



Income Maintenance Strategies

Forum Report No. 5

July 1994

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Executive Summary

1. The Report's central thrust is to set down the Forum's views on the values, objectives, principles and strategic issues which it believes should underpin Income Maintenance policies. This is the second in a series of Reports by the Forum under the general theme of "Poverty and Income Maintenance Strategies". Other Reports will deal with more specific Income Maintenance Policy Issues, Adequacy of Payments and Improvements in the Delivery of Social Services.
2. Section I of the Report notes the considerable improvements made in recent years and the notable increases in the level of Social Welfare payments. These, however, have not by and large resulted in any improvements in the **relative** standard of living of recipients. At the same time the number of people living in poverty has increased dramatically, while the more difficult reforms advocated by the Commission on Social Welfare have been neglected.
3. In Section II, the Forum supports the statements on underlying social policy aims and values advocated by the NESC in the early 1980s but emphasises that these need to be reviewed and updated in the light of new challenges. It is seriously concerned that these were not more fully reflected in policy decisions taken over the last decade, with the main benefits of economic growth, under both the PNR and the PESP, having gone to the better-off sections of our society. This must not be repeated under the Programme for Competitiveness and Work. Although poverty is now one of the major problems in our society, a coherent and effective strategy to tackle it on the scale required has yet to be established. The Forum strongly rejects the viewpoint that social progress must now be made subservient to the economy's requirements for increased competitiveness.
4. Section III outlines the Forum's views on what should be the primary goals of the Social Welfare system in relation to adequate levels of income support, reducing inequalities of income and promoting social integration and, where appropriate, access to employment. It very much supports the EU definition that poverty is **relative** and that the system should be directed to providing an acceptable standard of living relative to the norm for other people in our society. On the basis of this definition, there are a number of key operational principles which the Forum considers are fundamental to developing more effective strategies such as comprehensiveness in coverage, non-discrimination and consistency in dealing with similar needs, support for the caring of the elderly in the family home, equity in distributing the costs of

financing the system, movement to "individual" as compared to the present "derived" system of payments, minimising work and education disincentives, providing clear rights to services and benefits and with the system as simple as possible in its operation.

5. In Section IV, the Forum expresses its concern that the growth of unemployment has tended to undermine the comprehensiveness of Social Insurance. This has resulted in Social Assistance now playing a major role, with policy in recent years seeking to meet new demands through relying on or extending Social Assistance. The relatively low take-up and the fact that only 70% to 80% of the poverty gap is eliminated by the Social Welfare system is an important issue which the Forum recommends should be examined.
6. Section V refers to a number of major economic, social and demographic changes and challenges to the system which was originally set up in a different world based on the assumption of near full employment, with Social Insurance designed to play the dominant role. The recent announcement to initiate a new national Household Budget Survey - the last one was in 1987 - should be undertaken as soon as possible. The Forum recommends that this Survey should be updated at regular intervals, say every five years.
7. The Forum acknowledges (Section VI) the economic and budgetary constraints which must be taken into account in planning for the future. However, the fall in our dependency ratio and the rapid economic growth forecasted in the recently - published ESRI Medium-Term Review will provide a major opportunity to tackle more decisively and effectively this country's major economic and social problems with particular reference to unemployment, poverty and social exclusion. This will involve decisions and choices to ensure that resources are distributed more equitably than has been the case in the past.
8. Section VII considers a number of strategic options for the future. The central question here is the appropriate balance between Social Insurance, Social Assistance and Universal Payments. Having considered these various options, the Forum recommends that the key strategic changes required in the immediate future are the further development of Social Insurance, coupled with an expansion of Universal Payments, and supported by a residual but a more comprehensive and effective Social Assistance safety net for those who fail to qualify for Insurance Benefits.

9. This would reduce the role of means-tested payments but would not impede the eventual integration of the Social Welfare and the Tax systems, in the event that such integration was ultimately adopted. Within this strategic approach, a range of policy issues need to be addressed such as the coverage of Social Insurance, improvements in the Social Assistance safety net, increased incentives to work and training and progress towards "individualisation" of payments. More specific recommendations on these and other issues, together with priorities, costings and a time-scale for their implementation will be contained in a further Report in the near future. Given its interest in this radical initiative, the Forum wishes to be consulted when the Expert Group on the Integration of the Tax and Social Welfare systems submits its recommendations.
10. In Section VIII, the Forum strongly recommends that a Government strategic medium-term plan, with quantified targets, priorities and specific commitments for the phased improvement and further development of our Social Welfare system should now be drawn up, with special measures of assistance targeted at groups in greatest need. This plan should translate into more specific and operational terms the general-type commitments made in the Programme for Government and the Programme for Competitiveness and Work, with particular reference to addressing deficiencies in the areas of the inadequate level of payments, constraints in taking up work and participating in education and training schemes and further improvements in the delivery system. Consultations should take place with all main interest groups, including the Forum, in drawing up and monitoring implementation of this plan.
11. The Forum recognises that tackling poverty and inequality cannot fall on the Social Welfare system alone and that more effective strategies on unemployment, which is singularly the most important cause of poverty, are also needed. It has recently submitted a separate Report on Long-term Unemployment. Finally, the Forum recommends that the effectiveness of all major policies relating to poverty and social exclusion should be assessed on a regular basis and that these evaluations should be published.

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SECTION 1: INTRODUCTION

- 1.1 One of the main purposes of the present Report is to set down the Forum's views on the values, goals, objectives and strategic issues which it believes should underpin Income Maintenance policies and which, in turn, would provide a framework and basis of assessment in determining the shape and direction for policy developments in the future. The term "Income Maintenance" policies are more commonly described in this country as "Social Welfare" policies which are mainly the responsibility of the Minister for Social Welfare. Both terms are used interchangeably throughout this Report.
- 1.2 The present Report is the second in a series of Reports under the general theme of "Poverty and Income Maintenance Strategies". Other Reports to be prepared over the coming months and which will conclude this series are:-
- Income Maintenance: Specific Policy Issues;
 - Adequacy of Income Maintenance Payments; and
 - Delivery of Social Services.
- 1.3 The Forum believes that this Report is now all the more timely and opportune with the recent launch by the Taoiseach of a new Government initiative on Strategic Management in the Public Sector designed to ensure, inter alia, that public resources are used effectively and efficiently and that an excellent service, tailored to customer needs, is provided to the public. This will involve all Government Departments producing an action-oriented Statement of Strategy setting out clear objectives, the way it is proposed to achieve these objectives and how resources can best be used in concentrating on priority needs, thereby achieving more effective results and ensuring that the taxpayer gets value for money.
- 1.4 Viewed over the longer-term, our Social Welfare system has evolved and developed on an ad hoc basis and with no overall medium-term plan to achieve prescribed targets and improvements within a specific time-frame. The result has been a very complex

system which is difficult to understand by the consumers who are among the most underprivileged group in our society while at the same time the task of policy analysis and review of the effectiveness of the system is made all that much more demanding.

- 1.5 Considerable improvements have been made, however, in recent years as evidenced by, for example, the significant achievements made in moving to a more coherent payments structure - although a number of anomalies still remain - and as well important extensions have been made to cover more groups under the Social Insurance system. At the same time there have been notable increases in real terms in the level of some Social Welfare payments, but these have not by and large resulted in any improvements in the **relative** standard of living of recipients compared to the working population in general.
- 1.6 The combined effect of all the above improvements has been that Income Maintenance strategies are, undoubtedly, helping to lessen and alleviate the degree of hardship and poverty in our society. But the number of people living in poverty has increased dramatically and some people, because of the way the system is structured, are trapped into dependent lifestyles.
- 1.7 While these improvements have largely been in line with the recommendations of the Commission on Social Welfare they have, however, been neither on a scale or a speed commensurate with the problems involved and some of the more difficult structural reforms advocated by the Commission have been neglected.
- 1.8 Aside from adequacy in the level of payments, which the Forum attaches fundamental importance to, some of the other principal outstanding recommendations of the Commission have already been dealt with in the Forum's Report No. 3. The Forum intends to deal with the issue of adequacy in payment levels, which is singularly the most important recommendation still outstanding, in a future Report. The particular focus of the present Report is on the overall strategy for the **structure** and improvements to the income support system through which an adequate level of payments should be delivered.

