process would involve Departments, and in particular the Department of Finance, answering the following questions concerning budgetary proposals:

1. Does it help to prevent people falling into poverty?

2. Does it contribute to the achievement of the National Anti-Poverty Strategy (NAPS) targets?

3. If the proposal has no effect on the level of poverty, what options might be identified to produce a positive effect?

A key feature of NAPS is its cross-departmental aspect, i.e. the recognition that effective anti-poverty policies cannot be achieved by Departments acting alone but rather, acting in a concerted way. Therefore, poverty-proofing depends, to a large extent, on Departments consulting and interacting with each other in the design and development of policies, if it is to be successful.

Investing in children - the key priority

The Agency believes that investing in children should be the key priority of this budget. There are six main reasons for this:

(i) The recent publication of the *Report of the Commission on the Family* spells out the clear need to support children and to strengthen family life. Children should be the key priority on the grounds of horizontal equity - we all should contribute to the costs of rearing the next generation.

(ii) A particular concern of the Agency is the persistently high level of child poverty. Children should be the priority because nearly one-third of all Irish children live in poverty. This is the second highest national rate of child poverty in the European Union.

(iii) It is clear that for many families the presence of children can have a profound impact on decisions regarding moving from welfare to work. The needs of children should be a key priority in the integration of the tax and social welfare systems to facilitate the transition to work.

(iv) In the context of the current childcare review, the needs of children should be the priority in ensuring family-friendly employment and equal access to the labour market.

(v) Children are our future workforce and we will rely on them to help maintain the current economic growth. Children should be the priority in tackling educational disadvantage, through, for example enhancing pre-school provision and preventing early school leaving.

(vi) In the context of the current Review Group on the Treatment of Married, Cohabiting and One-parent Households under the Tax and Social Welfare Codes, the Agency recommends that there should be equal treatment of children under the tax and welfare codes irrespective of the households in which they live. The needs of children should be the priority rather than their treatment being determined by the particular types of families in which they live.

In this pre-budget submission the Combat Poverty Agency recommends the following proposals as a substantial investment in children:

- a substantial increase in child benefit
- the promotion of childcare as an anti-poverty strategy for low income families seeking work/education
- the expansion of measures to tackle educational disadvantage.

The Agency also makes the following proposals, which will have an indirect benefit for children:

- all budgetary policies should be poverty-proofed
- there should be increased funding for specific social inclusion measures in this budget
- social welfare increases should bring all payments above the lowest of the minimum adequate rates
- tax reform should be targeted to benefit the lowest paid most by using available resources to increase and standard rate personal tax allowances
- a statutory means-tested housing income support should be introduced
- targeted investment in the social infrastructure is required.

A more detailed summary of the Agency's recommendations is provided in section two of this submission ☐

2. Summary of Main Recommendations

Issue	Proposal	Cost (£million)
1. Child income support	Increase the higher rate of child benefit by £10 Extend the higher rate payment to the second child Increase the lower payment by £15.	£28m £86m £90m (Total £204m)
2. Childcare	Promote childcare as an anti-poverty measure for low income families.	would depend on measure
3. Educational disadvantage	Substantially increase funding to tackle educational disadvantage.	Detailed measures outlined in body of submission
4. Social welfare	Increase two lowest payments to the minimum adequate rate (£73.95) Give flat rate increase of £5.55 to other payments Increase adult dependant rate by at least £3.33, but preferably £4.	£17m £223m £20/25m (Total £265m max.)
5. Taxation policy	Increase personal allowances by £1,000 for a single person and £2,000 for a married couple.	£520m
6. Social infrastructure	Invest budget surplus to reduce and prevent poverty.	Measures outlined in body of submission
7. Poverty-proofing	Poverty-proof the budget to ensure it contributes to tackling poverty.	No cost

3. Investing in Children

The Agency has long advocated that child benefit should be substantially increased to form the main income support for families with children

Introduction

This section of the Agency's submission makes recommendations on: child income support, childcare and educational disadvantage.

