

Poverty – An Agenda For the '90s

— Submission to the Government on the 1990 Budget —



Combat Poverty Agency
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Preface

In preparing this submission on the 1990 Budget, the Combat Poverty Agency is fulfilling two of its statutory obligations. These are to advise the Minister for Social Welfare on all aspects of economic and social planning in relation to poverty and to create a greater public awareness of the extent and nature of poverty and the measures necessary to tackle it.

The climate for addressing poverty in Ireland is now better than for many years. The economy is performing well on conventional economic indicators. However, high levels of poverty, unemployment and emigration have been relatively untouched by the recent improvements in the economy. Clearly, very specific measures are needed to break down inequalities and redistribute resources and opportunities. The possibility to do so now exists. Therefore, the Agency advocates the introduction of an Anti-Poverty Programme which would involve a comprehensive and integrated set of measures designed to tackle poverty.

The potential impact of the creation of a single EC market by 1992 lends a special urgency to developing programmes to combat poverty. If the inequalities and divisions in our society are not addressed now, Ireland will be seriously disadvantaged in the period after 1992. In the lead-up to the single market then, the Agency urges the government to give top priority to ensuring that those individuals, groups and communities which are most disadvantaged are given the maximum support to enable them to participate in and benefit from the single market. As well as developing national policies to tackle poverty, the government should argue strongly for comprehensive anti-poverty measures at EC level. The Irish Presidency of the EC in the first six months of 1990 gives Ireland an enormous opportunity to accelerate the social dimension of the Community. Our leadership in this will be greatly enhanced if, at a national level, Ireland is seen to have developed comprehensive and effective policies to tackle poverty and promote social equity.

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SUMMARY

The Irish economy continues to perform well: the conventional economic indicators are very favourable and high growth rates are forecast for the future. The Agency welcomes the improvements in the economy but points out that alongside them high levels of poverty, unemployment and emigration continue. Poverty affects over 30% of our population, especially those who are unemployed, larger families and lone parents. Unemployment is proving very difficult to reduce and long-term unemployment seems to be accepted almost as inevitable now. And Ireland's traditional safety valve – emigration – took 46,000 Irish people out of this country in the last year.

After three years of growth and improvement, it is now beyond doubt that the elimination of poverty and inequality requires targeted measures which have redistribution as their focus and aim. Not only are there substantial income inequalities within our society but opportunities to change their situation are denied to up to a third of our people. In its statutory role as advisor to the Minister for Social Welfare on policies relevant to poverty, the Agency recommends that an Anti-Poverty Programme be introduced in Ireland as a matter of urgency. Five key actions are integral to an Anti-Poverty Programme for Ireland. They are:

- improving social welfare provision and low pay;
- addressing unemployment;
- improving access to essential public services;
- taxation reform;
- community development measures.

All of the policy recommendations made by the Agency are set within the context of the planned integration of the European markets – arguably the most far-reaching development to affect Ireland in recent years. 1992 has a number of implications for Irish policy: national policies will have to be co-ordinated with those of the EC; the extent of autonomy in national policy making will be reduced; but our opportunity to benefit from EC policy is also enhanced.

A National Anti-Poverty Programme

1. SOCIAL WELFARE AND LOW PAY

In the light of continuing high levels of poverty, the adequacy of social welfare provision and the needs of the low paid are of central importance. In 1986 the Commission on Social Welfare highlighted the need for an adequate basic welfare payment and identified other areas requiring fundamental reform. While some progress is being made in implementing the Commission's recommendations, the social welfare system still needs major improvement. The Agency wishes to highlight three priority issues: the adequacy of payment rates and the unit of payment; the administration of social welfare; the structure of welfare provision.

a) Rates and the Unit of Payment

Although welfare payments have been kept in line with inflation and additional increases granted to long-term unemployed people, payment levels are still substantially below the basic level recommended by the Commission on Social Welfare – at today's prices between £57 and £68 a week for an individual and between £91 and £109 for a couple. Payments are particularly inadequate for adult dependants, child dependants and the unemployed.

Recommendations

- 1.1. Payment levels should be raised to the level recommended by the Commission on Social Welfare – between £57 and £68 a week for an individual and £91 and £109 for a couple. All additional revenues should be used to fund increased payments and improved services for social welfare recipients. In the longer term, alternative ways of supporting people, such as through a basic income system, should be investigated.
- 1.2. Any changes to be made in the equivalence scales underlying welfare payments should be based on thorough research. The right of additional adults in the household to an equal share of a full and adequate 'family' payment must be asserted.
- 1.3. The gross weekly earnings' threshold of £50 for dependent spouses, introduced with the equality directive in 1986 and unchanged since, should be increased to £65.
- 1.4. Child dependant allowances need to be increased to an adequate level, standardised across schemes and an age differential introduced. The recommended payment level is £14 for each child of 12 years or under and £19 for children aged over 12 years. Child dependant allowances should be extended to 21 years for all children in full-time education. A double payment in September for children should be introduced to help with school-related costs. Child benefit should be retained and raised by approximately 10% to keep it in line with inflation since 1986 when it was last raised. In addition, the fourth child should be made eligible for the higher payment.
- 1.5. The Agency favours the retention of zero-rating of VAT on food and children's clothing. However, if the imposition of VAT on these items is unavoidable, then there should be an automatic increase in welfare payments, wage rates or other necessary measures to protect low income people from the resultant increase in the cost of living.

b) The Administration of Social Welfare

Social welfare is a very big system, catering for nearly three-quarters of a million recipients. It is generally a very efficient system and one that has been improved substantially over the last number of years. However, some problems remain. The Agency draws attention to four in particular: information on entitlements is not provided on a comprehensive basis; application procedures are complex and application forms are not easy to understand; delays occur in processing payments; the new appeals system just announced, while very welcome, has no consumer representation.

Recommendations

- 1.6. Beginning at school, people should be educated as to their right to income support and the rationale for government intervention in this regard. Socially stigmatising terminology, such as unmarried mother's allowance, should be removed.
- 1.7. Special attention should continue to be given by the Department of Social Welfare to achieving higher uptake of welfare benefits. Other measures, such as local benefit take-up campaigns or direct marketing, would also be helpful. In addition, the application forms and procedures should be continually reviewed to assess how easy they are to use.
- 1.8. The length of time taken to process claims should be monitored regularly with a view to reducing the waiting period and the necessity for claiming SWA as a substitute payment.
- 1.9. Social Welfare staff should receive adequate training to deal with the public and ensure that the highest standards of service exist.
- 1.10. The appeals system should have its own monitoring committee which includes welfare rights representatives.
- 1.11. Premises should continue to be upgraded and improved in the interests of staff and the recipients of social welfare services.

c) The Structure of Welfare Provision

As it is currently organised, welfare induces dependency as well as leading to hardship in some cases. The conditions and criteria attaching to schemes and the very strict assessment of additional earnings make it difficult for people to escape from poverty by getting a (part-time) job.

These conditions particularly affect recipients of unemployment payments and some of those on 'women's schemes'. Thus, it is very difficult for unemployed people to engage in activities which are developmental or educational – the very activities that increase their chances of securing employment. If it is to be truly effective in reducing poverty and dependence, the social welfare system should provide a basic income which can be built on and encourages independence rather than a ceiling that cannot be exceeded.

Recommendations

- 1.12. The vocational training opportunities scheme should be extended to cover all adult beneficiaries of long-term social welfare payments. Also, the voluntary work option scheme should be extended with adequate funding.
- 1.13. The legal provision to free older unemployment assistance recipients from the weekly requirement to sign on should be used more extensively.
- 1.14. The conditions attaching to 'women's schemes' that cause hardship, in particular the requirement that the woman prove that her husband left of his own volition, should be discontinued.
- 1.15. The conditions governing means testing should be relaxed, especially with regard to earnings from part-time work. The effects of relaxing these regulations for the labour market and especially wage levels should be carefully monitored. The assessment procedures for means testing should also be simplified.

d) Low Pay

Despite recent government initiatives to tackle it, low pay is a significant contributor to poverty. At the £40 a week poverty line, 13% of poor households are headed by an employed person. Between a fifth and a third of those at work are estimated to be affected by low pay. While it is undoubtedly related to wage rates, the tax system also contributes to poverty among workers: recent research indicates that 18% of households below the £48 a week poverty line are paying income taxes. The Family Income Supplement (FIS) has a major role to play in tackling low pay but it has two main problems: low take-up; the interaction of means tests and tax with FIS creates poverty traps.

Recommendations

- 1.16. The introduction of a statutory minimum wage should be seriously considered.
- 1.17. Future pay increases for the low paid should continue to be calculated as absolute amounts, rather than on a percentage basis, and should exceed the average wage increase.
- 1.18. Child additions to the tax exemption limit should be increased, building on their introduction in the 1989 Budget.
- 1.19. Existing PRSI and PAYE allowances should be converted into tax credits. Even if done on a revenue neutral basis, this would help to make the tax system fairer.
- 1.20. Any reform of income tax should concentrate on reducing the tax burden on those with the lowest incomes.
- 1.21. The structural disincentives to the take-up of FIS should be reviewed and the possibility of calculating FIS on net income should be considered. FIS should not be included as means in other assessments of eligibility for state benefits.
- 1.22. Part-time workers should be entitled to an agreed minimum wage, job security and pension rights equivalent to those of full-time workers.