- 1.9 While the focus in this Report is on Income Maintenance policies, the Forum recognises that the burden of tackling poverty and inequality cannot fall on the Social Welfare system alone. This requires a multi-dimensional response directed at job creation involving decisions in other related areas such as taxation, public services and education and training. There should also be greater integration between tax and social welfare policies, with the objective of aiding the transition back into the workforce and ensuring that there is a net increase in income in taking up employment. In addition, co-ordination between all other programmes and policies which impact on poverty and inequality needs to be strengthened.
- 1.10 The Forum hopes that its Reports will encourage and contribute to a more informed and more regular public debate and discussion on all the issues, options and choices involved in the development of our Social Welfare system in the future. This has not been a feature of our political system in the past which has largely been limited to narrowly-focussed debates on changes proposed at Budget time. This is all the more difficult to understand, given the challenges posed by the nature and scale of poverty in our society.

SECTION III VALUES

- 2.1 It is important at the outset to have an understanding and acceptance of what should constitute our society's underlying system of values on matters such as social justice and equity as a basis for decision-making in the social policy area, including that of Income Maintenance policies.
- 2.2 In the early 1980s, the NESC considered these issues and suggested that Irish values in this area should include belief in:
- the dignity and right to personal development of the individual;
 - the value of bonds of mutual obligation between all members of the community;
 - the importance of fair shares within the community, including in particular the right of access of all people to adequate income, housing, education and health services; and
 - the securing of these rights within a democratic framework.
- 2.3 On the basis of these values, the NESC went on to propose that social policies should pursue a number of related aims such as:
- the reduction of inequalities in income and wealth by transferring resources to those in need and by equitably distributing the burden of such support;
 - the elimination of inequalities of opportunity which arise from inherited social and economic differences;
 - the provision of employment for those seeking work;
 - the provision of access for all, irrespective of income, to certain specified services;
 - the development of services which make provisions for particular disadvantaged groups in the community; and
 - the development of responsible citizenship based on the explicit recognition of the network of mutual obligations within the community.

2.4 The Forum supports the above statements of values and aims for social policies in general - which can also be applied to that of Income Maintenance policies. It wishes to emphasise, however, that the way these are applied in our society needs to be reviewed and up-dated in the light of:

- changed economic and social circumstances;
- new challenges such as the critically high level of unemployment and
- increasing poverty and social exclusion;
- women's rights both at home and in the work-place and the changing role of
- men and women;
- the needs of the disadvantaged, people with disabilities and minority groups such as Travellers;
- demographic changes; and
- changes in family structures and relationships.

These issues are referred to again in Section V of the Report.

2.5 The Forum very much regrets, therefore, and is seriously concerned that these values and aims have not been carried through and reflected more fully in policy decisions taken over the last decade. In its Report No. 1, the Forum has highlighted that the main benefits of economic growth, under both the PNR and the PESP, have gone to the better-off sections of our society while inadequate provision was made in tackling the problems of poverty and social exclusion. It is of crucial importance that this experience is not repeated under the Programme for Competitiveness and Work.

- 2.6 Agreement on and acceptance by Government of these values and aims and their consequential implications for policy purposes and for policy choices is essential in the Forum's view in providing a framework for more coherence, a clearer strategic direction and greater support and solidarity for policy decisions in the future. Too often it is difficult to ascertain what the precise aims of social policies are at any particular time as very often these are not stated explicitly in official policy statements and must very often be inferred. Although poverty is now one of the major problems in our society, a coherent and effective strategy to tackle it on the scale required has yet to be established.
- 2.7 The aims outlined above and the values underlying them are, of course, open to interpretation, notably central elements such as what would constitute "fair shares", "adequacy", "equitable distribution of the burden" and what services are to be available to all "irrespective of income". Despite the unavoidable imprecision involved, the Forum believes that setting out these underlying aims and values serves, nevertheless, as a point of reference for decision-making which can affect not only the way policies are formulated but the environment determining which policy options come "to the surface" for consideration in the first place. Even the language in which aims and values are expressed can have an important influence on that environment.
- 2.8 This is reflected in the importance of terms such as "obligations", "rights" and "citizenship" in recent critiques (from both ends of the ideological spectrum) of the basis on which social policy and the Welfare State have traditionally operated. The traditional emphasis on the responsibility of the better-off to provide for the less well-off has been criticised from different perspectives. One view is that this emphasis leads to a paternalistic approach by increasing dependency and lessening people's sense of responsibility and incentives for self-improvement and development.
- 2.9 An alternative view is that some have used this emphasis as the basis for development of a rationale for social policy explicitly founded on a "social rights" approach. This involves a broadening of the concept of citizenship entitlements to include not only legal and political but also economic and social rights (see Section III of the Report).

In this context, it is noted that many EU Members States are reinforcing citizens' rights, either through legislation or through administrative action and public awareness such as Citizens' Charters. This has links with the growing emphasis on the rights of communities to determine their own needs and have influence over their fates. However, others have used critiques of paternalistic and bureaucratic State intervention as the basis for calling for a rolling-back of the Welfare State, which they see as counter-productive, coercive and inimical to liberty and economic efficiency.

- 2.10 In this debate, which has figured prominently at international-level in recent years, the Forum strongly rejects the viewpoint that social progress must now be made subservient to the requirements of the economy for increased competitiveness. It is heartened therefore to note that, in its Green Paper on Social Policy, the European Commission has highlighted the importance of a new medium-term strategy "to draw together economic and social policies in partnership rather than in conflict with each other", while the Conclusions of last December's meeting of the European Council emphasised that the necessary structural adjustments to EU economies "must not call into question the model of our society, which is founded on economic and social progress, a high level of social protection and continuous improvement in the quality of life".

SECTION III: GOALS, OBJECTIVES AND PRINCIPLES

- 3.1 The Social Welfare system has a number of related goals and objectives. Three primary goals must be recognised and singled out for particular attention, namely that of:
- providing adequate levels of income support to those in need in relation to prevailing living standards;
 - reducing inequalities of income that would otherwise arise with the free play of market forces; and
 - promoting social integration through the individual's right to personal development and participation in society and, where appropriate, access to employment.
- 3.2 This Section considers each of these goals and outlines the Forum's views on the main objectives and principles arising from them. This is designed as an input to Government decision-making as well as serving as a reference framework for the more specific policy recommendations in the Income Maintenance area which will be contained in a later Report by the Forum. In a number of instances, specific recommendations are made which are again taken up later in Section VII of the Report.
- 3.3 The first primary goal of providing **income support** covers a number of different, though related, objectives. The most obvious of these is alleviating poverty by ensuring that no person, family or group falls below some minimum living standard. For this purpose, the Forum believes that the development of effective Income Maintenance strategies to address poverty must be based on a clear understanding and analysis of the nature of the problem that is being addressed. It very much supports the viewpoint that poverty is **relative** i.e. that it should be based in having an acceptable standard of living relative to the norm for other people in our society, although the Forum acknowledges that there are important qualifications attached to the use of a relative concept (see Paragraph 5.8 of the Report).

- 3.4 This definition has gained wide acceptance with, for example, the EU Council of Ministers defining the poor as "those persons, families and groups of persons, whose resources (material, cultural and social) are so limited as to exclude them from the minimum acceptable way of life in the Member State in which they live". From this definition, there are a number of key issues, outlined in the following paragraphs, which the Forum considers are fundamental to developing more effective strategies in this area.
- 3.5 The Forum very strongly believes that **adequate payment levels** must be a central objective of Income Maintenance policy. Adequacy requires that Income Maintenance strategies not only have to ensure that people have enough of the basic necessities of life for physical survival (i.e. food, clothing, housing and heating) but that they also have a sufficient command of resources to meet their basic social, emotional and cultural needs so that they can participate in society as full citizens and are not excluded from normal activities.
- 3.6 But the system should aim not only to provide income support to those in poverty but should also aim to **prevent poverty**, or at least lessen its incidence. Thus it has a number of other important income support objectives. These include limiting the loss of income associated with various risks or contingencies such as illness or unemployment and thereby protecting accustomed living standards to some degree. A further objective is smoothing out incomes over the life cycle and acting as a form of savings bank for pension purposes. In this context, the Forum specifically recommends that the present bias in the system against caring for the elderly in the family home situation should be alleviated.
- 3.7 In pursuing these income support objectives the system should, therefore, be **comprehensive** and designed in such a way that significant categories of need are not left outside the payment structure, with safety-net provision for any residual categories which may emerge. There should also be **consistency** within the system in dealing with similar needs and circumstances.