Child income support

The Agency welcomes the publication of the Report of the Commission on the Family, which has been the result of considerable consultation and deliberation.[9] In particular, the Agency welcomes the Commission's agreement with the overall thrust of the Expert Working Group on the Integration of the Tax and Social Welfare Systems. Both groups point towards the need for continued strengthening of the role of child benefit as a mechanism for providing income support to families. As the report illustrates, this implies a reduced role for child dependant allowances with social welfare payments. In this context, however, it is imperative that the total package of child income support is considered. In last year's budget, because child dependant allowances remained frozen and child benefit only increased by £1.50/£3 per month, the overall increase for most welfare dependant children was only 35/70p per week per child. This amounted to an increase of 1.74% for the first two children (below the rate of inflation) and 3.11% for subsequent children. Such small increases will have little impact on consistent poverty among families.

The Commission has put forward three options for investment in the care of children under three years of age.[10] They highlight the policy gap in relation to support for the care of young children who are not yet attending school. The Commission's starting point in this area is the premise that parents are the primary carers and educators of their children. The role of public policy is to support parents in carrying out these functions and to support their choice in relation to the care of their children. The Commission does not recommend one option in favour of another, nor does it state that these options are mutually exclusive. Of these options, the Agency favours the substantial increase in child benefit, but advises some amendments to the proposal. The Agency has advocated substantial increases in child benefit for some time now. However, we do not agree with the proposed cut-off at age three for higher payments. Under the Commission's proposal, this would lead to a substantial drop in cash income (from £130 to £31.50/£42 per month) for families once a child reaches three years (if they then start attending school). This withdrawal of support would be difficult for most families to budget for, particularly so for low income families. The addition of an age differential also complicates child benefit, which already has a higher and lower payment, depending on the number of children in the family.

The Agency recommends that a more straightforward reform would be to

- increase the higher rate of child benefit by £10 (to bring it up to £52.00 per month)
- extend the higher payment to the second child, and

9 Commission on the Family (1998) *Strengthening Families for Life: Final report to the Minister for Social, Community and Family Affairs.* Dublin: Stationery Office.

10 Option A, a parent allowance of £30 a week, to be paid directly to the parent who works full-time in the home. Option B, a PRSI funded extended period of parental leave for up to three years with payment of a weekly parental benefit. Option C, a special rate of child benefit of £30 a week to be paid to all children under three years of age irrespective of their parents' employment status. These options have been costed by the Commission at £228 million, £225 million and £173 million respectively in 1998 terms. The Commission also recommend the introduction of an Early Years Opportunity Subsidy of £1,000 (in 1998 terms) for children aged three and over who are not yet attending school.

11 Combat Poverty Agency (1998) *The Role of Childcare in Tackling Poverty: Submission to the Expert Working Group on Childcare.* Dublin: Combat Poverty Agency. p16. Copies of the Agency's submission are available on request.

12 Combat Poverty Agency (1998) op.cit.

13 See also; Callan, T., and Farrell, B. (1991) *Women's Participation in the Irish Labour Market.* Dublin: National Economic and Social Council.

- increase the lower payment by £15 (to bring it to £46.50), with a commitment to the bring the first child's payment up to the higher rate in the Budget 2000.

This would help to enhance and simplify child income support for all families, would benefit younger children, would enable it to play a much stronger role in tackling child poverty and would help to offset some of the opportunity costs associated with having children.[11] It would demonstrate society's recognition of the need to invest in children and may encourage more families to have children, thereby satisfying the long-term demand for workers in the expanding labour market. The cost of the reform package would be as follows:

- to increase the higher rate of child benefit by £10 would cost an additional £28 million per annum
- to extend the higher rate to the second child would cost an additional £86 million per annum
- to increase the lower payment (to the first child only) by £15 would cost an additional £90 million per annum.

The total cost of this package is an additional £204 million per annum, which is on a par with the cost of proposals outlined in the Report of the Commission on the Family, detailed above, and impacts on more children. The taxation of child benefit would help to off-set the additional costs involved.

The Agency has long advocated that child benefit should be substantially increased to form the main child income support for families with children. Child benefit, while costly (because it is paid to all children), has no poverty or unemployment traps and, is beneficial to low income families and main carers. While increases in child benefit have been provided in recent years, more substantial increases are required to address child poverty.

Section four of this submission contains proposals in relation to child income support for low income families at work, Family Income Supplement.

Childcare

The Agency's submission to the Expert Working Group on Childcare (1998) is based on the premise that all children have a right to quality childcare.[12] It promotes the belief that the rights and needs of the child should be the first and foremost consideration in the development of a national childcare strategy. Such a strategy should be based on a number of guiding principles including equality, accessibility, affordability, flexibility and cultural appropriateness.