2. UNEMPLOYMENT

Although there has been an improvement over the last two years, 231,700 people were officially unemployed in August 1989. Also, while the forecasts are good, they assume that 190,000 people will still be unemployed in Ireland by 1994. Long-term unemployment is the major problem, growing consistently over the course of the 1980s. Unemployment is closely related to poverty. Over a third of poor households (at the 60% of average income line, i.e., £48 a week for one individual) are headed by an unemployed person. To tackle unemployment requires measures to help the unemployed, to create jobs and to improve education and training provision.

Recommendations

- 2.1. Addressing unemployment should be made the priority for government economic and social policy. This must be done at two levels: in terms of the welfare of people who find themselves unemployed and by reducing the extent of unemployment.

- 2.2. Unemployed people and their families must be protected and their right to the following affirmed:
 - adequate welfare payments;
 - representation with other social partners in discussions on economic and social policy;
 - the opportunity to engage in education and other developmental activities without endangering their welfare payment.
- 2.3. There should be adequate and secure statutory funding for the Centres for the Unemployed. This should fund them to employ permanent staff since at present the Centres depend largely on temporary employment schemes.
- 2.4. Government policy should include a commitment to full employment. To achieve this, a very focused job creation policy is necessary. This requires a reformulated industrial strategy which will:
 - give more selective and individual assistance to companies;
 - target service companies as well as manufacturing;
 - encourage Irish companies to develop appropriate economies of scale and innovation in the run-up to 1992;
 - introduce taxation changes which encourage job creation rather than capital investment.
- 2.5. In line with government policy of setting up special task forces, the establishment of a task force for job creation should be considered as a matter of urgency. The task force should especially focus on the nature of long-term unemployment and how the long-term unemployed can be targeted in all job creation measures. How education, training and temporary employment schemes can be better integrated into job creation strategy and the adequacy of current provision also needs attention.
- 2.6. There should be a significant increase in resources to the VECs to promote literacy and second-chance education schemes. These schemes should be available on both a part-time and full-time basis and be targeted to long-term beneficiaries.
- 2.7. Participation on state-funded education, training or employment schemes should involve no loss of income. So payment rates, especially those for dependants of

people on employment schemes, should be raised to an adequate minimum level, in line with recommended social welfare rates.

- 2.8. Nor should participation involve any disimprovement in people's access to other state benefits and services. Therefore, special conditions should be introduced to guarantee low income participants continued access to necessary benefits such as medical card, free fuel allowance, Christmas bonus and differential rent.
- 2.9. All adult beneficiaries of long-term payments should be eligible to participate in training and employment schemes.
- 2.10. The SES should be reformed to become full-time, although retaining a part-time option as well, and should be paid accordingly. It should also include a training and educational dimension and be extended to two years.

3. ACCESS TO PUBLIC SERVICES

The provision of public services is another important aspect of the state's role in tackling social inequality and poverty. Such services can greatly improve or disimprove the quality of life and range of opportunities for people on low incomes. Four services are vital to people on low incomes: education, health, housing and legal services.

Recommendations

a) Education

- 3.1. Adequate pre-school provision should be made available for children from low income backgrounds.
- 3.2. Special measures are required to ensure that education is available to young people from low income backgrounds at no cost. These include:
 - (i) adequate free books allowances
 - (ii) additional resources for remedial education
 - (iii) lowering the pupil-teacher ratio.
- 3.3. More resources should be targeted to community, second chance and adult education services.

b) Health

- 3.4. Adequate basic health care should be available to the entire population with no discrimination against people on low incomes.

- 3.5. Private health care provision should not divert resources from public services.
- 3.6. Post natal clinics, maternity services, screening services for women, public dental care, health services in rural areas and outpatient services for medical card holders should be protected from spending cut-backs.
- 3.7. Urgent attention is required from the Department of Health to develop more specific measures to ensure that an effective programme of community care and primary health services is provided.

c) Housing

- 3.8. A substantial funding commitment is necessary for local authority housing so as to adequately meet the housing needs of low income families.
- 3.9. Public housing services should be improved by increased tenant participation in decision-making, adequate maintenance and measures to achieve a better social mix.

d) Legal Services

- 3.10. Additional resources should be made available to the Legal Aid Board.
- 3.11. A network of community law centres should be developed around the country as recommended by the Pringle Committee. The Department of Justice should establish a special section to co-ordinate the work of the Legal Aid Board and the community law centres.

4. TAXATION REFORM

Reform of the taxation system is essential to any programme to tackle poverty. Two elements of taxation policy, funding and fairness, should underpin any reforms the government decides upon in the forthcoming Budget. The tax system should provide the necessary resources to fund adequately public services and the social welfare system. Among the problems with our present tax system are the narrowness of the taxation base, the regressive nature of parts of the tax system, and the fact that significant amounts of tax are either avoided or evaded.

Recommendations

A broad-ranging programme of taxation reform should be introduced as a matter of urgency. Two key principles should underlie the reforms: adequate funding for state services and equity. Two fundamental changes are recommended:

4.1. Widen the tax base by:

- introducing a more comprehensive property tax;
- reintroducing a wealth tax;
- replacing the minimal inheritance taxes by a comprehensive accessions tax;
- introducing a more effective corporation tax for the 1990s, which would increase the yield but could incorporate incentives like reduced tax liability for job creation;
- tackling tax avoidance through legislation;
- removing the upper income ceiling for PRSI;
- reducing the tax reliefs for the self-employed.

4.2. Make the tax system more equitable by:

- limiting all income tax reliefs to the basic rate of tax;
- replacing personal tax allowances with tax credits.

5. COMMUNITY DEVELOPMENT

Any overall strategy to tackle poverty needs to include measures both to empower those experiencing poverty and to address the concentration of poverty in particular communities. In the Agency's view, a national programme of community development is needed which would facilitate the setting up of resource centres in local communities. A programme of integrated area development is also required to ensure that disadvantaged communities can benefit from new economic opportunities.

Recommendations

- 5.1. The government should allocate funding to establish a national community development fund as advocated by the Agency in its policy statement *Towards a Funding Policy for Community Development*. This should be administered by the Combat Poverty Agency in consultation with the Minister for Social Welfare. The

funds would be used to develop a network of resource centres in areas of need throughout the country. They would be charged with initiating and supporting local community activity, including the provision of some seed funding.

- 5.2. Increased private sector support for local community development activity should be encouraged by introducing tax relief on covenants and capital donations for anti-poverty work.
- 5.3. A special four year programme of integrated area development should be launched for disadvantaged areas, particularly those suffering from long-term

unemployment. Initially this should be focused on those areas where strong partnerships between statutory, voluntary, community and private organisations are already emerging. Adequate funds should be made available to develop special programmes drawn up by the partnerships in these areas.

- 5.4. Local community groups should have access to capital grants for community infrastructure, capitation grants and technical assistance to undertake various programmes and activities in economic, social and cultural development.

The European Context

It is far from certain that 1992 will translate into any radical improvement in economic security or employment opportunities for a country like Ireland, although there will undoubtedly be benefits in market integration for consumers, especially for those on higher incomes. There are very good grounds for concern: the relatively poor performance of our indigenous industry since joining the EC; the big gaps in income standards that exist across the Community and within Ireland; the structural problems in the Irish economy that membership of the EC has failed to address significantly. Clearly, the stronger economies are likely to gain most from increased competition. Three main sets of factors are important for poverty in Ireland in the light of 1992 and market integration: the disparities between Ireland and other European countries; the revenue and employment implications of the proposed changes; the exclusion of a real social dimension from integration as planned.

Recommendations

The Agency urges the government to take a more pro-active position with regard to the single market. The following are especially important:

- a revised Community regional policy;
- measures to protect the poorer economies and within countries the poorer sections of the community;
- a more comprehensive Community social policy which covers social welfare, health, education and housing;
- the agreement and implementation of the Social Charter;
- a European anti-poverty strategy.

Introduction

The Context for the 1990 Budget

During 1989, the Irish economy continued to perform very well. In fact, the economic indicators are so favourable that the ESRI has revised upwards its forecast GNP growth rate for the year: from 4% to 5.8%.¹ Such a growth rate is extraordinary in the light of the Irish economy's poor performance for most of the 1980s. The main components of growth this year have been a major recovery in private investment and a surge in personal consumption. Manufacturing production has also grown rapidly and the value of merchandise exports for 1989 is forecast to increase by nearly 20%. Such growth will increase tax revenues and in turn will improve the Exchequer borrowing requirement which is now forecast to fall to about 3% of GNP in 1990, compared with an estimated 5.3% in the January 1989 Budget.