- 3.8 The second primary goal of social policy and of the Social Welfare system is to reduce **inequalities of income** that would otherwise arise in the economic market place. Overall then the system has the objective of redistributing income towards individuals and/or families with lower incomes, though this need not be the main objective of every individual Social Welfare programme.
- 3.9 A related objective is that **the costs of financing** the Social Welfare system should be equitably distributed. A serious issue of concern to the Forum in this context is that the current levels of unemployment must raise doubts on the capacity of Social Insurance contributors and taxpayers to finance unemployment payments.
- 3.10 With the changes in family structures, the decline of the traditional family and the growth of different relationship patterns (see Section V of the Report), the Forum recommends that consideration should now be given to "individual" as compared to the present "derived" system which is based on family or household as the unit of payment; this approach has been recommended by the European Commission.
- 3.11 **Fostering social integration** among individuals and groups in society is the third primary goal of the Social Welfare system. An important objective should, therefore, be to ensure that the system is not stigmatising, discriminatory or socially divisive but rather supports the dignity and right to personal development of the individual and promotes social solidarity. Social Welfare payments have not only to provide adequate levels of income but also need to be of a type and delivered in a manner that will foster people's integration and participation in society according to generally accepted norms and designed to avoid creating dependence or limiting personal autonomy and initiative. It is important, therefore, that the system should enshrine clear rights to services and benefits.
- 3.12 The goal of **social integration** highlights the significance of the conditions under which services and benefits are delivered and the relationship between those using the system and those who administer it. In the Forum's view this should involve a number of important objectives which remain yet to be fully realised: (i) the delivery of

Social Welfare services should be of high quality and should be open, accessible and responsive; (ii) every user should have the right to avail of services with privacy, dignity and confidentiality, without fear of harassment and with an adequate right of redress; and (iii) the system should be further democratised, with increased accountability and development of more participative decision-making.

- 3.13 Minimising work disincentives to participate in the labour market should also be an important goal of social integration. Given the current high levels of unemployment and changing patterns of employment and participation in the labour market, the system should take account of changes in the labour market and Income Maintenance and Tax Policies should have the objective of aiding the transition into or back into the workforce for those of working age, even if the work is of a temporary nature. For this purpose, the Forum recommends that there should be **greater integration** between the two systems with the underlying objective of ensuring that there is a net increase in income in taking up job offers.
- 3.14 The elimination of explicit and implicit **discrimination** must also be a central objective of policy and, as a general operating principle, the Forum recommends that everyone should have equal access to and treatment from the system regardless of their disability, social class, gender, marital status, ethnic origin or sexual orientation. A particular concern of the Forum in this respect is that most women, except those who are currently on the Live Register, are not eligible to participate in training/employment schemes. A further operating principle, which the Forum has already recommended in its Report No. 3, is that the system should be neutral in its influence on people's personal choices of where to live (particularly for young people), who to live with and their legal status as married or as single people.
- 3.15 A related principle also should be that of encouraging people to return to education and, in this regard, the Forum recommends that participation in education and training schemes which improve job chances should not be penalised, as is the case in certain instances at present, either by loss of family income or that of Secondary Benefits.

- 3.16 With the multiplicity of schemes which now exist, the Social Welfare system is frequently criticised for being too complex and too difficult to understand. The Forum accepts that, given the system's wide-ranging goals and objectives, some degree of complexity may be unavoidable but at the same time it wishes to underline that every effort should be made to ensure, as a basic operational principle, that the system should be as simple as possible from the point of view of both claimants and administrators alike.
- 3.17 The concept of social citizenship and the **social rights** that follow from it provides a useful framework for integrating the above goals, objectives and principles as well as an overall direction for the development of the Social Welfare system. The social rights approach, which is an indicator of how attitudes and values have been evolving, recognises the right of **all** members of society not just to basic economic welfare and security but also to live with dignity and to participate in society with genuine opportunity to achieve their potential and to live lives that they find fulfilling, according to the standards prevailing in the society.
- 3.18 Adopting this approach would involve strategic changes in a number of key areas such as: (i) reducing the role of means tests and providing income support as a right; (ii) moving towards individual entitlements; and (iii) facilitating movement from Social Welfare into employment (see Section VII of the Report). In this respect, the Forum acknowledges and wishes to emphasise the importance of appropriate steps being taken to ensure that the inherent dangers of the social rights approach - namely, a lessening of individual responsibilities and obligations and increased dependency on the Social Welfare system - would be minimised as far as possible.
- 3.19 As already mentioned in the Introduction, the Forum fully recognises that Income Maintenance is only part of the solution and the extent of the demands on the Social Welfare system are to a significant degree dependent on policy decisions in other areas such as taxation, public services and education and training. Research findings have shown that unemployment is singularly the most important cause of poverty. Clearly the more successful job creation policies are and the greater emphasis that is

put on education, training, employment or direct labour schemes the smaller will be the numbers who will then have to depend on direct income support. Coming to grips with our unemployment problem is, therefore, a central issue to further improving the system. The Forum has recently submitted a separate Report on Long-term Unemployment which is the first in a series of Reports it will be devoting to employment and unemployment issues.

SECTION IV : STRUCTURE

- 4.1 Our Income Maintenance system involves a "mix" of three main types of income support:

Social Insurance payments, where entitlement is based on previous insurance contributions and being in a specified situation or "contingency" - such as unemployment or old age;

Social Assistance payments, where entitlement is based on a means test and (usually) being in a specified contingency; and

Universal Payments made to all those with specified characteristics - for example, children - irrespective of means or contributions.

- 4.2 The balance between these elements and the nature of the insurance element differs between, for example, the UK, the USA, and France or Germany. The Irish system has evolved in a manner similar to that of the UK, which, in theory at least, places most emphasis on Social Insurance, with Social Assistance intended to play a minor role and Universal Payments confined to, and forming only part of, income support for children.

- 4.3 The Commission on Social Welfare argued in favour of a continuation of the present structure, with the central thrust of the recommendations being an extension of the Social Insurance system so that Social Assistance would come to play a more residual role. Radical reforms involving the full integration of the Tax and Benefit Systems such as a negative income tax or a social dividend were assessed in general terms, without having available a comprehensive analysis of their redistributive effects. Notwithstanding this, however, the Commission rejected such reforms on a variety of grounds, including the fact that no such scheme had been implemented elsewhere and that intractable transition problems would arise. While advocating a comprehensive

system of Social Insurance complemented by Social Assistance, it did point to the need for greater co-ordination of the Tax and Benefit Systems.

- 4.4 However, because Social Insurance has not covered all groups (up to recently at least) and because it only provides entitlement to support for a limited period when unemployed, Social Assistance has in fact played a far from minor role in our system. Overall, about half of all recipients of Social Welfare (excluding Child Benefit) are in receipt of Social Assistance rather than Social Insurance payments. Our system in structural terms is, therefore, now an approximately even balance of flat-rate Social Insurance payments and means-tested Social Assistance payments, together with a Universal Payment for children.
- 4.5 Social Insurance has been (or is being) extended to cover groups such as the self-employed and regular part-time workers, while the 1994 Budget announced that newly-recruited public servants would also be brought more fully within the Social Insurance system. Over time, this will reduce the numbers relying on the non-contributory Old Age Pension and other means-tested Schemes. However, while the coverage of the Social Insurance system has been extended by including new groups of the population as contributors, there has been less willingness to extend the system to cover new or changing contingencies, such as long-term unemployment. Policy in recent years has sought rather to meet new demands through relying on or extending Social Assistance.
- 4.6 In particular, the growth of unemployment has proved to be a potent force working to undermine the comprehensiveness of Social Insurance. Because so many of the unemployed either never had the opportunity to acquire entitlement to insurance or have been unemployed long enough to exhaust that entitlement, over half the unemployed in receipt of Social Welfare are now relying on Unemployment Assistance rather than Unemployment Insurance.
- 4.7 Another significant change in the Social Insurance system in recent years has been the phasing out of the pay-related element to Unemployment and Disability Insurance.