Childcare can contribute to combating poverty in three main ways: through combating educational disadvantage among children, facilitating labour market participation by women and alleviating family stress and social isolation. In supporting the *supply* of childcare the Agency proposes that supporting and developing particular initiatives that have been pioneered by the community and voluntary sector should be a priority. Childcare has an educational dimension for most children and so investment in childcare is an investment in the pre-primary infrastructure. In relation to informal childcare arrangements, training should be provided for all childminders and guidelines developed in relation to minimum health and safety standards, for use by both providers and users. Successful models of childcare provision in the social economy should be mainstreamed, as appropriate. Employers should also be encouraged to take an active role in the development and resourcing of childcare facilities for their employees.

In relation to the *demand* for childcare, the Agency is opposed to the introduction of tax relief for childcare expenses as the benefit of such relief is concentrated on middle and high earners and may be of no help to those on low pay or social welfare, thus increasing the regressivity of the tax system.[13] In addition, support is directly linked to employment and does not recognise the wider family and social support role which childcare can have for families in receipt of welfare payments, nor its role in combating educational disadvantage among children irrespective of the labour force status of their parents.

Substantially increasing child benefit (as outlined above) should, however, be the priority in strategies to tackle child poverty. Targeted measures for low income families such as benefit disregards, childcare vouchers or subsidised places, also warrant further consideration. Supply side measures, such as increased capital investment in the childcare infrastructure, are also urgently required.

Educational disadvantage

Addressing educational disadvantage is a crucial element in tackling poverty and social exclusion, both in terms of improving the life chances of adults and young people and also in terms of reducing the passing on of inter-generational disadvantage. Strategies needed to tackle educational disadvantage have been agreed both in *Partnership 2000* and in the National Anti-Poverty Strategy's working group on educational disadvantage. The commitments made in *Partnership 2000* and the NAPS should be fully honoured as a priority in this budget.

Some progress has been made in tackling educational disadvantage, in terms of the introduction of various worthwhile initiatives. However, it is clear that we are not doing enough in this area. Breaking the cycle of educational disadvantage must become a real national priority, regardless of cost. Many of the solutions have been identified, we need now to vastly increase their scale and intensity.

While the budget is not the only opportunity to allocate resources to this area, it is important that the budget reflects the continued need to give priority to those in greatest need. For example, in the context of last year's budget, a tax relief for donations to disadvantaged schools was introduced, funding to adult literacy and community education was doubled to £4 million, a new Back to Education programme was introduced, and £0.5 million was allocated to the provision of school books.

Following the budget the Department of Education and Science also introduced a pilot programme for 8-15 year olds at risk of early school leaving, which is welcomed. The programme will test models for the development of an integrated area based co-ordination of services for young people at risk of early school leaving. The Agency is also currently running a Demonstration Programme on Educational Disadvantage (1996-1999) that is showing the value of an integrated approach to tackling educational disadvantage. The Agency proposes that further encouragement of the development of integrated approaches to tackling educational disadvantage is required, for example, in the areas of early childhood education, those aged 15-21 years and adult/second chance educational opportunities.

The Agency's submission to the National Forum on Early Childhood Education stressed the importance of early educational interventions in combating educational disadvantage.[14] This budget should include substantial increases in funding to tackle educational disadvantage. This funding should be focused on specific areas of the education system, particularly:

- The expansion of pre-school provision by expanding *Early Start*,[15] taking lessons from its evaluation, and supporting models of good practice in the community and voluntary sector. This should be done in close consultation with community groups and should also include an enhanced rural component. Pre-primary education should be within the remit of the Department of Education and Science.[16] An additional budget of £3 million should be allocated to this area and an advisory committee should be established to consider the best use of available resources and to ensure synergy between different initiatives in this area.
- The phased expansion of the *Breaking the Cycle* [17] programme from 156 schools to 200; current budget to be expanded from £3.2 million to £5million.
- Increased funding for the provision of school books at primary level by £0.75 million with a commitment to review the efficiency and effectiveness of the scheme.
- Reform of the school meals scheme, on the lines recommended by the Government commissioned review, in particular: (i) the Department of Education and Science should take over and rename the scheme; (ii) coverage of the scheme should be extended to all low income families; (iii) meal content should be improved and pilot initiatives established; (iv) a school nutrition programme should be developed. [18]

- Additional Home-School-Community Liaison Scheme teachers, both in primary and second level schools, with a particular emphasis on expanding the service in rural areas.
- Support for second to third level transition schemes in areas of high disadvantage, through provision of £2 million through Area Development Management for local partnerships.
- Expansion of the Back to Education Allowance and review appropriate age range to ensure that there are no barriers to taking up courses and second chance education.
- Doubling of the allocation to adult literacy and community education (to £8 million).