Moreover, the long-term future for the economy looks promising. The ESRI forecast in June of 1989 a major recovery in the Irish economy over the next five years.² An average growth rate of 5% a year is predicted to 1994 as is an employment increase of 82,000 jobs over the period. Individual real incomes are predicted to grow by about 4% a year. If realised, this will represent the best performance of the economy since the 1960s.

This is just one side of the picture, however. Within this economy that is performing so well on conventional economic indicators, high levels of poverty, unemployment and emigration persist. The figure of over a million below a poverty line of around £48 a week for an individual was confirmed by a new report during the year.³ The numbers at work actually dropped by 1,000 in the year to April 1989 and going on current predictions the unemployed would still number around 190,000 five years from now.⁴ Furthermore, a staggering 46,000 people emigrated between April 1988 and April 1989. So, the future is optimistic only for some: well-paid workers, people with wealth and those with access to public and private resources. Moreover, inflation is increasing – in August it was 4.5%, compared with 2.1% twelve months earlier. In fact, food prices are 5.7% up on the previous year, due especially to increases on essentials like potatoes, other vegetables, butter and milk. Interest rates have also risen – to 11.25% in November – with consequent falls in disposable income for mortgage holders.

Overall, though, the economic options for the 1990 Budget are much more favourable than in the last number of years. There will certainly be more money available: because of savings, because of higher tax returns, because of the severe spending cut-backs of recent years and because the additional Structural Fund money will increase Exchequer revenue. The 1990 estimates announced a spending increase, for the first time in four years. Overall spending as estimated will increase by £64m in 1990, compared with cuts of £224m in 1989 and £412m in 1988. It is capital, rather than current, spending that will increase the most. Health, education and training services are the main beneficiaries of increases in current spending. So, clearly, there is greater choice for the government in the 1990 Budget.

In setting the context for the 1990 Budget, one must also consider the impact of moves towards a single market by 1992, arguably one of the most significant developments in Ireland's recent history. There are three main reasons why the EC dimension gives an added urgency to developing effective anti-poverty policies in the 1990 Budget. First, one of the likely effects of the single market will be to increase regional disparities. Those communities which are currently isolated and marginal to the economy are at risk of becoming even more impoverished. Secondly, market integration has many revenue and employment implications. There is likely to be a significant loss of revenue to the Exchequer as VAT and excise rates are harmonised across the Community. On the employment front, there will be both expanded opportunities for the firms with the right economies of scale and those capable of innovation while some job losses are also certain. Thirdly, market integration is significant because it does not include plans to harmonise welfare and social service provision across the Community. For Ireland this is not good because not only is our poverty problem more entrenched than in the Community as a whole but our welfare provision generally lags behind that of most European countries.

How to maximise benefit from the EC in the interests of the poorer sections of Irish society will be considered in Part Two of this submission. First, national provision will be considered.

1: *Quarterly Economic Commentary*. Dublin: Economic and Social Research Institute, August, 1989.

2. *Medium-Term Review: 1989 – 1994*. Dublin: Economic and Social Research Institute, July, 1989.

3. T. Callan, et al, *Poverty, Income and Welfare in Ireland*. Dublin: Economic and Social Research Institute, 1989.

4. *Medium-Term Review: 1989 – 1994*, op cit.

Part One

National Policy Priorities

At national level, a targeted set of measures is needed to redistribute income and opportunities. The Agency therefore again recommends the introduction of a comprehensive Anti-Poverty Programme as a matter of urgency.⁵ The need for such a programme, which was originally recommended by the Agency in 1987, has been endorsed by many other groups and organisations, including the trade unions, some political parties, leading churchmen and numerous community and welfare organisations.

Five key actions are integral to an Anti-Poverty Programme for Ireland. They are:

- improving social welfare provision and low pay;
- tackling unemployment;
- improving access to essential public services;
- taxation reform;
- community development measures.

1. SOCIAL WELFARE AND LOW PAY

In the light of continuing high levels of poverty, the adequacy of social welfare provision and measures to deal with low pay are of central importance. In 1986 the Commission on Social Welfare highlighted the need for an adequate basic welfare payment and provided a framework for fundamental reform. While some progress is being made in implementing the Commission's recommendations, the social welfare system remains in need of basic improvement. Low pay is also a continuing problem, despite recent government initiatives.

In relation to the social welfare system, the Agency wishes to highlight three priority issues:

- the rates and unit of payment;
- the structure of welfare provision;
- the administration of social welfare.

a) Rates and the Unit of Payment

Although welfare payments have been kept in line with inflation and additional increases granted to individual long-term unemployed people, payment levels are still substantially below the basic level recommended by the Commission on Social Welfare – at today's prices between £57 and £68 a week for an individual and between £91 and £109 for a couple. Research done by the Agency confirms how

difficult it is to manage on the lowest social welfare payments; borrowing from moneylenders, worry, stress and ill-health and very limited life chances and opportunities are often the result.⁶ Furthermore, the existence of so many different schemes adds to the complexity of the social welfare system and, among other things, makes co-ordination for EC policy purposes more difficult. Also, differences exist in the rates paid for different schemes.

The Agency wishes to draw attention to three priority groups whose payments are particularly inadequate: adult dependants; child dependants; the unemployed.

There are over 150,000 adult dependants in the social welfare system. The vast majority (an estimated 125,000) are women. They do not receive a payment in their own right, but are included in the 'family' payment which is made to the main claimant. This has a number of consequences. First, the payment for the adult dependant is only about 62% of that for the main recipient, the gap having widened in recent years because larger proportional increases were granted to the main recipient. The basis of the existing equivalence scale is not clear since no known research has been carried out on the economies of scale within households. Secondly, the adult dependants' income is not secure because they do not receive the payment into their own hands. This may actually worsen poverty among women and children – in fact 4,500 have had to resort to 'split payments', mainly because they were not receiving their share of the 'family payment' from their husband or partner.

Poverty is very high among children – over 40% of Irish children are living below a poverty line of £48 a week for an individual. In 1988, 346,497 children were being maintained by social welfare. Yet, allowances for child dependants, although increased in the last two Budgets, continue to be both inadequate and inequitable, especially by European

standards. The basic child dependant payment is £10 a week, yet research has shown that the weekly cost of meeting just the dietary needs alone of a 12 year old child was £11.27 in 1988.⁷ Other research has put an estimated weekly cost of a child under 4 years at £19.60 and at £28.20 for a child aged 4 or over.⁸ The rates paid for children also vary across schemes which leads to inequities between families. Now there are 12 different payment rates – reduced from 20 in the 1989 Budget. The fact that schemes have different age finishing points for children also creates inequalities. Nor is any account taken of the increasing costs of children as they get older. Another problem is that child benefit, of vital importance to low income families, has not been increased in value since 1986, although in the 1989 Budget the fifth child in the family was made eligible for the higher payment.

The unemployed and their dependants accounted for 43% or 567,776 of those relying on social welfare in 1988. Beneficiaries of unemployment payments divide into three groups: 167,839 (30%) on unemployment benefit (UB), 350,184 (62%) on unemployment assistance (UA) and 49,753 (8%) in receipt of smallholder's assistance. The proportion on unemployment assistance – the means-tested payment – has increased considerably since 1983, underlining the growth in long-term reliance on social welfare among the unemployed. However, payment levels for unemployment assistance and benefit are among the lowest of all mainline social welfare schemes. In 1989, UA payments were standardised at the urban rate and now range from £42 (short duration) to £47 (long duration) for UA, while the UB payment is £45. Adult and child dependant allowances are also comparatively low – between £26.90 and £29 (adult) and from £10 to £10.90 (child). These amounts are up to 22% less than other welfare payments and are significantly below the minimum recommended levels of the Commission.

Recommendations

- 1.1. Payment levels should be raised to the level recommended by the Commission on Social Welfare – between £57 and £68 a week for an individual and £91 and £109 for a couple. All additional revenues should be used to fund increased payments and improved services for social welfare recipients. In the longer term, alternative ways of supporting people, such as through a basic income system, should be investigated.

- 1.2. Any changes to be made in the equivalence scales underlying welfare payments should be based on thorough research. The right of additional adults in the household to an equal share of a full and adequate 'family' payment must be asserted.
- 1.3. The gross weekly earnings' threshold of £50 for dependent spouses, introduced with the equality directive in 1986 and unchanged since, should be increased to £65.
- 1.4. Child dependant allowances need to be increased to an adequate level, standardised across schemes and an age differential introduced. The recommended payment level is £14 for each child of 12 years or under and £19 for children aged over 12 years. Child dependant allowances should be extended to 21 years for all children in full-time education. A double payment in September for children should be introduced to help with school-related costs. Child benefit should be retained and raised by approximately 10% to keep it in line with inflation since 1986 when it was last raised. In addition, the fourth child should be made eligible for the higher payment.
- 1.5. The Agency favours the retention of zero-rating of VAT on food and children's clothing. However, if the imposition of VAT on these items is unavoidable, then there should be an automatic increase in welfare payments, wage rates or other necessary measures to protect low income people from the resultant increase in the cost of living.

b) The Administration of Social Welfare

The social welfare system faces a major task in administering and delivering a service to nearly three-quarters of a million recipients with an annual budget of more than £2.6 billion. The Department of Social Welfare has initiated a number of welcome technical innovations in recent years aimed at improving the efficiency of the welfare system. These include an extensive computerisation programme and the development of 'one-stop-shops'. This and other changes have been achieved within

5. The Agency has already called for an Anti-Poverty Programme in its Pre-Budget Submissions for the 1988 and 1989 Budgets. This call was repeated in the Agency's First Annual Report, published in 1988.