While not recommended by the Commission on Social Welfare, this change is arguably in keeping with its emphasis on adequacy and the need to channel resources to raising the lowest levels of support, rather than temporary income replacement for those experiencing illness or unemployment.

- 4.8 The central question in all of this, and from which many others flow, is the appropriate balance in the system between Social Insurance, Social Assistance, and Universal Payments. In this regard, a number of strategic options are outlined in Section VII of the Report, together with the Forum's views and recommendations as an input to the difficult choices and decisions which will have to be taken in this area.
- 4.9 A further important point on the Income Maintenance system's effectiveness in alleviating poverty is that, as research findings have shown, about 10% of people are below the safety-net income level provided by the system, indicating that many of these people are entitled to but are not taking up Income Maintenance support. This relatively low take-up is one of the reasons why the system is not as effective as it should be - only 70% to 80% of the poverty gap is eliminated by the Social Welfare system. This is an important issue which the Forum recommends should be examined.
- 4.10 Finally, a number of key statistics on the structure and financing of the Social Welfare system are contained in Annex 1.

SECTION V : CHALLENGES

- 5.1 It is important to recognise that the economic and social environment within which the Income Maintenance system operates has changed significantly since the basic structure was put in place. A number of important demographic, social and economic changes now pose significant challenges and greater account will have to be taken of these in designing effective Income Maintenance strategies. The more important of these changes and challenges are outlined beneath.
- 5.2 *Changes in Employment Patterns:* economic and technological changes and the need for increased competitiveness have significantly undermined the assumption of relatively stable patterns of employment. There has been a growth in irregular patterns of employment involving frequent changes in job, alternate spells of work and unemployment and an increase in part-time or intermittent work. Above all, there has been a dramatic growth in the numbers unemployed and in the duration of unemployment. This has major implications for our system of social protection which has been premised on people having stable and uninterrupted full-time employment opportunities. Coupled with this, is the need also to integrate income maintenance provisions to facilitate entry to the labour market and to encourage increased participation in education and training schemes.
- 5.3 *Changes in Family Structures:* the rapid growth in the number of lone parent families, the increase in marriage breakdown and the formation of second families challenge the underlying assumption of our system which is based on the stable nuclear family. The result is that new groups are emerging, particularly women, who are not adequately catered for and are at risk of poverty and social exclusion; (in the case of single mothers, official figures show, however, that only 12% remain dependent on long-term assistance payments, indicating that most single mothers seem to be capable of organising their own affairs after receiving a little initial help when they are in difficulty). The changing pattern of social relationships also raises serious questions about "individual" versus "derived" entitlements. The decline of the traditional family in which there were a range of "derived" entitlements linked to the

contribution record and employment status of the spouse or other person on whom the claimant is supposed to be dependent significantly complicates the basis for entitlements.

5.4 *Changing Roles of Men and Women:* with the emergence of different relationship patterns, the break-up of long-term relationships or the start of new ones, it is much less clear who is entitled to what. These changing circumstances are likely to add to the existing pressures for a movement away from derived to individual entitlements. The traditional assumption that women were mainly involved in unpaid family work while the man earned an income and entitlement to benefits is changing. The increasing involvement of women in the labour force and changing expectations regarding men's role in the family raise important new issues concerning the need to reconcile child-care and family responsibilities. There is also the growing awareness of poverty arising from unprotected and unpaid work in the home, often caring for ageing relatives.

5.5 *Demographic Changes:* the combination of declining birth rates and increases in life expectancy have led to a rise in the dependency ratio of people aged 60 and over. At present, people in the age category 60 - 70 make up 11 per cent of the population, but by the year 2011 this is expected to increase to 14 per cent. This will increase demands on Income Maintenance and the Health Services. However, this increase will not be spread evenly across the country; the Eastern Region is expected to experience a significant rise in the proportion of elderly persons, and demands for additional services are likely to be the most acute in that Region. Of particular concern in the long-term are the implications for pension purposes of the ageing population and the pressures this will place on the financing of the Social Welfare system.

5.6 *Increased Participation and Integration of People with Disabilities:* the traditional assumptions and approach regarding the roles and participation of people with disabilities need to be replaced by the development of community-based care services

to deal more effectively with their needs. This will have direct implications for maintenance benefits, support systems and the delivery of many services.

- 5.7 *Acknowledgement of Cultural Diversity*: the distinct cultures of Travellers and other minority ethnic groups are acknowledged in national and EU discussions and in some policies designed to meet their needs. But such acknowledgement is meaningless unless it is reflected in the practice and procedures for policy delivery in a variety of areas including that of social policy. In its Report No. 3, the Forum recommended that priority should be given to removing the discriminatory rules, including segregation and the use of Garda Stations in the case of Travellers.
- 5.8 *Growth of Poverty and Inequality*: in addition to the above more general social and economic changes affecting the kinds of problems facing Income Maintenance policy, the growth of poverty and inequality has changed the scale of problems it faces with respect to those on low incomes. The number of people dependent on Social Assistance has increased by almost 265,000 since the Commission on Social Welfare reported in 1986. The changed nature and scale of poverty in our society has already been commented on by the Forum in its Report No. 3 and will not be repeated here except to say that the Forum acknowledges that the use of a relative concept of poverty has a number of drawbacks; not least of these is that it may lead to a conclusion as to the extent of poverty increasing when the incomes of those furthest down the poverty line have been increased as a result, for example, of an increase in the **average** level of incomes. Another issue is the treatment of non-monetary income and benefits such as free health care, education, housing, travel, food vouchers, VHI, mortgage interest subsidies and other tax reliefs. There is also the important issue of the under-reporting of income by persons in survey enquiries.
- 5.9 It is also important to note in relation to the use of a relative concept that, while the Commission on Social Welfare identified a range of **cash payments** required to provide "a minimally adequate standard of living", it went on to recommend that these payments should be adjusted annually and that there should be regular reviews to ensure that payments evolved in line with general economic developments.

- 5.10 *EU Dimension:* developments at EU level, in the light of the Maastricht Treaty, the European Commission's Green Paper on Social Policy and the new emphasis at European level to tackling social exclusion with the increased incidence of poverty; the latest estimates are that some 52 million people - or one person in six - are now living on a poverty income in the European Union. A further point of interest to note is that the lowest poverty rates are in EU Member States having the highest levels of GNP per head such as Belgium, the Netherlands and Germany, while Ireland is next to Greece and Portugal in having the highest rates of relative poverty.
- 5.11 The need for up-to-date data is of fundamental importance for policy purposes - the existing 1987 data are outdated - and the Forum welcomes the recent announcement by the Minister for Social Welfare to initiate a new national survey on household income distribution and poverty. This should be undertaken as soon as possible and the Forum recommends that this survey should also be updated at regular intervals, say every five years.
- 5.12 The profound changes and challenges outlined in this Section do not in themselves necessarily entail radically altering the Social Welfare system. They do, however, suggest the need to consider alternatives to the present structure, which was originally set up in a very different world based on the assumption of near full employment and with Social Insurance designed to play the dominant role, and a number of options in this respect are examined in Section VII of the Report.