As well as the expansion of existing schemes, there is also a need in this budget to allocate funding to areas that have previously received little or no attention. Priorities here should include increased funding towards the provision of childcare necessary for people to access education and training. Additional funding is also required to ensure the equal participation of all children, including those with disabilities, members of the Travelling community and refugees, for instance, in the education system.[19] Finally, insufficient attention has been given to the development of mechanisms to assist disadvantaged pupils living in non-disadvantaged areas. This budget offers an opportunity to address this gap. Section five of this submission also makes recommendations concerning the improvement of the educational infrastructure ■

14 Combat Poverty Agency (1998) *Submission to the National Forum on Early Childhood Education*. Dublin: Combat Poverty Agency. Copies of the Agency's submission are available on request.

15 *Early Start* is a pre-school initiative operating in forty school centres in designated areas of disadvantage. The objectives of the programme are to expose young children to an educational programme which would enhance their overall development and prevent school failure and to offset the effects of social disadvantage. An important goal is to raise awareness in parents of their own capacity to enhance their children's educational process and to assist them in developing relevant skills.

16 See: Combat Poverty Agency (1998) *Submission to the National Forum on Early Childhood Education*. Dublin: Combat Poverty Agency.

17 Established in 1996 *Breaking the Cycle* seeks to discriminate positively in favour of schools in selected urban (33 urban primary schools) and rural areas (123 small rural schools clustered into 25 centres) which have high concentrations of children who are at risk of not reaching their potential in the education system. A range of supports are available to each school including achievement of a pupil/teacher ratio of 15 pupils in all infant and junior classes (urban only), an enhanced capitation grant, special assistance for the purchase of materials and equipment, special projects at local level, targeted in-career developments and co-ordinator support. The scheme is to run initially for 5 years and will be subject to on-going evaluation. While it is as yet too soon to comment on the effectiveness of the scheme, the main response to date has been calls for the extension of the scheme to other schools experiencing educational disadvantage.

18 Goodbody Economic Consultants (1998) *A Review of the School Meal Scheme: A Report to the Department of Social, Community and Family Affairs.*

19 See Commission on the Status of People with Disabilities (1996) *A Strategy for Equality: Report of the Commission on the Status of People with Disabilities* and Task Force on the Travelling Community (1995) *Report of the Task Force on the Travelling Community.* Dublin: Stationery Office.

4. Tax and Social Welfare

It is imperative that in future budgets, tax policies are rigorously poverty-proofed to ensure that they contribute to the achievement of the NAPS targets

Strategies to reduce child poverty must be developed in the wider context in which children live. Most poor children live in poor households. Therefore, this section of the Agency's submission recommends changes to the tax and social welfare systems that target benefit to low income families. The Agency recommends that in Budget '99 the minimum adequate rates are achieved for all welfare payments; that the transition from welfare to work is eased; and that the focus of available resources for taxation reform in this budget should be a substantial increase in personal allowances.

Social welfare

In last year's budget, all but two welfare payments, Supplementary Welfare Allowance and Short Term Unemployment Assistance, reached the minimum adequate rate as up-rated by the consumer price index (£70.10). It is imperative that in this budget, as agreed in *Partnership 2000*, all payments reach the minimum adequate rate. Inflation has been consistently low over the last few years (1.5 per cent in 1997), so even modest increases in payment rates have made substantial steps towards reaching the 'minimum adequate rate'. However, other indicators, such as increases in average earnings, are running well above inflation, and are set to continue to do so. This draws into question the fairness and effectiveness of increasing the minimum adequate rate by the consumer price index only, as clearly living standards are currently increasing well above this level. To increase payments by the consumer price index only means that the incomes of those dependant on social welfare fall further behind the rest of society. Unless welfare payments increase well above inflation in Budget '99, welfare-dependent families will become further marginalised from the normal living standards in Irish society.

The consumer price index is currently running at 2.8 per cent, but may rise further during 1999. The non-housing element of the index, for example, is predicted to reach 3.5 per cent, before stabilising. However, average earnings are projected to continue to increase above the consumer price index during this period, at 5.5 per cent. To help ensure that welfare dependent families do not fall further behind the rising living standards experienced by others in the population, it is important that welfare increases are above the consumer price index.