6. See M. Daly and J. Walsh, *Moneylending and Low Income Families*, Dublin: Combat Poverty Agency, 1988; and *Pictures of Poverty*, Dublin: Combat Poverty Agency, 1989.

7. P. Lee and M. Gibney, *Patterns of Food and Nutrient Intake in a Suburb of Dublin with Chronically High Unemployment*, Dublin: Combat Poverty Agency, 1989.

8. D. Conniff and G. Keogh, *Equivalence Scales and Costs of Children*, Dublin: Economic and Social Research Institute, 1988.

an administrative cost of under 5% of total expenditure. Notwithstanding these improvements, there is substantial non take-up of entitlements. The ESRI study estimated that 5% of the population do not receive the basic income support to which they are entitled and that only between 13% and 22% of families eligible for FIS are actually claiming a payment under this scheme.⁹

The Agency is currently carrying out detailed research into non take-up of entitlements and hopes to report early in 1990 on this. In the meantime, there are four administrative problems which we wish to highlight. First, information on social welfare entitlements is not provided on a comprehensive basis, although there have been improvements of late. Information is least satisfactory for the supplementary welfare allowance (SWA). Secondly, the application procedures for means-tested schemes are very complex, can be stigmatising and are not designed to promote public use. This is not helped by the fact that there are four different means tests which leads to duplication and can be time consuming and inconvenient for the consumer. The design and language of application forms, the amount of information required to satisfy eligibility conditions, the replication of means tests and the existence of different assessment criteria are all obstacles to take-up. Thirdly, delays in the processing of payments create a further barrier to take-up. The length of time required to process claims is still substantial, although delays have been cut down. Finally, while the Agency welcomes the new social welfare appeals system, it has to be pointed out that there are no measures to consult or involve consumers of social welfare services about it.

Recommendations

- 1.6. Beginning at school, people should be educated as to their right to income support and the rationale for government intervention in this regard. Socially stigmatising terminology, such as unmarried mother's allowance, should be removed.
- 1.7. Special attention should continue to be given by the Department of Social Welfare to achieving higher uptake of welfare benefits. Other measures, such as local benefit take-up campaigns or direct marketing, would also be helpful. In addition, the application forms and procedures should be continually reviewed to assess how easy they are to use.
- 1.8. The length of time taken to process claims should be monitored regularly with a view

to reducing the waiting period and the necessity for claiming SWA as a substitute payment.

- 1.9. Social Welfare personnel should receive adequate training in dealing with the public and ensuring that the highest standards of service prevail.
- 1.10. The appeals system should have its own monitoring committee which includes welfare rights representatives.
- 1.11. Premises should continue to be upgraded and improved in the interests of staff and the recipients of social welfare services.

c) The Structure of Welfare Provision

As it is currently organised, welfare induces dependency as well as leading to hardship in some cases. The conditions and criteria attaching to schemes make it difficult for people to escape from poverty by getting a (part-time) job. These conditions particularly affect recipients of unemployment payments and some of those on 'women's schemes'. The unemployed have to continually prove their availability for work and there is tight scrutiny of any other income sources, particularly from part-time or seasonal work. This reflects the belief that unemployment is a short-term or temporary phase – an assumption which is increasingly redundant in an era of long-term unemployment. Also, education and training, which offer the best escape route from poverty, are denied to most social welfare claimants. One scheme exists – the vocational training opportunities scheme (VTOS) – but just 240 claimants are expected to participate in it this year and it is available in only twelve locations. So, the potential of education to reduce long-term dependency on the state largely goes unrecognised.

Some of the conditions on women's schemes also create or worsen hardship. To qualify for a deserted wife's payment, for instance, a woman must a) be 'deserted' for three months; b) not be in receipt of adequate maintenance from her husband; c) prove that she has made 'reasonable efforts' to obtain maintenance from him; d) be aged over 40 years if she has no dependent children; e) not be living with another man; f) repay any private maintenance she receives to the Department. These and other conditions make life very difficult for women in this situation.

9. T. Callan, et al, *Poverty and the Social Welfare System in Ireland*. Dublin: Combat Poverty Agency, 1988.

A further aspect of the social welfare system which reinforces dependency is the regulations governing assessment of income. Currently, there is very little scope for unemployed and some other claimants to supplement their welfare payments with income from other sources. Only two schemes allow claimants to receive additional income: the smallholder's assistance and the part-time job incentive. However, these apply to only a small proportion of the unemployed and contain poverty traps. Assessment of additional income is very severe. Some claimants, such as old age pensioners and those on the 'women's schemes' can have maximum weekly means of £6 before their payment is affected, although some earnings are disregarded if they have child dependants. Means assessment for the unemployed is even more severe: their payments are cut £1 for £1 for any earnings. There are a number of compelling reasons why unemployed claimants should be allowed greater flexibility in supplementing their income. Obviously, it is desirable that people who are out of work should maintain their links with the labour market, since it increases their chance of securing employment. Also, in a labour market with increasing opportunities for part-time work, more flexible regulations governing income supplements for the unemployed is desirable. A third advantage is that such a change would help to regularise the black economy and eliminate the exploitation and fear to which unemployed people are vulnerable when seeking to supplement their income. Income maintenance payments for unemployed and other people should be seen as a base which may be increased through additional earned income rather than a ceiling which cannot be exceeded unless full-time work is secured.

Recommendations

- 1.12. The vocational training opportunities scheme should be extended to cover all adult beneficiaries of long-term social welfare payments. Also, the voluntary work option scheme should be extended with adequate funding.
- 1.13. The legal provision to free older unemployment assistance recipients from the weekly requirement to sign on should be used more extensively.
- 1.14. The conditions attaching to 'women's schemes' that cause hardship, in particular the requirement that the woman prove that her husband left of his own volition, should be discontinued.

- 1.15. The conditions governing means testing should be relaxed, especially with regard to earnings from part-time work. The effects of relaxing these regulations for the labour market and especially wage levels should be carefully monitored. The assessment procedures for means testing should also be simplified.

d) Low Pay

Low pay is another contributor to poverty: at the £40 a week poverty line, 13% of poor households are headed by an employed person.¹⁰ While there are different ways of measuring and defining low pay, most definitions show that low pay affects between a fifth and a third of those in employment. Low pay mainly affects workers with little service, both old and young, female employees and those with few skills. Small firms, companies in wholesale and retail distribution and certain areas of manufacturing are the main sectors for low pay. Recent research shows that 18% of households below the 60% of average income poverty line are paying income tax.¹¹ The vast majority of these (78%) pay £10 or more a week and for over half tax deductions are the principal reason why they fall below the poverty line. These households are mainly headed by an employee and those with three or more children are the most vulnerable. Low paid workers pay income tax because: the tax exemption limits are low (despite the recently introduced child additions); there are no exemption limits for PRSI; the basic rate of tax is high relative to other countries. The removal of poor households from the tax net would reduce the extent of poverty and also lessen the intensity of poverty for those still below the poverty threshold.

The government has recognised the low pay problem and has implemented three strategies to tackle it: minimum wage increases under the Programme for National Recovery; reduction of tax liability of the low paid; and improvements in Family Income Supplement (FIS). An especially welcome measure was one in the 1989 Budget which increased the tax exemption limits and introduced child additions, thereby removing 24,000 low paid employees from the tax net. However, low pay

10. Ibid.

11. If lower thresholds of 40% and 50% of average disposable income are selected the percentages fall to 11.5% and 12% respectively. B. Nolan and T. Callan, 'Taxation, social insurance and poverty in Ireland', in B. Reynolds and S. Healy, (eds), *Poverty and Taxation Policy*. Dublin: CMRS, 1989.

remains a difficult problem to tackle. As well as tax changes, substantial wage increases are required: after three years of the Programme for National Recovery, wages for the lowest paid will have increased by only £12 a week, a small advance given inflation rates and the huge wage gaps that exist.

Changes in FIS are also required. It has two main problems at present: low take-up; the interaction of means tests and tax with FIS creates poverty traps. Following recent improvements in the eligibility and payment conditions and an extensive advertising campaign, FIS now benefits 5,806 workers with an average payment of £25.72 a week. This compares with the December 1988 figure of 4,990 and an average payment of £18.17. However, while the payment level has risen dramatically over the years, the current number of recipients is still significantly below the expected take-up level. This low take-up is undoubtedly related to the second problem – the structure of FIS. Not only is its relationship to means test unclear – FIS may be taken into account in assessments for medical cards, differential rents and other means-test benefits – but the tax and FIS calculations can result in an effective tax rate of up to 126% for a family with two adults and four children. Thus, an increase in gross pay from £100 to £175 gives only a rise of £6 in disposable income (£150 to £156).