SECTION VI : CONSTRAINTS

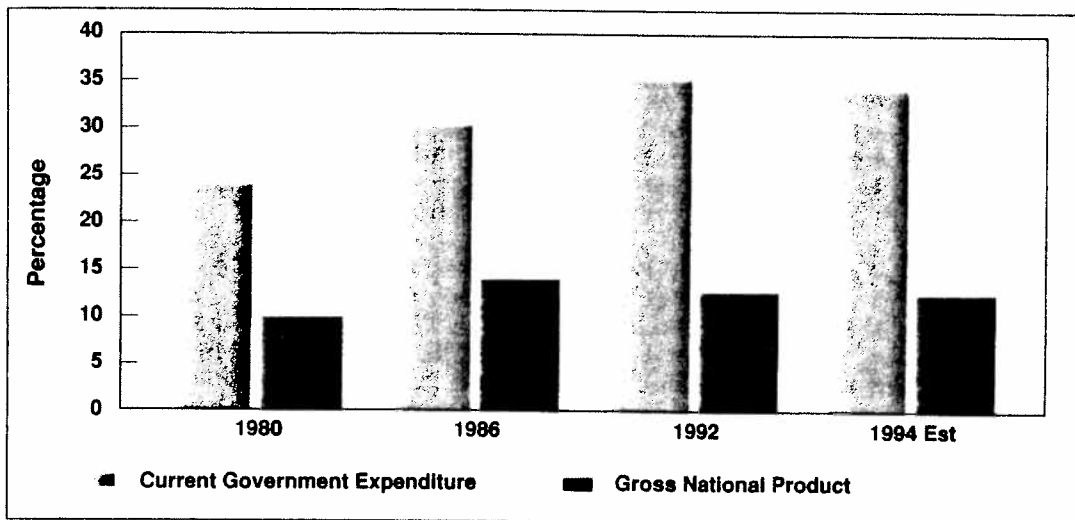
- 6.1 There are, of course, important economic and fiscal constraints which the Forum acknowledges must be considered and taken into account in planning the further development and improvement of our Income Maintenance system. The more important of these constraints are:
- restrictions on public expenditure and the commitments on Exchequer borrowing under the Maastricht Treaty; irrespective of these commitments, however, and as experience here has shown since 1987, greater budgetary discipline is in any case in this country's interests; and
 - possible effects on efficiency and work incentives of the level and structure of certain Welfare payments.
- 6.2 In addition, development of Income Maintenance policies must recognise our unique demographic structure and dependency ratio which is the highest in the EU; our relatively low level of income per head and high unemployment rate which restrict our capacity to reach European levels of provisions; and the central focus being given to reducing unemployment and accelerating work opportunities at every level. The latter, if successful on a significant scale would, of course, make a major contribution as unemployment is one of the major contributory factors to our current levels of poverty.
- 6.3 In this context, it is important to note that the dependency ratio in this country is set to change rapidly. Over the twenty-year period up to 1986 this ratio rose sharply, with the number of dependants for every 100 employees having increased from 172 to 228 and meant that, while our economy was growing faster than most of our EU partners, living standards here did not increase proportionately.
- 6.4 However, since 1986 the dependency ratio here has fallen and recent research estimates that it could fall towards 185 early in the next decade. Assuming no

improvement between 1986 and 2001 on the growth rate compared to that achieved over the 1971-86 period (which included the two oil crises and a prolonged deflation in our economy in the first half of the 1980s), the rate of improvement in people's living standards here, measured in terms of private consumption per head, would **double**. This vast boost to our living standards will of itself provide a major opportunity to tackle more effectively the poverty and exclusion which has dogged up to one-third of our population in recent decades. This, of course, should in no way be taken to imply that such action be deferred until this benign scenario emerges.

- 6.5 The recently-published ESRI Medium-Term Review 1994 - 2000 reinforces the above favourable scenario. With its forecast of rapid growth, this will transform our economy over the next decade, enabling this country to meet the convergence criteria laid down under the Maastricht Treaty, while at the same time achieving a much greater convergence between living standards here and the EU average than what has occurred over the previous 30 years. Despite the substantial increase in employment which is forecasted we will, however, still have one of the highest unemployment rates in the EU at the end of the decade, if present policies are allowed to continue unchanged.
- 6.6 With these significantly increased levels of economic growth and prosperity, this country will have a level of resources on a scale never experienced before and a major window of opportunity will be provided - involving major decisions and choices - to tackling much more decisively and effectively our major economic and social problems with particular reference to unemployment, poverty and social exclusion. For this purpose, the Forum strongly recommends that these resources should be distributed more equitably than has been the case in the past and thereby ensure a better balance in the achievement of economic and social objectives, rather than through increased living standards and tax reductions for those fortunate enough to be in employment.
- 6.7 Social Welfare spending, in real terms, rose significantly in the early 1980's before broadly levelling off in the latter half of the decade. (In the two years to 1989,

spending declined in real terms). In more recent years, spending has resumed an upward trend. This pattern of development has also been reflected when this spending is related to GNP which provides a measure of what the economy can bear in supporting such expenditure (see the graph beneath). Between 1980 and 1986, Social Welfare spending expressed as a percentage of GNP increased from about 10% to 14.6%, it fell steadily to slightly under 12% in 1990 but this has been reversed since then and will amount to an estimated level of 12.7% this year.

Expenditure on Social Welfare, at current prices, as a Percentage of Current Government Expenditure and GNP



Sources: Departments of Social Welfare and Finance.

- 6.8 As in the case of GNP, Social Welfare expenditure has also accounted for a rising proportion of Current Government Expenditure, rising from a level of 24.3% in 1980 to 35.0% in 1992 but has declined marginally to an estimated level of 34.3% this year. This very significant level of increase, which is illustrated in the above graph, reflects improvements in the system, higher level of payments and the dramatic increase in unemployment.

6.9 International comparisons of expenditure on Income Maintenance relative to GNP are set out in the following Table:

Expenditure on Income Maintenance

Country	As a % of GNP	Year
Ireland	13.1	1991
Germany	16.4	1987
France	23.9	1986
UK	13.2	1986
Denmark	15.4	1988
Netherlands	19.1	1988
USA	7.9	1987
Japan	7.9	1988
Australia	7.3	1987
Austria	20.3	1987
Finland	11.6	1988
Sweden	17.2	1987
Norway	15.6	1988

Source: T. McCarthy, "Reforming Social Welfare", Irish Banking Review Spring 1993 and OECD Working Paper No. 90.

6.10 As is only to be expected, there are wide divergences in the level of provision between countries which reflect different political philosophies, demographic factors as well as economic circumstances. Some would argue that the Irish figure is surprisingly low, given the high poverty and unemployment levels in this country. Caution must, however, be exercised as it does not necessarily follow that more spending leads to a better system and a decline in the ratio could be the result, for example, of a relatively greater increase in GNP and not necessarily reflect that the Income Maintenance system has disimproved.

- 6.11 In short, any assessment of strategic choices for Income Maintenance support must take into account the economic and budgetary constraints outlined above and, in particular, the level of expenditure in respect of such support has clearly to be related to how this is to be financed through the tax system. The taxable capacity of the economy provides, in the final analysis, the ultimate constraint on the level of support, as in other areas of social expenditure. Choices in this area are, therefore, intimately linked to choices about the structure of the tax system and the level of taxation, as well as other aspects of social expenditure. However, this raises much wider issues and these will be considered by the Forum at a future date.
- 6.12 Finally, another key issue is the way the Tax and Income Maintenance systems interact from the viewpoint of work incentives and unemployment / poverty traps and this is referred to in the next Section of the Report.

SECTION VII : STRATEGIC OPTIONS

- 7.1 Reforms to particular aspects of the present system, will need to be placed within a broader view of the direction in which the overall structure should be evolving. This does not necessarily mean that a full-scale blueprint for the "best" structure has to be agreed. But it will entail agreement on general principles as well as agreement on the implications of these for the direction in which the system should be moving. In the following paragraphs, the Forum outlines a number of strategic Options for the future, comments on these and presents its conclusions and recommendations on a number of key strategic issues.
- 7.2 The central questions in considering such strategic Options is the appropriate balance in the system between Social Insurance, Social Assistance and Universal Payments. Amongst other things, framing a response to this has to take into account the relationship between Social Welfare and the Tax (PRSI) systems.