The Agency recommend that increases in average earnings is taken as the up-rating factor in this budget. This would mean that the minimum adequate rate in 1999 would be £73.95 (£70.10 up-rated by 5.5 per cent). To bring the two lowest payments (currently £68.40) up to the minimum adequate rate would, therefore, mean a £5.55 increase in weekly payments, approximately £2.00 of which would go towards keeping pace with consumer price inflation. The additional cost involved would be £17 million in a full year.

The priority this year should be to ensure that Supplementary Welfare Allowance and Short Term Unemployment Assistance reach the minimum adequate rate. Once that is

20 See Callan, T., Nolan, B., Whelan, B., Whelan, C. and Williams, J. (1996) *Poverty in the 1990s; Evidence from the 1994 Living in Ireland Survey.* Dublin: Oak Tree Press in association with the Economic and Social Research Institute and the Combat Poverty Agency.

21 National Anti-Poverty Strategy (1997) *Sharing in Progress.* Dublin: Stationery Office. p.13.

22 The Pensions Board (1998) *Securing Retirement Income: National Pensions Policy Initiative Report of the Pensions Board. Dublin: The Pensions Board.*

23 See Callan, T., Nolan, B. and Whelan, C. (1996) *A Review of the Commission on Social Welfare's Minimum Adequate Income.* Dublin: Economic and Social Research Institute.

24 Combat Poverty Agency (1997) *Submission to the National Minimum Wage Commission.* Dublin; Combat Poverty Agency. Copies of the Agency's submission are available on request.

achieved, other payments should receive the same flat-rate increase of £5.55. A flat-rate rise of £5.55 in the personal rate is advised, which will cost £223 million in a full year. This is a little more than the increase awarded to pensioners in last year's budget, who are not relatively worse off than other welfare-dependent groups.[20] An across the board rise of £5.55 would help to reduce poverty levels amongst social welfare recipients and would also spread the fruits of economic growth more widely. It would also meet the commitments in *Partnership 2000* that all social welfare rates should reach the minimum adequate rate set by the Commission on Social Welfare over ten years ago. It would help to meet the objective set down in the NAPS that policies in relation to income support should *aim to provide sufficient income for all those concerned to move out of poverty and to live in a manner compatible with human dignity*.[21] Finally, it is important to note that a £5.55 increase in retirement and contributory old-age pensions (from £83 to £88.55 per week) would bring them to 28.8 per cent of average industrial earnings, substantially moving towards the levels recommended by the Pensions Board.[22]

In last year's budget, the adult dependant rate was increased by 3% which amounted to an increase of between £1.20 and £1.50 for most qualifying adults. The Commission on Social Welfare recommended that the adult dependant rate should be 60 per cent of the personal rate. In last year's budget, for some adult dependants, payment fell to 58 per cent of the personal rate, raising additional concerns about the adequacy of these payments. This shift is counter to a more general move towards greater individualisation of payment rates, where it is increasingly being acknowledged that it is inappropriate to consider spouses as 'dependants' of those in receipt of the personal rate payment.

The Agency recommends that further consideration is given to the up-rating of the adult dependant rates in this budget and that they are raised by at least £3.33 (60 per cent of £5.55), but preferably by £4 to restore them to a more appropriate proportion of the personal rate. The cost of up-rating adult dependant rates by £3.33 - £4 would cost in the region of £20 - £25 million in a full year, respectively. At a more strategic level, further investigation of the individualisation of social welfare payments is required, including up-dated information on appropriate equivalence scales.

The *Review of the Commission on Social Welfare's Minimum Adequate Income* outlined alternative approaches used to up-rate social welfare rates.[23] The Agency believes that there is a need to set out the steps and information requirements for an explicit and transparent agreed process of evaluating and up-rating the minimum income standard. The Agency recommends that the Government establish a working group to undertake this work. The membership of this group should be broad-based, and should include people who are experiencing poverty and living on welfare payments.

Welfare to work

A strategic approach to enhancing income supplementation for low paid families requires:

- a substantial increase to an integrated child benefit;
- reduction of high marginal tax rates on low paid employees through increasing personal tax allowances;
- an increase in and improvement of education and training provision for the unemployed;
- and the provision of affordable and accessible childcare.[24]

In this budget the Agency advises substantial advances in increasing child benefit and personal tax allowances, in keeping with this longer-term strategy. This is an opportunity to simplify sources and entitlement to child income support while tackling child poverty.