Recommendations

- 1.16. The introduction of a statutory minimum wage should be seriously considered.
- 1.17. Future pay increases for the low paid should continue to be calculated as absolute amounts, rather than on a percentage basis, and should exceed the average wage increase.
- 1.18. Child additions to the tax exemption limit should be increased, building on their introduction in the 1989 Budget.
- 1.19. Existing PRSI and PAYE allowances should be converted into tax credits. Even if done on a revenue neutral basis, this would help to make the tax system fairer.
- 1.20. Any reform of income tax should concentrate on reducing the tax burden on those with the lowest incomes.
- 1.21. The structural disincentives to the take-up of FIS should be reviewed and the possibility of calculating FIS on net income should be considered. FIS should not be included as means in other assessments of eligibility for state benefits.

- 1.22. Part-time workers should be entitled to an agreed minimum wage, job security and pension rights equivalent to those of full-time workers.

2. UNEMPLOYMENT

Unemployment is closely related to poverty. Over a third of poor households (at the poverty line of £48 a week for an individual) are headed by an unemployed person. The risk of poverty is very high for the unemployed. Not surprisingly, as unemployment grew during the 1980s the relationship between it and poverty intensified. In 1973 households with an unemployed head made up only 10% of the total number of poor households whereas today they constitute over a third. Given the insecurity of many jobs, inadequate provision for the unemployed is a matter of concern for people in employment as well. To tackle unemployment requires measures to help the unemployed, to create jobs and to improve education and training provision.

a) Unemployment and the Unemployed

In August 1989, 231,700 people were registered as unemployed, representing 17.7% of the labour force.¹² Between them, they were supporting over 300,000 adults and children. The trend in unemployment is now going downwards, having increased steadily during the 1980s to reach a peak at over a quarter of a million in early 1987. Yet, Irish unemployment is almost twice the EC average of 9.3% (July, 1989). Despite job creation successes, the labour force has not increased significantly and high levels of unemployment are forecast to continue into the next decade.

A number of very important trends underlie the unemployment figures:

- there is a persistent problem of long-term unemployment, especially among older people. In April 1989, nearly half (45%) of the unemployed had been without work for a year or longer, some 104,516 people;
- unemployment would be much higher were it not for emigration which increased five-fold between 1983 and 1988;
- there is a close relationship between long-term unemployment and educational level: 58% of the long-term unemployed have just primary education, while only 3% have third level education;

12. The figures on unemployment used throughout this submission are the seasonally unadjusted figures from the employment register.

- unemployment among women is increasing rapidly – over the six year period to August 1989, the percentage of female to total unemployment grew from 25.6% to 32.1% (74,300);
- a high proportion of the unemployed are over 25 years of age, rising from 68.2% to 73.3% (169,100) of the total between 1983 and 1989.

So, large numbers of unemployed people are in their thirties or older and, having been unemployed for more than a year, they will not be drawn back into the labour force without targeted policies. These should involve the development of a range of imaginative second chance education schemes as well as more targeted skills training.

Recommendations

- 2.1. Addressing unemployment should be made the priority for government economic and social policy. This must be done at two levels: in terms of the welfare of people who find themselves unemployed and by reducing the extent of unemployment.
- 2.2. Unemployed people and their families must be protected and their right to the following affirmed:
 - adequate welfare payments;
 - representation with other social partners in discussions on economic and social policy;
 - the opportunity to engage in education and other developmental activities without endangering their welfare payment.
- 2.3. There should be adequate and secure statutory funding for the Centres for the Unemployed. This should fund them to employ permanent staff since at present the Centres depend largely on temporary employment schemes.

b) Job Creation, Training and Employment Schemes

The main intention of government economic policy in recent years has been to stabilise the public finances. To date, this policy has been very successful. Economic growth, lower interest rates, reduced Exchequer borrowing and an increasing balance of payments surplus are all indicators of a healthier outlook for the Irish economy. Attention has also been given to job creation. The Programme for National Recovery set an annual manufacturing jobs target of 20,000. Although this and other targets were met, they did not make an appreciable impact on the numbers in employment, largely because of

the continuing fall in the numbers in the public sector. The new Programme for Government has a target of 35,000 gross new jobs a year, to be yielded mainly by the additional EC and private investment as sought in the National Development Plan. Another job creation strategy is a PRSI exemption for employers for each new employee taken on up to February 1990.

While the effectiveness of these strategies remains to be seen, the ESRI envisages a major recovery of the economy over the next 5 years. An average 5% rise in GNP will be accompanied by an increase in employment and a growth in after tax income of 4%. However, the long-term unemployed will be largely excluded from the benefits of this recovery. As fewer people emigrate and more people join the workforce, the drop in unemployment will be marginal, around 37,000. Hence, unemployment, and particularly long-term unemployment, is set to continue unless government policy is altered significantly.

One of the main state responses to job creation over the last fifteen years has been the provision of training and employment schemes. In 1988, 76,810 people participated on training and employment programmes.¹³ A number of points need to be made about this provision. First, it is not well-targeted to the most disadvantaged. The main provision within FÁS for the long-term unemployed are the alternance programme and Jobsearch – 32% of total FÁS throughput in 1988. As regards the employment schemes, only the Social Employment Scheme (SES) caters exclusively for the long-term unemployed, accounting for 55% of all those on employment schemes in 1988. A second issue is the adequacy of rates of payment. The rates paid to single participants vary from £20.60 to £47 a week depending on their social welfare circumstances and the particular scheme in which they are involved.¹⁴ Also, there are immediate financial costs involved in training and employment schemes. These include the loss of certain benefits associated with long-term unemployment welfare payments (free fuel and butter vouchers, Christmas bonus), inadequate payments for dependants, both children and adults and ineligibility for medical card and supplementary welfare allowance. All these financial issues affect the income of participants and reduce the incentive for unemployed people to participate in education and training.

13 The total funding for the two state training agencies, FÁS and CERT, in that year was £208m, 32% of which was recouped from the European Social Fund.

14 Since November 1989, participants on training courses with an adult dependant receive an additional £10 a week.

A third question about the schemes concerns the long-term benefit of participation. The long-term outcome is unknown in most cases. Short-term FÁS placement rates are high – 68.5% in 1988 – but since they are taken approximately one month after completing the course and may include participation in further training, they are not a reliable measure of long-term outcome. A fourth issue concerns the efficacy of schemes designed to foster enterprise and employment. Community groups highlight particular drawbacks of these schemes.¹⁵ The absence of specific capital assistance, combined with the drop in personal income due to reduced payments and curtailed benefits, greatly hinders the entrepreneurial capacity of unemployed people.

Recommendations

- 2.4. Government policy should include a commitment to full employment. To achieve this, a very focused job creation policy is necessary. This requires a reformulated industrial strategy which will:
 - give more selective and individual assistance to companies;
 - target service companies as well as manufacturing;
 - encourage Irish companies to develop appropriate economies of scale and innovation, in the run-up to 1992;
 - introduce taxation changes which encourage job creation rather than capital investment.
- 2.5. In line with government policy of setting up special task forces, the establishment of a task force for job creation should be considered as a matter of urgency. The task force should especially focus on the nature of long-term unemployment and how the long-term unemployed can be targeted in all job creation measures. How education, training and temporary employment schemes can be better integrated into job creation strategy and the adequacy of current provision also needs attention.
- 2.6. There should be a significant increase in resources to the VECs to promote literacy and second-chance education schemes. These schemes should be available on both a part-time and full-time basis and be targeted to long-term beneficiaries.
- 2.7. Participation on state-funded education, training or employment schemes should involve no loss of income. So payment rates, especially those for dependants of

people on employment schemes, should be raised to an adequate minimum level, in line with recommended social welfare rates.

- 2.8. Nor should participation involve any disimprovement in people's access to other state benefits and services. Therefore, special conditions should be introduced to guarantee low income participants access to necessary benefits such as medical card, free fuel allowance, Christmas bonus and differential rent. Dublin Corporation and County Council have already taken the lead in this and in conjunction with FÁS now guarantees no rent increases for participants of the enterprise allowance scheme.
- 2.9. All adult beneficiaries of long-term payments should be eligible to participate in training and employment schemes.
- 2.10. The SES should be reformed to become full-time, although retaining a part-time option as well, and should be paid accordingly. It should also include a training and educational dimension and be extended to two years.