Option 1

- 7.3 The first Option would be to view the **present structure as broadly acceptable** and work within it. The many problems which have been identified with the way our Social Welfare system currently operates are not all attributable to the basic structure. Progress could be made in various areas which give rise to concern, such as the harmonisation of means tests, without altering the current balance of the structure. Attempts could also be made to reduce poverty and unemployment traps by changing the parameters of the system through, for example, tapering the withdrawal of means-tested payments or increasing the amounts disregarded, as well as by changes to the income tax and PRSI contributions systems.
- 7.4 The Forum does not believe that this Option is an attractive or acceptable one. Besides the fact that the current system is beset by anomalies which would, in any case, need to be addressed and mere retention would not provide a strategic focus, within which the system could be adapted to changing needs.

- 7.5 Rather than accepting the current balance between Insurance, Assistance and Universal Payments, some would argue that as an alternative **means-testing should dominate**. The core of this argument, is that resources could be better targeted to those in need via means-testing, allowing "wasteful" transfers to the "non-poor" to be eliminated and tax levels reduced. From this perspective, Universal Payments have no justification and Social Insurance, though less "wasteful", is also seen as sometimes channelling resources towards those who do not "need" them, such as recipients of Contributory Old Age Pensions who also have Occupational Pensions.
- 7.6 Moving to a system which is dominated by means-tested benefits could provide a strategic focus. This approach is being pursued at present in the U.K. but this is an Option which the Forum totally rejects.
- 7.7 The argument, in support of this Option, is perhaps most often advanced in this country in the case of Child Benefit. It is based on the implicit assumption that providing income support to the poor is the sole aim of the system, which as noted earlier is generally not the case: income redistribution - including over an individual's life-cycle and income replacements are also generally accepted as objectives. It also assumes that Social Insurance payments are not "well targeted", whereas the evidence suggests that in the Irish case they do for the most part go to those on low incomes. The broader arguments for Universal Payments, briefly outlined below, are ignored or rejected. Finally, the impact of means-testing on incentives and dependency, as well as any stigma attached to it are also ignored.
- 7.8 This strategy involves trying to **reduce the role of means-testing by developing the Social Insurance system** through, for example, extending contributions and increasing the level and range of benefits. Social Assistance would play only a residual role and the coverage of the Social Insurance system, and the range and

duration of benefits which it provides would be maintained and, where appropriate, progressively extended. Key issues which arise in this context are the exclusion of many unemployed people from the system, its failure to cater for women who spend part of their working life on home duties, and the restricted cover for the self-employed. While the scope for addressing these issues is, in some cases, restricted by resource implications and the need to preserve the integrity of the Social Insurance system, the Forum believes that progress can be made on a number of fronts. Its overall conclusion and recommendations in this respect are outlined in the final part of this Section of the Report.

- 7.9 The Forum notes that both the Programme for Government and the Programme for Competitiveness and Work have reaffirmed the commitment to "the maintenance of the social insurance system". This the Forum fully supports and rejects an approach which would place increased reliance on means-testing at the expense of Social Insurance. This was also the central thrust of the Commission on Social Welfare, and measures taken since it reported to extend Social Insurance will in themselves have the effect over time of reducing the numbers on Social Assistance, particularly as more of those coming to retirement have entitlement to Contributory Pensions. The Forum has already made a number of recommendations on means-testing in its Report No. 3 which was published in January last.
- 7.10 Also it is worth noting in this regard that the commitment in the Programme for Competitiveness and Work, which again the Forum fully supports, is to maintenance of the Social Insurance system "including the contributory principle". In this regard, the Forum notes and welcomes that this year's Budget reversed the anomalous position which had developed over recent years with the amount received by certain people on long-term Unemployment Assistance exceeding that received by their counterparts on Unemployment Benefit. Additionally, the Forum recommends that the long-established differential of about 10% between Insurance and Assistance payments should be re-instated.

Option 4

- 7.11 Another alternative strategic choice would be to seek to **increase significantly the role of Universal Payments** but still within a Social Insurance plus Social Assistance structure. The most obvious route to take in this case would be to increase Child Benefit, which would allow the role of Child Dependant Additions to be reduced. While the arguments for such Universal Payments for children can be framed in terms of promoting equity between those with and without children and spreading the costs of child-rearing over the life-cycle, this would also contribute to reducing poverty and unemployment traps.
- 7.12 Only a substantial increase in the level of the Child Benefit would have a significant impact on the balance within the Social Welfare system. The level of Child Benefit was increased in 1993, in line with the commitment under the Programme for Government "to increase Child Benefit still further over time, following integration of the tax and social welfare system". A further increase for larger families was announced in the 1994 Budget, and the Programme for Competitiveness and Work notes that "special attention will be devoted to the reform and development of child income support", again in the context of the closer integration of the Tax and Social Welfare Systems. This would suggest that whether Child Benefit is to remain an untaxed Universal Payment is at this stage an open question.

Option 5

- 7.13 The remaining key strategic option for income support - which is open to a wide range of interpretations and encompasses many variants - would be to move away from the current structure towards one which **fully integrates tax and benefit systems**. At one extreme, this could entail a fully integrated negative income tax scheme, whereby all those below a specified income level receive a transfer sufficient to bring them up to that level, and tax is paid on incomes above that level by everyone else. At the other extreme it could entail a basic income type scheme, whereby a universal non-taxable payment is made to each individual, with all other income being subject to tax.

- 7.14 In their pure form, such schemes would replace all existing payments, whether insurance- or assistance-based. While similar in conceptual terms, variants - for example negative income tax versus basic income - would have very different effects. The detailed structure - whether the unit of assessment is to be the individual or the family, for example - is crucial to assessing not only the cost of such schemes but also their impact in terms of "gainers" and "losers". However the common feature emphasised by those advocating full integration of the tax and welfare systems is (i) the elimination of the very high marginal tax or benefit withdrawal rates which currently arise because of the way these intricate systems interact and (ii) reconciling conflicts between, on the one hand, reducing economic disincentives to work at low levels of income under the tax system and, on the other hand, the provision of adequate income supports to those most in need.
- 7.15 As far as the basic income schemes itself is concerned, this Option is at present under detailed examination by an Expert Working Group and, rather than duplicating this, the Forum will await its recommendations before pronouncing on this. In the meantime, it merely wishes to emphasise the value of the pure basic income scheme as a point of reference in considering strategic Options for income support. In approaching this central issue of strategic direction, quite different starting-points can be adopted. The most obvious is to take the present structure as the point of departure and say, in effect, "these are the problems, how can this system be fixed?"
- 7.16 An alternative would be to take the pure basic income scheme as a point of departure, and ask "what would be wrong with such a scheme, and what modifications would help to overcome those problems?" Some would feel that the latter ignores the practical difficulties, emphasised by the Commission on Social Welfare, which would be involved in a radical transformation of the present system. However, the Tax and Welfare systems have developed side-by-side in an uncoordinated and often in an ad hoc manner - "if it did not exist, no-one would invent it" - and it may not be helpful to allow the "dead hand of history" to limit the scope of the Options to be considered. The two approaches, in effect using polar benchmarks, may therefore be seen as complementary.

7.17 In short, the basic income approach has undoubtedly a number of distinct advantages such as the removal of the stigma attached to Welfare payments, the elimination of work disincentives associated with Unemployment Assistance and its recognition of the role of women in society, both in the home and in the workplace. As against this, however, there are important implications and practical difficulties, not least that of its financing and related significant increases in personal taxation. Given its interest in this radical initiative, the Forum wishes to be consulted when the Expert Group on the Integration of the Tax and Social Welfare Systems submits its recommendations later this year.

Conclusion and Recommendations

7.18 The Forum recognises that the growth of unemployment has both prevented people from full participation in the Social Insurance system and reduced the financial stability of the system. It believes, however, that a wholly means-tested approach would not be significantly better targeted. As the demographic structure changes and the economy's performance improves significantly in the future, (see Section VI of the Report) the scale of the unemployment problem will decline, and a higher level of participation in the Social Insurance system will, therefore, return.