Family Income Supplement

For low income families, Family Income Supplement (FIS) is a link between the worlds af work and welfare. In last year's budget, the calculation of FIS on a net of tax basis was announced and is to be enacted in October 1998. The Agency welcomes the switch to calculate FIS on a net basis, as it ameliorates poverty traps and will mean real increases in take-home pay for some recipients. The move, however, will be less beneficial for those families who are currently on low levels of income who are not liable for tax in any case. The rise in the means-tested thresholds is the main mechanism by which they benefit from FIS up-rating. In last year's budget the thresholds were only increased by £7, compared to a £10 increase the year before that (Budget '97). The overall result of these changes, therefore, was that better-off FIS recipients gained more from the changes to the FIS package then lower income recipients.[25] These changes will also make more families eligible for FIS, thereby increasing the number of beneficiaries exposed to high tax/welfare withdrawal rates of 70-90 per cent.

At a policy level, concerns are raised regarding a number of features of FIS. Most noticeably, there is a continuing low take-up of FIS - in the region of 20-45 per cent (depending on the definition used). The interaction of the multiplicity of different in-work schemes that currently exists, also adds to the complexity of the system. The degree to which FIS provides a permanent subsidy to employers through low paid employment also raises doubts concerning its economic efficiency, particularly during a period of sustained economic growth. The exclusion of the self-employed from FIS entitlement is also problematic, as is the hours threshold for eligibility to the scheme (19) and the absence of an allowance for a working adult dependant.

The Agency welcomes the Government's proposal to introduce a minimum wage. It will, undoubtedly, have implications for the future role of FIS. However, as wages do not take into account the costs of children, even with the introduction of a minimum wage, income supplementation will still be required to support low paid families. In the Agency submission to the National Minimum Wage Commission we accept that FIS may provide this support in the short-term. However, we argue that a more strategic approach would be to: substantially increase an integrated child benefit; reduce high marginal tax rates on low paid employees through increasing personal tax allowances; increase and improve education and training provision for the unemployed; and provide affordable and accessible childcare.

Housing

Housing income support is a second area of welfare to work policy that requires urgent attention in this budget. A commitment was made in *Partnership 2000* to consider an appropriate tapering arrangement for Supplementary Welfare Allowance (SWA) rent and mortgage supplements. Expenditure on these supplements has continued to escalate and is projected to top £90 million in 1998.

Concern has been raised about the rising cost of private rented accommodation. This market development gives rise to concerns about the future role of the private rented sector in the provisions of housing, both from the point of view of suitability and the impact on the poor. It also gives rise to concern about the employment traps that can be generated by Supplementary Welfare Allowance and about the cost effectiveness of £90 million expenditure. This latter concern particularly relates to who benefits from such expenditure, issues of housing standards for low income groups and registration of landlords in the private rented sector. Appropriate monitoring and review mechanisms to inform and enhance the effectiveness of SWA should be considered. The Agency believes that the best way to alleviate the current poverty traps which exist in relation to housing supplements would be to introduce a statutory, means-tested scheme of housing income support which would be open to employed and unemployed people. Such a scheme would incorporate a tapered withdrawal of benefit, where income exceeded the eligibility threshold. The benefits of such a scheme would be to:

- reduce poverty traps;
- simplify the system of housing support;
- make public subsidisation of housing more transparent;
- strengthen the social housing sector in general; and
- eliminate anomalies between schemes of housing assistance.

Strategically, the most efficient option would be to recognise that social housing needs have not been met to-date and that a programme of increased capital spending is required to address this problem. The last national assessment of local authority housing need was conducted in 1996 and found 27,427 households (or about 100,000 people) in need of accommodation. The next assessment is due in March 1999, and is expected to show an increase in housing need. For example, figures produced by one commentator indicate that housing lists may have increased by more than 40 per cent in the last two years.[26] Clearly there is a need for a larger pool of local authority accommodation through: an expansion of their building programme; local authorities buying more houses to rent to tenants; and/or the expansion of the Shared Ownership Scheme. However in the current housing market where prices are high, the financial accessibility of shared ownership for low income groups must be kept under review. Increased support to the voluntary housing sector is also required, both in terms of capital and maintenance costs. In this context it is important that new housing is lifetime adaptable to ensure that it is accessible and easily adaptable for changing circumstances (for instance, children, older people and people with disabilities).[27, 28]