3. ACCESS TO PUBLIC SERVICES

The provision of public services is another important aspect of the state's role in tackling social inequality and poverty. Such services can greatly improve or disimprove the quality of life and range of opportunities for people on low incomes who are unable to purchase them privately. The Programme for National Recovery made greater social equity through better access to public services a prime objective of government policy. The Agency welcomes the increased expenditure on education and health announced in the departmental Estimates for 1990. However, the range and quality of public services need to be continually improved in the fight against poverty.

a) Education

The cutbacks in educational provision since 1987 have affected pupil-teacher ratios. At primary level, the pupil-teacher ratio has increased and the number

15. Two pieces of research are relevant here. One was done by Anna Quigley, a summary of the main findings of which is contained in *Towards a Funding Policy for Community Development*, Dublin: Combat Poverty Agency, 1989; and P. Faughnan, *From the Ground Up: A study of local employment initiatives in Dublin*, Dublin: Social Science Research Centre, UCD, 1989.

of remedial teachers has declined. Also, books in primary school can now cost between £35 and £40 yet the free books allowance is only about £7. VEC schools, which mainly cater for children from lower income backgrounds, have also had their pupil-teacher ratio increased as a result of spending reductions. Welcome attempts are now being made to rectify this: the 1990 departmental Estimates announced funding for 95 new teachers in disadvantaged schools and a further 30 remedial teachers. Educational disadvantage happens in a complex way and, while a lot of research exists, more information is needed to generate detailed policy options for combating educational disadvantage.

Given that 1990 is International Literacy Year, the 36% increase in the allocation to adult education is especially welcome. However, community and adult education, so vital in providing second chance opportunities, have suffered from earlier cutbacks. Some idea of the high demand for adult and community education can be had from the number of applications to the Agency for funding under its community education and training grant scheme in 1989: 157 groups sought £329,500 but only 65 could be funded at a cost of £70,000. These figures probably underestimate the demand for adult and community education because the Agency could only make available a relatively small amount of funding for these types of projects.

Early childhood education is also vital. Recent research highlighted how inadequate pre-school provision is in Ireland for children from disadvantaged backgrounds.¹⁶ The report emphasised the government's failure to recognise the value of early childhood education in tackling poverty.

Recommendations

- 3.1. Adequate pre-school provision should be made available for children from low income backgrounds.
- 3.2. Special measures are required to ensure that education is available to young people from low income backgrounds at no cost. These include:
 - (i) adequate free books allowances
 - (ii) additional resources for remedial education
 - (iii) lowering the pupil-teacher ratio.
- 3.3. More resources should be targeted to community, second chance and adult education services.

b) Health

Cutbacks in the health services have been substantial in recent years. This has led to longer waiting lists, reduced transport facilities and hospital charges for those who do not have a medical card. Also, while the cut backs in institutional spending have led to a greater reliance on community care, no additional resources have been put into this type of care. So, vital support services for families, like home help, day care facilities, child assessment and guidance services, have disimproved. People with resources, can circumvent problems such as these by going through the VHI or PRSI. Those on low incomes do not have these choices and, therefore, bear the brunt of curtailed services and extended waiting lists. The queue for public dental care is now described in terms of years rather than weeks or months. The Commission on Health Funding questioned the priorities underlying current public expenditure on the health services, indicating that, in some instances, resources are targeted at the better off rather than those in need.¹⁷

Recommendations

- 3.4. Adequate basic health care should be available to the entire population with no discrimination against people on low incomes.
- 3.5. Private health care provision should not divert resources from public services.
- 3.6. Post natal clinics, maternity services, screening services for women, public dental care, health services in rural areas and outpatient services for medical card holders should be protected from spending cutbacks.
- 3.7. Urgent attention is required from the Department of Health to develop more specific measures to ensure that an effective programme of community care and primary health services is provided.

c) Housing

The Agency welcomes certain developments announced as part of the 1990 departmental Estimates: £51m is being put into refurbishing in 1990 and the allocation to social housing has been increased. However, the virtual cessation of investment in local authority housing is an unwelcome

16. J. Murphy-Lawless, D. Redmond and K. Ungruh, *Playing for Keeps: The provision of pre-school facilities in the Eastern Health Board region*. A report to OMEP, 1989.

17. *Report of the Commission on Health Funding*. Dublin: Stationery Office, 1989.

trend. While recognising how important home ownership is in Ireland, the Agency considers the provision of public housing an essential dimension of social equity. The problem of homelessness together with the need of low income people for public housing makes continued state investment in housing provision vital. Research has identified some inadequacies of traditional local authority housing: ghettoisation; inappropriate housing size and location; absence of social and shopping facilities.¹⁸ Maintenance of public housing has deteriorated noticeably with the general cut-backs which only serves to worsen the quality of the living environment among local authority tenants. The disimprovement in the standard of housing for those on low incomes is described by the NESC as "increasing the disparity between the quality of housing services enjoyed by most households, and those obtained by those at the bottom end of the housing market".¹⁹ Recent developments in Ballymun illustrate how local participation in housing provision can improve the quality of local authority housing refurbishment schemes are adequately financed by central government.²⁰

Recommendations

- 3.8. A substantial funding commitment is necessary for local authority housing so as to adequately meet the housing needs of low income families.
- 3.9. Public housing services should be improved by increased tenant participation in decision-making, adequate maintenance and measures to achieve a better social mix.

d) Legal Services

Access to legal aid remains among the most problematic of public services. Recourse to the legal process is more and more widespread with increasing marital breakdown, social welfare appeals and consumer-based litigation. Yet, the state-sponsored Legal Aid Board is deprived of sufficient resources to meet the demand, periodically closing its doors to clear backlogs. The recent announcement of increased funding is welcome but is unlikely to be sufficient to enable the demand to be met. People in rural areas face additional difficulties given the urban concentration of law centres. Only one community law centre exists – in Coolock in north Dublin – which has no secure statutory funding. A recent review of this Centre showed the importance of its services for low income clients on the north side of Dublin and equally the diversity of its legal work.²¹ It was also clear that there is a need for legal aid services provided on a broader basis than

those catered for by the Legal Aid Board.

Recommendations

- 3.10. Additional resources should be made available to the Legal Aid Board.
- 3.11. A network of community law centres should be developed around the country as recommended by the Pringle Committee. The Department of Justice should establish a special section to co-ordinate the work of the Legal Aid Board and the community law centres.

4. TAXATION REFORM

Reform of the taxation system is essential to any programme to tackle poverty. The tax system provides the resources to fund public services and the social welfare system. Therefore, adequate provision depends on the collection of sufficient tax revenue to pay for these services. Furthermore, in generating income, taxation also directly redistributes resources between different sectors and income groups. Hence, a progressive tax system will contribute to social equity by taking a larger share from the better-off. These two elements of taxation policy, funding and fairness, should underpin any reforms the government decides upon in the forthcoming Budget. The following issues must be addressed.

a) Narrowness of the Tax Base

While Ireland's tax burden as a percentage of GNP is not excessive compared with OECD countries (40% compared with an average of 38%), it is biased considerably towards income and indirect taxation. The yield from property, capital and corporate taxes in 1986 represented only 7.4% of the total tax take, compared with an average of 24.2% in 1966 and an OECD norm of 12.8%. Why this low level?

- i) key taxes on wealth and property were abolished in the 1970s and 1980s, e.g., rates on private homes, a wealth tax, estate duty;
- ii) the nominal 10% tax on manufacturing profits is very low, especially given the £1,908m in profits exported from this country in 1988;

18. P. Kelleher, *Settling in the City*. Dublin: Focus Point, 1988.

19. National Economic and Social Council, *A Review of Housing Policy*. Dublin: National Economic and Social Council, 1988, p112.

20. Combat Poverty Agency, *Annual Report 1988*. Dublin: Combat Poverty Agency, 1989, pp17-18.

21. B. Dillon, *A Review of the Coolock Community Law Centre*. Dublin: Combat Poverty Agency, 1989.

- iii) many reliefs are available to the corporate sector (capital depreciation, export sales, Shannon relief, Section 84 loans and others) which decrease tax yields – by £860.3m in 1985/6;
- iv) some sources of income are not taxed in this country, e.g., bloodstock, artists, pension funds;
- v) the self-employed are more favourably treated through a range of tax reliefs.

b) Regressive Elements of the Tax System

Generally, taxation increases as one's income, wealth or expenditure rises. This principle of progressivity ensures that the tax system is equitable and contributes to redistribution. While normally income tax reflects this through the use of staggered tax rates, there are some elements (principally personal allowances, discretionary reliefs and tax bands) which undermine the progressive nature of tax collection. For example discretionary reliefs, which cost £839.6m in 1986/7, benefit the higher taxpayers most. In addition, PRSI and the health and employment levies are collected on a proportional basis (except where medical card holders are exempt from the latter) and the use of an income ceiling makes these taxes regressive. Also, VAT and excise duties are regressive in their total impact on households, especially when size of household is taken into account.

c) Significant Amount of Evaded, Avoided and Unpaid Taxes

The equity and revenue base of the tax system is considerably reduced by the evasion, avoidance and late payment of taxes. The seriousness of this problem was proved by the success of the tax amnesty in 1988 which raised over £500m in unpaid taxes. While the introduction of self-assessment, better enforcement procedures and higher penalties have improved the situation, there are still major weaknesses in the collection system.

Although the existence of a black economy is widely accepted, its extent is not known. Various estimates put it at between £500m and £1,500m – money on which no taxes are levied or paid. Besides the legitimate use of various tax reliefs, many businesses avail of tax avoidance measures to significantly reduce their liability for tax. These include creating transaction losses, borrowing money abroad, and so on. Finally, many businesses and self-employed people delay their tax returns as long as possible. The amount of tax outstanding can run into thousands of millions and entail absolute losses if companies go into liquidation leaving VAT,

excise duty, PRSI and PAYE monies outstanding.