7.19 In the circumstances and having considered the various Options outlined above, the Forum recommends that the key strategic changes required in the system are as follows:

- further development of the Social Insurance system;
- reducing the role of means tests and providing income support as of right, on the basis of contributions made;
- the need to reconcile child-care and family responsibilities and to end the discrimination against women's participation in training/employment schemes;

- moving towards individual entitlements, and
- facilitating movement from Social Welfare into employment.

7.20 The Forum is of the view that a combination of Options 3 and 4 above would represent the best approach to achieving these recommended changes in the immediate future. That is, the future development of the system should rely on the Social Insurance approach coupled with an expansion of Universal Payments (i.e. an expanded Child Benefit system) and supported by a residual but more comprehensive and effective Social Assistance safety net for those who fail to qualify for Insurance benefits. Such an approach would reduce the role of means-tested payments and emphasise the link between Benefit entitlements and contributions made. The Forum is satisfied that development of the Social Welfare system along these lines would not impede its eventual integration with the Tax system, in the event that such integration was ultimately adopted.

7.21 Within this broad strategic approach, a range of issues need to be addressed. These relate to the coverage of the Social Insurance system, improvement of the Social Assistance safety net, provision of incentives to work and training and progress towards individualisation of payments. In the Forum's view, the main issues which need to be considered are as follows:

- changes in the eligibility conditions for entitlement to the Old Age Contributory Pension to ensure that those who give up work to look after children or incapacitated relatives are not penalised;
- credits to those participating in training schemes to ensure that they maintain their eligibility for Social Insurance benefits; and

- relaxing the eligibility criteria for entitlement to Unemployment Benefit so as to encourage part-time working and simplifying the overall complexity of the system for part-time workers.

Benefits to be retained

- giving priority to rationalisation and simplification of means-testing arrangements;
- establishment of fair thresholds for income disregards and their indexation, as a general policy, so as to maintain the real value of benefit; and
- introduction of a Disability Allowance, in addition to other Income Maintenance payments, to cover the extra costs incurred by having a disability.

Incentives to Work and Training

- relaxation of means-testing arrangements for those on training courses so as to ensure that all Social Welfare recipients have an incentive to participate; particular incentives are needed for single parents in this area;
- retention of the Medical Card (at least for children) for a limited period by those taking up employment;
- tapering of the £60 limit above which an Adult Dependant Allowance is not payable in respect of a spouse with income from employment or self-employment and spreading this out over the tax year so as to ensure a more gradual withdrawal of benefit; and
- increasing Child Benefit substantially with Child Dependant Allowances being reduced by a proportion of the increase.

- payment, on an optional basis, of Adult Dependant Allowances (ADA) direct to the spouse or the payment of one half of the sum of the personal payment plus the ADA to each of a recipient couple; and
- further consideration to be given to a restructuring of Social Welfare payments to provide a uniform rate of payment to each adult plus a household supplement.

7.22 The above issues and others are at present under detailed examination by the Forum and more specific recommendations together with priorities, costings and a suggested time-scale for their implementation will be contained in a further Report in the near future.

SECTION VIII: CONCLUSIONS

- 8.1 On the basis of the considerations and recommendations set out in earlier Sections of this Report, the Forum strongly recommends that a strategic medium-term plan, with quantified targets, priorities and specific commitments for the phased improvement and further development of the Social Welfare system should now be drawn up by the Government. This plan in any case should translate into more specific and operational terms the general-type commitments made in the Programme for Government and the Programme for Competitiveness and Work, with particular reference also to remedying existing deficiencies and anomalies and the provision of a service which would respond more adequately to current needs and changing circumstances in the future.
- 8.2 Special groups in greatest need such as the long-term unemployed, small farming households, low-income households with three or more children, those dependent on low-paid jobs and people who are sick or disabled - which studies have shown to be most at risk of poverty - should be targeted with specific measures of assistance under this plan. The particular concerns of Travellers and other minority groups should also be taken into account in this regard. The necessity for such a planned approach, which has never before been undertaken in this country, is all the more necessary, against the background of the demographic, social and economic changes and challenges which have been highlighted in Section V of the Report.
- 8.3 In the Forum's view, the three main shortcomings in the current system could be summarised as:
- adequacy:* the inadequate level of Social Welfare payments is a central concern of the Forum and will be dealt with in a future Report; for the present, it simply wishes to reiterate that any structure for the Income Maintenance system will have to be judged in large part by its effectiveness in delivering an adequate level of support to all those who need it;

... : this term is used here to encompass the many ways in which the current structure, most notably the system of means-testing, acts to limit the choices open to people; more specifically, the Forum is particularly concerned with the way payments are currently linked to contingencies and means-tests in such a way as to constrain recipients from, for example, taking up work or going back to education while leaving others, such as women working in the home, without direct income support; and

... : further improvements are needed in the delivery system and its effectiveness in ensuring that Income Maintenance payments reach those in need with the emphasis on simplicity in rules and official forms, transparency in decision-making with all information and guidelines available to the public, greater co-ordination and delegation and a standard of service which respects the rights and dignity of individuals, regardless of their disability, social class, gender, marital status, ethnic origin or sexual orientation.

- 8.4 It would be important that the strategic medium-term plan recommended above be drawn up on the basis of a national consensus and that, for this purpose, consultations should take place with all main interest groups, including the Forum, before it is finalised. These should also be involved in periodic reviews of its implementation and of the effectiveness of policies in meeting the prescribed targets. In this context, it is important to note that data and research results now available in the ESRI are such as to enable more effective evaluations to be carried out of the impact and effectiveness of present policies as well as that of alternative approaches to tackling poverty.
- 8.5 The present Report is exclusively concerned with Income Maintenance policies viz cash transfers paid by the Department of Social Welfare and the Department of Health and their role and effectiveness in dealing with poverty. However, it is important to emphasise and acknowledge that such policies do not operate in a vacuum and that account must also be taken of the redistributive impact of all Government expenditure, not only in other social services areas such as that of education, health and housing but also the effect of other related policies, notably those on employment and low pay.

- 8.6 In its Report No. 1, the Forum has already expressed its concern that the benefits of many policies with nominal redistributive objectives finish up in practice by benefiting the better-off in our society. This is readily evidenced by the two-tier divide in our health-care system, much of the benefits of State expenditure on education by-pass the poor and underprivileged while State assistance to housing is heavily skewed in favour of the better-off. Such inequalities cannot be allowed to continue.
- 8.7 Additionally, the welfare effects of the financing of Government expenditure must be considered. This in turn raises the question of taxation and the need to redistribute and broaden the tax burden to ensure that it is more equitably shared while at the same time minimising the adverse effects on enterprise, investment and employment.
- 8.8 In short, the Forum wishes to underline the importance of and the need for greater integration and co-ordination between the whole spectrum of policies which impact on poverty and redistribution. In this regard, it is encouraged by the emphasis and acceptance in the Government's recent initiative on Strategic Management in the Public Sector on the need for and the benefits to be derived from an overall coherent view and strategy and the establishment of a new Co-ordinating Group of Departmental Secretaries specifically for this purpose.
- 8.9 Finally, the Forum recommends that all major policies, programmes and mechanisms for the delivery of services impacting on poverty and exclusion should be assessed on a regular basis to ensure their effectiveness. The results of these evaluations should be published to encourage a more informed debate and support for any policy changes that may be necessary in this area.

Statistical Tables

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Table 1

Expenditure on Social Welfare by Scheme in 1993.