The current situation of ever escalating costs of SWA rent and mortgage supplements is not sustainable in the longer-term. There is a need to look at supply issues in the private rented sector, particularly how other institutional investment in this area could be increased and how formal agreements with landlords might be reached to reduce the cost and enhance the quality of accommodation available. In addition, Section 23 relief could be restricted to the subsidised element of the market. Partnerships between statutory authorities, the voluntary and community sector and the private for-profit sector would help to increase the diversification of tenure choices available to low income families. The Regeneration of Ballymun, which is currently underway, should provide some very useful lessons in this regard. The new urban renewal scheme could also be used. The administration of housing support for low income households also needs to be unified under one government department, which should produce a comprehensive action plan to address the housing needs of all those living in or on the margins of poverty.[29]

Taxation policy

Taxation policy can play a key role in reducing poverty and easing the transition from welfare to work, for those with incomes high enough to be liable for taxation. In last year's budget, taxation reform was insufficiently focused on low income earners. The Agency advises against any further reduction in the tax rates in this budget. Instead, the Agency recommends a very focused reform of personal taxation that will benefit all income groups but provides the best policy option for low income groups. In Budget '98 spending on tax cuts reached a full year cost of £517 million. In the current economic context, it is clear that a similar, if not greater, amount is available for tax reform in this budget. The Agency advises that the focus of available resources for taxation reform in this budget should be a substantial investment in increasing personal allowances at the standard rate.

In Budget '99, personal allowances should be increased by £1,000 for a single person/£2,000 for a married couple. This would cost £520 million, and would have clear advantages. Increasing tax allowances would: improve the incentive to work; increase the incomes of the lower paid (non tax-exempt); fulfil the commitments of *Partnership 2000* in this regard; maintain competitiveness through containing wage demands; benefit all tax payers; and facilitate a more equitable distribution of the fruits of economic growth.

This proposal is consistent with the recommendation of the Expert Working Group on the Integration of the Tax and Social Welfare Systems *that the system of exemption limits/marginal relief should be phased out of the tax system in the medium term by increasing tax allowances to the level of the personal exemption limits.*[30] Very little headway was made with regard to this recommendation in last year's budget, because the diversity of measures introduced diluted any real chance of advancement. This is another reason why the Agency favours a very focused approach to taxation reform in this year's budget. Such a move would also be consistent with the commitment in the NAPS that *action will be taken to focus tax improvements on the low paid.*[31]

25 For example, following Budget '98 a married couple with one earner and two children, earning £9,000 per annum gained £5.46 per week (+ 2.5% of net income); on £10,000 gained £8.23 per week (+3.8% of net income); on £11,000 gained £10.23 per week (+4.8% of net income); on £12,000 gained £11.88 per week (+5.6% of net income); and on £13,000 gained £12.12 per week (+5.5% of net income).

26 Figures produced by Brian Hayes, TD, 31 July 1998.

27 For further discussion of this point see the Commission on the Status of People with Disabilities op cit. pp190-191.

28 See also Downey, D. (1998) *New Realities in Irish Housing: A Study on Housing Affordability and the Economy*. Consultancy and Research Unit for the Built Environment. Dublin Institute of Technology.

29 See Combat Poverty Agency (1996) *Submission to the Interdepartmental Committee on the Transfer of the Administration of SWA Rent and Mortgage Supplements to Local Authorities*. Copies of the submission are available from the Agency on request.

30 Expert Working Group on the Integration of the Tax and Social Welfare Systems (1996) *Report of the Expert Working Group on the Integration of the Tax and Social Welfare Systems*. Dublin: Stationery Office.

31 National Anti-Poverty Strategy *op cit.* p.13.

In the context of the current favourable economic situation, the Agency proposes that this is an opportune time to move towards the introduction of a tax credit system, converting all allowances to tax credits at the standard rate of tax. Substantially increasing personal allowances and standard rating them would be a progressive move in that direction, as would standard rating all tax reliefs.

The Agency welcomes the move in last year's budget to raise the exemption threshold at which PSRI is payable to £100 per week. The Agency recommends that in Budget '99 consideration be given to a further increase in the threshold and that the contributory rates for employees are maintained to preserve the contributory principle. In addition, the Agency recommends that the PRSI ceilings are increased above the rise in average earnings, with the long-term aim of abolishing them altogether, so reducing their regressive nature.