Recommendations

A broad-ranging programme of taxation reform should be introduced as a matter of urgency. Two key principles should underlie the reforms: adequate funding for state services and equity. Two fundamental changes are recommended:

4.1. Widen the tax base by:

- introducing a more comprehensive property tax;
- reintroducing a wealth tax;
- replacing the minimal inheritance taxes by a comprehensive accessions tax;
- introducing a more effective corporation tax for the 1990s, which would increase the yield but could incorporate incentives like reduced tax liability for job creation;
- tackling tax avoidance through legislation;
- removing the upper income ceiling for PRSI;
- reducing the tax reliefs for the self-employed.

4.2. Make the tax system more equitable by:

- limiting all income tax reliefs to the basic rate of tax;
- replacing personal tax allowances with tax credits.

5. COMMUNITY DEVELOPMENT

To the poor the agencies of the state can appear very remote and unresponsive and impossible to influence. Poverty has so many associated disadvantages that it is often overwhelming, being added to by the extent to which many of the poor are forced to live in areas with a concentration of social problems. Thus, any overall strategy to tackle poverty needs to include measures both to empower those experiencing poverty and to address the concentration of deprivation in particular communities.

a) A National Community Development Programme

The important contribution that local community development projects can make both to the development of individuals experiencing poverty and to mobilising the resources and commitment of poor communities in both urban and rural areas has been shown by the Agency.²² This has been reinforced in a recent research report on the work of the nine Irish

22. Combat Poverty Agency, *Towards a Funding Policy for Community Development*, op cit.

projects participating in the Second European Programme to Combat Poverty.²³ The report shows how community development projects help to tackle poverty by, for example, promoting community participation and involvement, fostering personal development and self-help and promoting increased co-operation and partnerships between local people and the various agencies intervening their area.

There is now a growing recognition at both EC and national levels of the contribution of community development projects to tackling poverty following the first two EC poverty programmes and the agreement to set up a third programme immediately. However, research has demonstrated that the potential contribution of community development projects is severely hampered by the absence of a national policy or framework for community development.²⁴ Thus, while there is much good work being done, the overall picture remains piecemeal and haphazard. Groups find that they have to make do with bits and pieces of funding from different agencies which often have different objectives.

What is needed now is to build on the experience of the various EC and national pilot programmes and to create an integrated, flexible and secure system of support and funding. The priority focus should be on providing basic grants for staffing and equipping resource centres in the areas of greatest need. Such centres would have a variety of roles. They would provide practical services for local voluntary and community groups, such as typing, photocopying/ printing, information and advice giving. They would have a developmental and outreach role with staff supporting a wide range of local voluntary activity. The resource centres would encourage increased co-ordination between the various statutory agencies and foster a sense of partnership between statutory and community organisations.

b) Integrated Area Development

The chronic problems of rural and urban underdevelopment are well documented. Recent research has shown how the European urban environment has been undergoing rapid and profound transformation resulting from economic restructuring.²⁵ This has led to economic decentralisation away from the urban core and the relocation of industrial employment. This trend is often reinforced by housing policies which group people vulnerable to unemployment in peripheral estates or trap poor people in declining areas. This has been particularly noticeable in Ireland. In addition, there has been a drift away from the land in peripheral rural areas, high levels of emigration have recurred and the social infrastructure has been further eroded. In

these areas, the difficulties associated with low income farming remain unaltered despite the massive resources devoted to farming in recent years. In the context of the single European market these trends will be likely to accelerate and, unless there is strong countervailing action, the weakest communities will become even more isolated and marginalised.

There is now a growing awareness of the need for special integrated programmes to tackle the problems of the most marginalised communities. It is the main focus of the new EC poverty programme, due to begin in December 1989, and has been an element in the restructuring and doubling of the EC Structural Funds. In its recent report the NESC concludes that developmental programmes in local areas and communities are a necessary complement to mainstream income maintenance and other social services as a response to poverty and advocates that the government should "formulate integrated development programmes for rural areas and urban renewal programmes for cities, and initiate a European commitment to activating the concept of local economic development".²⁶

Within Ireland there has been a growing awareness of the need for a new focus on areas of special need. The Agency and the many community organisations who made submissions to the Government when the National Plan was being prepared for submission to the EC all highlighted the need for special actions in the areas of greatest need. Integrated rural and urban projects in the second EC poverty programme in areas like Tallaght, Dublin's south inner city, Connemara, Inishowen and Louisburgh have highlighted the importance of developing new partnerships at a local level. Similarly, initiatives in other areas have also highlighted the potential for integrated action.

Important new partnerships, involving the statutory, voluntary, community and private sectors, have recently been developed in eleven areas around the country in the course of submitting applications for the third EC poverty programme. While only two or possibly three are likely to be selected to be part of the EC pilot programme, the partnerships collectively demonstrate the potential for dynamic new

23. B. Cullen, *Poverty, Community and Development*. Dublin: Combat Poverty Agency, 1989.

24. Combat Poverty Agency, *Towards a Funding Policy for Community Development*, op cit.

25. European Foundation for the Improvement of Living and Working Conditions, *Living Conditions in Urban Areas*. Luxembourg: 1986.

26. National Economic and Social Council, *Ireland in the European Community: Performance, prospects and strategy*. Dublin: Economic and Social Council, 1989, p516.

initiatives in areas of need. It is essential that the hope and momentum generated by the process of making these submissions is now built on, perhaps in the context of the extra resources coming to Ireland from the EC Structural Funds.

Recommendations

5.1. The government should allocate funding to establish a national community development fund as advocated by the Agency in its policy statement *Towards a Funding Policy for Community Development*. This should be administered by the Combat Poverty Agency in consultation with the Minister for Social Welfare. The funds would be used to develop a network of resource centres in areas of need throughout the country. They would be charged with initiating and supporting local community activity, including the provision of some seed funding.

5.2. Increased private sector support for local community development activity should be encouraged by introducing tax relief on covenants and capital donations for anti-poverty work.

5.3. A special four-year programme of integrated area development should be launched for the areas of greatest need, particularly those suffering from long-term unemployment. Initially this should be focused on those areas where strong partnerships between statutory, voluntary, community and private organisations are already emerging. Adequate funds should be made available to develop special programmes drawn up by the partnerships in these areas.

5.4. Local community groups should have access to capital grants for community infrastructure, capitation grants and technical assistance to undertake various programmes and activities in economic, social and cultural development. This is especially important in the context of the doubling of the Structural Funds.

Part Two

The Integration of the European Markets

The main argument put forward for completion of the internal market is an economic one: the EC has not performed well over the last decade so a Europe without frontiers is thought to be the best strategy to compete against the rapidly advancing economies of Japan and America. The plan is to remove all physical, fiscal and technical barriers between the twelve member states so as to create an open market. The underlying strategy is to stimulate competition and rivalry between national economies and firms and organisations within them in order to achieve the most efficient utilisation of labour and resources. The changes will involve, among other things, the removal of customs and other control procedures, the co-ordination or harmonisation of indirect tax rates, active co-operation in high technology and the free movement of capital, goods, services and people within the EC.

Three main sets of factors are important for poverty levels in Ireland in the light of 1992 and market integration:

- the disparities between Ireland and other European countries;
- the revenue and employment implications of the proposed changes;
- the exclusion of a concrete social dimension from integration as planned.

1. Regional Disparities

A serious problem of underdevelopment exists within the Community. Despite massive income transfers over the past fifteen years, huge regional disparities exist, with Ireland very much one of the poorer and weaker regions. Irish income levels are still only about 60% of the EC average and our levels of poverty and inequality are very high by

European standards. Ireland is one of 40 regions, incorporating a fifth of the Community's population, where incomes are more than 25% below the Community average.²⁷ These are mainly countries on the extreme western or southern periphery – for example, Portugal, Spain, Greece and Ireland.

Why does Ireland lag behind and why have we achieved virtually no convergence towards average EC standards of living? In the period since entry, indigenous industry failed to contribute significantly to growth and the development of the agricultural sector was less than expected, mainly because the policy emphasis of the Common Agricultural Policy (CAP) concentrates on price support rather than income support with little investment in the development of farm enterprises. One of the central conclusions of the NESC is worth noting: economic integration as it has been pursued has tended to reflect and reinforce existing regional differences rather than to reduce them.²⁸

In preparing for market integration, the EC has acknowledged the persistence of regional disparities. As a response, the Structural Funds have been enlarged and doubled in value (in comparison with 1987).²⁹ A new emphasis has been given to Community regional policy: away from the piecemeal funding of individual projects towards a more integrated development programme. The enlarged Structural Funds now have five specific goals: the development of the more marginalised areas; restructuring regions affected by industrial decline; developing rural areas; combating long-term unemployment; integrating young people. The Agency welcomes the renewed emphasis on equalisation but doubts whether the new initiatives will be enough for a number of reasons. First, it is questionable whether the scale of the Structural Funds will prove a sufficient response to Ireland's situation. Although doubled in value, the Funds are still no more than half of one per cent of EC Gross Domestic Product (GDP). Secondly, the Funds may promote a top down approach to development rather than facilitating community participation, decentralisation of decision-making and the provision of basic social, educational and other facilities in poor areas. There is a danger that the Funds, particularly as applied for by the Irish government, will be used primarily for infrastructural development, rather than to overcome the wide range of problems that are associated with underdevelopment. The complex nature of underdevelopment does not appear to be given sufficient recognition by EC regional policy. Thirdly, EC policy can only contribute a certain amount to reducing regional disparities within Ireland, not least because Ireland is treated as a single region by

the EC. A strong Irish regional policy is also needed to address the disparities within the country – policies which we have not had for at least ten years.