Scheme	1993
Social Insurance:	£m
Unemployment Benefit (Inc. Prb)	259.50
Disability Benefit (Inc. Prb)	167.70
Invalidity Pension	157.30
Old Age C. Pension	312.20
Retirement Pension	234.10
Widow's Pension	292.60
Orphan's C. Allowance	1.50
Deserted Wife's Benefit	61.70
Maternity Benefit	22.20
Total Insurance (1)	1,508.80
Social Assistance:	
Unemployment Assistance	794.70
Smallholder	
Others	
Old Age N.C. Pension	318.40
Widow's N.C. Pension (a)	54.10
Orphan's N.C. Pension	
Deserted Wife's Allowance (a)	6.00
Lone Parent's Allowance (a)	151.00
Carer's Allowance	11.50
Prisoners Wife's Allowance (a)	0.03
Pre-retirement Allowance	57.20
Supplementary Welfare Allowance (b)	97.80
Family Income Supplement Rent Allowance	17.30
Total Assistance (2)	1,508.00
Child Benefit (3)	231.30
Total = (1)+(2)+(3)	3,248.10

(a) People with children claiming Widow's (Non-con) Pension, Deserted Wife's Allowance and Prisoner's Wife's Allowance transferred to Lone Parent's Allowance in 1990. Claimants of Unmarried Mother's Allowance also transferred. Only those with no child dependants remained on the original allowances.

(b) Includes basic weekly payments and exceptional needs payments.

Table 2

Recipients of Social Welfare Payments by Scheme in 1993.

Scheme	1993			
	Recipients ('000's)	Adult Dependants ('000's)	Child Dependants ('000's)	Total ('000's)
Social Insurance:				
Unemploy. Benefit	73	13	63	150
Disability Benefit	44	10	45	99
Invalidity Pension	39	13	22	74
Old Age C. Pension	72	18	1	91
Retirement Pension	58	20	2	81
Widow's Pension	86		13	100
Orphan's C. Allowance	1			1
Deserted Wife's Benefit	13		22	35
Maternity Allowance	4			4
Total Insurance (1)	390	74	169	633
Social Assistance:				
Unemploy. Assistance	206	60	183	449
Smallholder	11	6	19	37
Others				
Old Age N.C. Pension	111	8	2	122
Widow's N.C. Pension (a)	19			19
Orphan's N.C. Pension	0			0
Deserted Wife's Allowance (a)	2			2
Lone Parent's Allowance (a)	37		59	96
Carer's Allowance	5		3	8
Prisoners Wife's Allowance (a)	0			0
Pre-retirement Allowance	16	6	5	27
Supplementary Welfare Allowance (b)	65	19	52	136
Family Income Supplement	10		31	40
Rent Allowance	1			1
Total Assistance (2)	481	100	355	936
Child Benefit (3)	482	0	1,075	1,557
Total = (1)+(2)+(3)	1,353	174	1,599	3,127

* The Sum of the components may not equal the totals due to rounding. The footnotes to Table 1 also apply to this Table.

Table 3

Financing of Social Welfare Expenditure, at current prices, 1986 and 1993.

Total Social Welfare Expenditure	1986		1993	
	£m	% Share	£m	% Share
State	1.543	62.2	2.041	56.3
Employers	0.639	25.7	1.043	28.7
Employees	0.294	11.9	0.470	12.9
Self-Employed			0.073	2.0
Other Receipts	0.004	0.2	0.001	0.1
Total	2.481	100.0	3.628	100.0
Social Insurance Fund				
State	0.402	30.1	0.106	6.2
Employers	0.639	47.8	1.043	61.6
Employees	0.294	22.0	0.470	27.8
Self-Employed			0.073	4.3
Other Receipts	0.002	0.1	0.001	0.1
Total	1.337	100.0	1.692	100.0

Table 4

Expenditure on Social Welfare, at current prices, as a Percentage of GNP and Current Government Expenditure, 1980 to 1993.

Year	Total Expenditure (£m)	% Increase (real terms) on previous year	Social Welfare Expenditure as % of	
			Current Government Expenditure	Gross National Product
1980	899		24.3	9.9
1981	1,192	10.1	25.0	10.9
1982	1,630	16.8	27.6	13.0
1983(*)	1,900	5.5	28.5	13.8
1983(*)			30.0	
1984	2,093	1.4	29.9	14.0
1985	2,298	4.2	30.2	14.4
1986(**)	2,480	3.9	30.6	14.6
1986(**)				14.0
1987	2,593	1.4	31.1	13.7
1988	2,614	-1.3	32.6	13.1
1989	2,663	-2.1	33.2	12.1
1990	2,809	2.0	33.4	11.8
1991	3,092	6.7	34.1	12.3
1992	3,432	7.7	35.0	13.0
1993	3,628	4.2	34.5	13.1

(*) Discontinuity in the Government Current Expenditure series in 1983 with the transfer of responsibilities to An Post and Telecom Éireann from 1 January, 1984.

(**) Discontinuity in the National Accounts GNP series.

Terms of Reference and Constitution of the Forum

1. The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.
 The Forum will:
 - (a) Have a specific focus on:-
 - job creation and obstacles to employment growth;
 - long term unemployment;
 - disadvantage;
 - equality and social justice in Irish society; and
 - policies and proposals in relation to these issues.
 - (b) Make practical proposals on measures to meet these challenges.
 - (c) Examine and make recommendations on other economic and social issues.
 - (d) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations.
and
 - (e) Examine and make recommendations on matters referred to it by Government.
2. The Forum may consider matters on its own initiative or at the request of Government.
3. The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.
4. In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESC and the CRC to avoid duplication.
5. The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.
6. The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.
7. The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, the elderly and environmental interests.
8. The Forum will have an independent Chairperson appointed by Government.
9. The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.
10. The Forum is under the aegis of the Office of the Tánaiste and is funded through a Grant-in-Aid from that Office. This Grant-in-Aid is part of the overall estimate for the Office of the Tánaiste.

Membership of the Forum

Independent Chairperson:	Maureen Gaffney
Government Representative:	Eithne Fitzgerald, T.D. Minister of State at the Office of the Tánaiste
Chair (Employment and Economic Policy Committee):	Prof. John O'Hagan
Chair (Social Policy Committee):	Triona Nic Giolla Choille

Oireachtas

<i>Fianna Fáil:</i>	Ned O'Keeffe, T.D. Éamon Ó Cuív, T.D. Chris Flood, T.D. Sen. Paschal Mooney Sen. Brian Hillery Sen. Brian Crowley
<i>Fine Gael:</i>	Richard Bruton, T.D. Frances Fitzgerald, T.D. Paul Connaughton, T.D. Sen. Madeleine Taylor-Quinn
<i>Labour:</i>	Joe Costello, T.D. Sen. Jan O'Sullivan
<i>Progressive Democrats:</i>	Máirín Quill, T.D.
<i>Technical Group:</i>	Proinsias De Rossa, T.D.
<i>Independent Senators:</i>	Sen. Mary Henry

Social Partners

<i>Trade Unions:</i>	Philip Flynn Patricia O'Donovan Tom Wall Mary-Ann McGlynn Manus O'Riordan
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<i>Employer/Business Interests:</i>	Declan Madden Anne Coughlan Aebhric McGibney David Croughan Mirette Corboy
<i>Agricultural/Farming Organisations:</i>	John Tyrrell Michael Slattery Ciarán Dolan Clare Higgins Monica Prendiville
"Third Strand"	
<i>Womens Organisations:</i>	Anne Taylor Noirín Byrne Ina Broughall
<i>Unemployed:</i>	Brendan Butler Jane Foley Mike Allen
<i>Disadvantaged:</i>	Niall Crowley Joan Byrne David Joyce
<i>Youth:</i>	Gearóid O'Maoilmhichil
<i>The Elderly:</i>	Michael White
<i>People with a Disability:</i>	Roger Acton
<i>Environmental Interests:</i>	Jeanne Meldon
<i>Academics:</i>	Fr. Seán Healy Stasia Crickley

Secretariat

<i>Director:</i>	Seán O'hÉigeartaigh
<i>Secretary, Social Policy Committee:</i>	Larry O'Reilly
<i>Secretary, Employment & Economic Policy Committee:</i>	David Hegarty
<i>Economist:</i>	Michael McGrath
<i>Executive/Secretarial:</i>	Theresa Higgins Patricia Lynch Mercedes Kelly

Reports published to-date by the Forum

Report No.	Title	Date
1.	Negotiations on a successor agreement to the PESP	November 1993
2.	National Development Plan 1994-1999 - the Proposed Local Development Programme	November 1993
3.	Commission on Social Welfare - Outstanding Recommendations	January 1994
4.	Ending Long-term Unemployment	June 1994