The exemption thresholds for the health and employment levies continue to cause a poverty trap, with those earning £10,750 (the current limit) not liable for levy payments, while someone earning one pound more is liable for payments of £242 per annum. In Budget '99 these thresholds should be converted into a basic allowance, as happened with PRSI. Alternatively, integrating the levies into the income tax system would be a less problematic way of assisting low earners.

Commitment in the NAPS indicates that tax improvements will be focused on the low paid. In last year's budget capital gains tax was reduced by half and corporation tax was reduced by 4 per cent. Both of these measures will directly benefit the better-off. They should be monitored to assess their impact on widening the gap between rich and poor. It is imperative that in future budgets, tax policies are rigorously poverty-proofed to ensure that they contribute to the achievement of the NAPS targets ■

5. Investing in the Future

In this budget the Agency proposes that infrastructural spending should be prioritised to create opportunities for children and their families and to improve their quality of life.

Estimates predict a budget surplus in the region of £700-900 million. The Agency is of the view that this should not all be spent on tax cuts or reducing the national debt. The opportunity should be taken to make a very significant investment in the future of everyone on this island. Ireland's economic progress may be stifled if there is a lack of spending on infrastructure - housing, public transport, education and skills training, for instance. These are individual, family and community assets. The ESRI have drawn attention to the importance of increased investment in human capital as a contributory factor to our current economic growth.[32] Thus, it is imperative that this money is spent in such a way that it has the maximum benefit to reduce the numbers in poverty and to prevent others from falling into poverty. General proposals are made below on infrastructure investment for long-term benefit to the economy by supporting a fairer distribution of resources and opportunities in Irish society.

This submission has concentrated on budgetary measures that could be introduced to tackle poverty, particularly child poverty in Ireland. In this budget the Agency proposes that infrastructural spending should be prioritised to create opportunities for children and their families and to improve their quality of life both for people who are disadvantaged and for disadvantaged areas. Below are examples of the type of policies that would achieve these dual aims. Prioritising investment in these areas over other options would express social solidarity with people living in poverty and enhance both their social participation and their social rights. The proposals are grouped under three broad headings: improving public services; getting people back to work and improving living conditions. They are, of course, very much inter-related. It is important to point out that not all of these proposals would require additional government expenditure, but might require a refocusing of existing resources.

Improving public services

Education

- Direct additional resources to disadvantaged schools - for example to improve school buildings and information technology facilities in schools;
- expand and improve childcare/early childhood education opportunities nation-wide;
- abolish Junior and Leaving Certificate examination fees;
- provide additional places on Youthreach and VTOS programmes.

Health

- Increase resources to health promotion and reduce public patient waiting lists;
- target extra resources for children's health care as an anti-poverty measure;
- increase funding to improve medical care for low income families.

32 Duffy, D., Fitz Gerald, J., Kearney, I. and Shortall, F. (1997) *Medium-Term Review 1997-2003*. Dublin: Economic and Social Research Institute. pp48-52.

Public transport

- Improve the public transport system, particularly in rural and suburban areas;
- consider the mainstream potential of community transport schemes.

Getting people back to work

- Extend the Local Employment Service;
- expand the Back-to-Work Allowance scheme;
- increase the number of places in the jobs initiative and the part-time jobs option;
- increase availability and review the standard of job-related training.

Improving the quality of life

- Develop and improve leisure and sports facilities in disadvantaged areas;
- refurbish local authority housing estates, including building maintenance and the surrounding environment in consultation with local tenant and community groups;
- tackle fuel poverty and inadequate insulation in low income homes.

Supporting the voluntary and community sector

The Agency is keenly aware of the positive contribution of the community and voluntary sector in Ireland. In this budget we propose that additional resources are made available to the Community Development Programme and that funding to each of the seven National Anti-Poverty Networks[33] be increased to £75,000 per network. This level of support would fund a co-ordinator, a development worker and would make a contribution to administration and overhead costs. Additional funding of £80,000 (overall) is required to fund the national networks' programme of support and development. This would include information exchange, training, review and evaluation, staff development and policy work ■

33 The seven networks are: Community Workers Co-operative, European Anti-Poverty Network, Forum of People with Disabilities, Irish National Organisation of the Unemployed, Irish Rural Link, Irish Traveller Movement and One Parent Exchange and Network.

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