2. Revenue and Employment Implications of Market Integration

a) Revenue Implications

The removal of fiscal barriers, because it involves changes in indirect taxation, has significant revenue implications, for the government and for consumers. In order to approximate Value Added Tax (VAT) across the Community, two new rate bands are proposed: a low rate of 4 – 9% and a standard rate of 14 – 20%. The low rate is to be applied to foods, energy, water supply, pharmaceutical products, passenger transport and publications. Banking, financial, education and health services are to be exempt while all other products, including children's clothes, and services are to be liable for the standard rate. At this stage it is not clear how closely VAT rates will be harmonised, negotiations have veered from the original proposal to one whereby the Commission would set a minimum VAT rate to another whereby the market would be allowed to decide the rate. Similarly, an original proposal for harmonising excise duties now appears to be in some doubt. The Commission has acknowledged that more flexibility may be needed so it is likely that common minimum excise rates will be set, leaving Irish rates relatively unchanged.

The VAT and excise proposals if implemented have significant revenue implications. First, they would result in a loss of tax revenue to the Exchequer because indirect taxation provides 44% of total Irish tax revenues. Among our European neighbours, the average is 25%.³⁰ Estimates of the annual net loss of revenue of the proposed changes range from £300m to £600m. Secondly, the changes would have major implications for income distribution within the state, with higher income consumers benefiting considerably from the reduction of the VAT rate from 25% to between 14% and 20%.

A major concern to the Agency is the effect of the VAT changes on the income levels of people who are poor. At present, food and children's clothing are zero-rated for VAT purposes. Low income households would be most affected by the proposals

27. Ibid, p333.

28. Ibid, pp 215 – 218.

29. The new Structural Funds incorporate the Regional Development Fund, the Social Fund and the Guidance section of the Community agricultural fund.

30. National Economic and Social Council, *Ireland in the European Community*, op cit, pp362 – 363.

since they spend proportionately more of their income on these two necessities than higher income households. Emphasising that the relationship between household expenditure and income is a complex one, the NESC has estimated that the proposed changes would mean a 3.8% increase in weekly costs for the average household, and a rise of 5.2% for lower income households. Households below or near the poverty line would have to be compensated for the abolition of zero rating on essential items and any other change that adversely affects their income levels, although the government will itself suffer a loss of revenue. Exactly how this could be achieved is not easy to say.

b) Employment Implications

Market integration is likely to have a major effect on both the numbers in employment and the conditions under which people carry out their work. One of the specific objectives and a certain consequence of integration is increased competition in and for markets. While this will offer exciting opportunities for many Irish firms and service organisations, it will also open up the domestic market place to outside products and services. The impact of this is as yet unknown. The NESC estimates that the direct effects in terms of costs and competition are likely to be more deeply felt in the service sector than in manufacturing which has traditionally been more open. Best able to compete will be those firms with appropriate economies of scale and those involved in product innovation.

In terms of job numbers, the Cecchini report estimated that between 1.8 and 5 million jobs will be created.³¹ On the other hand, the Cecchini report estimates 525,000 job losses in the first year. Even if the job targets are reached, European unemployment will remain high: currently over 16 million people are unemployed in the Community. While we cannot predict future unemployment trends, it should be noted that Ireland currently has the highest level of unemployment among the twelve member states. Increased migration and emigration is another likely consequence of 1992 since the mutual recognition of training and qualifications is an integral part of the move towards a single market. Our most skilled and qualified workers are especially likely to be attracted to the higher paying economies, with serious social and economic consequences for Ireland.

Increased competition is also likely to affect working conditions. In the absence of moves to restrict them, more part-time work and temporary work, both traditionally poorly paid, are certainly likely. European Commission directives on part-

time work and other improvements in working conditions have remained unpassed for years. In addition, without a minimum wage being set for the Community as a whole, there is concern that some countries will engage in wage undercutting or 'social dumping' – importing low wage workers or moving enterprises to low wage economies.³² It is in this context that the Charter of Fundamental Social Rights, currently undergoing negotiation between the Commission and the Council, and other minimum standard setting measures become so important.

3. The Exclusion of a Concrete Social Dimension

The Agency is concerned that not enough attention is being paid at both national and EC levels to the implications of market integration for poverty and inequality. Of particular concern is the absence of concrete plans at this stage to ensure that the poorer members of the community are not further marginalised. Social security and other social services have been changed by the EC only in relation to the welfare of migrant workers and the equality of treatment between women and men. Although a certain amount of co-ordination has taken place (by creating rules whereby migrants are treated fairly and basic legal rights fulfilled), there has been no move to harmonise social security systems, i.e., to introduce common rules or principles for the entire Community. Nor is there any intention to standardise education and health entitlements across the Community as part of the market integration process.

This is disappointing given that Ireland's social provision lags well behind that of other European countries and yet our poverty problem is more entrenched. By European standards Ireland has a particularly high proportion of people living below 50% to 60% of average disposable incomes. Also, a very high proportion of Irish children are growing up in poverty and our income support levels are low compared with the EC generally. Social mobility in Ireland is very limited by European standards, mainly because of inequalities in education. Also, the tendency for disadvantage to be concentrated in particular localities is especially acute in Ireland.

In place of a social policy, a number of fragmented and generally small-scale initiatives have been taken by the EC. These have included the

31. P. Cecchini, 1992 – *The Benefits of the Single Market*. Aldershot: Gower, 1988.

32. J. Grahl and P. Teague, 'The cost of neo-liberal Europe', *New Left Review* (March/April, 1989): p42.

poverty programmes and a number of health directives. The two poverty programmes (1975-1980 and 1985-1989) were small-scale in terms of funding and were largely confined to experimental interventions through individual projects which have had no permanent funding. Also, the two programmes were funded in isolation from the Community's development funds.

There are compelling economic reasons why social security and social conditions should be harmonised as part of market integration. First, if differences in social welfare and direct taxation continue to exist they may threaten one of the principles of the internal market: the free movement of labour. Workers will wish to move to those economies with the highest wages and the best social security provisions so there will be a pull from the poorer economies to the richer ones, thus threatening the well-being and long-term stability of the poorer countries. A second argument for harmonisation of welfare provision is that the Community should take responsibility for the adverse consequences of its policies and protect those affected, for example, the unemployed and those on social assistance. The Treaty of Rome and the Single European Act set out broad aspirations in which the improvement of living and working conditions of the citizens in the member states is stated to be one of the objectives of the common market. So, the basis for harmonisation of welfare exists.

The Commission's draft Community Charter of Fundamental Social Rights is a step in the right direction. The Charter, which was adopted in outline by the Commission in May of this year, lists twelve specific rights to be guaranteed to workers and citizens. As well as dealing with conditions of work and the social security and other entitlements of workers, the Charter also sets out the rights of *citizens* to adequate social protection, a minimum income for persons, a right to occupational training for all citizens, equal treatment for women and men and protection for children and adolescents, the elderly and disabled persons. Governments are being asked to adopt the Charter which will then give the Commission the political mandate to put forward a detailed legislative and action programme. To date, the British government stands alone in its outright opposition to the Charter, although the Irish government has expressed reservations about the impact of the minimum wage proposal.

Recommendations

The Agency therefore urges the government to take a more pro-active position with regard to the single market. The following are especially important:

1. A revised Community regional policy which takes a more integrated approach to regional underdevelopment is needed. Local participation is especially critical for attempts at integrated development in disadvantaged rural and urban areas.
2. Any measures that disimprove the income position of the poor and which reduce Ireland's tax base should be treated with great care. The imposition of VAT on food and children's clothes is especially undesirable in the absence of adequate compensation for low income families.
3. A Community social policy which would have as a priority the upgrading of national social security and welfare policies so as to reduce the disparities in welfare provision between member states should be developed. This would require substantial additional funding from a central Community budget. In the short-term, the Agency advocates the establishment of agreed minimum income and social standards. Education, including second chance education and training, health and housing provision should also be included as part of Community social policy.
4. The agreement and implementation of the Social Charter would be a very welcome step forward. This would protect workers against low pay, poor conditions and discrimination.
5. The setting up of an EC anti-poverty strategy which would be linked closely with the development programmes and be adequately funded on a permanent basis (with regular review) is needed.