



POLICY SUBMISSION

Prioritising Poverty: Submission on the 1998 Budget to the Select Committee on Finance and General Affairs

May 1997

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Introduction

The Combat Poverty Agency

The aim of the Combat Poverty Agency is to work for the prevention and decrease of poverty and social exclusion and the reduction of inequality in Ireland by striving for change which will promote a fairer and more just, equitable and inclusive society. One of the key objectives of the Agency is to promote social solidarity by influencing wider public debate and civil society in favour of those living in poverty. To this end the Agency is particularly concerned to work with and advise the Government and its departments, agencies and advisory bodies. Government fiscal strategy, as formulated in the Budget, is crucial to tackling poverty, not alone in terms of income support, but also in fostering access to work and equality of opportunity.

In this pre-budget submission to the Select Committee on Finance and General Affairs the Agency argues that getting people back to work, in particular assisting the **long-term jobless** and tackling **child poverty** should be the priorities for the October '97 Budget. The recently published study, *Poverty in the 1990s*¹, found that the unemployed were the group most at risk of experiencing poverty and that households with children were 1.85 times as likely to be in poverty as those without children.

The Agency believes that tax and social welfare reform is an important component in tackling unemployment and in our submission we offer policy advice in this regard. Tax and welfare policies can also play a very important role in bolstering employment. The Agency advises that the most pro-work reforms of the tax and welfare systems involve putting resources into increasing personal tax allowances and introducing an integrated child benefit. The Agency also offers advice on the most strategic way to tackle child poverty, particularly by increasing the value of child benefit and addressing the difficulties associated with FIS.

Putting the budget in context

The Economic and Social Research Institute's *Medium Term Review (1997-2003)*² projects a positive future for Ireland over the next six years. The projections are that employment will continue to grow, by 3 per cent per year between 1995-2000 and by 2 per cent per year in the period to 2005. Unemployment is also projected to drop from 12 per cent of the labour force in 1996 to around 8.6 per cent by the turn of the century and to 7 per cent by 2005. This reduction in unemployment will be facilitated by the rising educational attainment of the labour force. However, on present trends, those with very limited education are likely to remain seriously disadvantaged in the labour force. These forecasts are based on the assumption of prudent fiscal policy, wage moderation, and the absence of serious domestic or international shocks. It should also be noted, however, (and we return to this under issue three below) the forecasts are also based on the assumption that social welfare payments will rise in line with average earnings in industry.

Social welfare dependants are at particularly high risk of experiencing poverty and social exclusion. The Agency welcomes the agreement in *Partnership 2000 for Inclusion, Employment and Competitiveness* that the minimum rates as recommended by the Commission on Social Welfare will be implemented before the

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

² Duffy, D. Fitz Gerald, J., Kearney, I., and Shortall, F. (1997). *Medium Term Review 1997-2003*. Dublin: Economic and Social Research Institute.

end of the current national agreement. In our pre-budget submission we argue that reaching these rates should be a high priority in this budget.

Age of opportunity

Research recently carried out by the Economic and Social Research Institute for the Agency concluded that Ireland is now entering a period of demographic advantage, as our dependency and unemployment rates are projected to decline.³ The report argues that Ireland is now facing a demographically and economically favourable period and that the country should make best use of the unprecedented opportunities which are predicted. The Agency argues that this demographic dividend should be used to tackle poverty and social exclusion, particularly the persistent scourge of family poverty. It is the Agency's contention that social solidarity now will sustain economic competitiveness in the future by increasing labour force participation and reducing welfare costs.

Sharing in progress

Poverty is still endemic in Irish society despite the current economic boom and positive future prospects. Unless policies are developed to tackle poverty, the divide in Irish society between those benefiting from the fruits of economic growth and those marginalised and excluded from full participation in society will continue to increase. Our current favourable economic conditions provide an unprecedented opportunity to move towards a more fair, just and equitable society. The publication of the government's National Anti-Poverty Strategy (NAPS) marks a significant watershed in Irish social and economic policy in this respect.⁴ The strategy is based on a clear understanding of the multidimensional nature of poverty, the need to tackle the deep-seated underlying structural inequalities that create and perpetuate poverty, and the need to give particular attention to the following key areas: educational disadvantage, unemployment, income adequacy, disadvantage in urban areas, and rural poverty.

The strategy marks the development of agreed targets and goals to fight poverty and social exclusion. In keeping with the commitment in the NAPS the impact of poverty should be a key consideration when decisions are being made about spending priorities in the context of the budget.⁵ This budget should, therefore, be audited to ensure that it is consistent with the principles set down in the strategy and agreed by government as the most strategic approach to tackling poverty and social exclusion. It is important to note that this does not necessarily imply additional government expenditure, but a redistribution of resources and a review of the positive and negative effects of existing tax and spending decisions on poverty.

³ Fahey, T. and Fitz Gerald, J. (1997). *Welfare Implications of Demographic Trends*. Oak Tree Press and The Combat Poverty Agency.

⁴ Government of Ireland (1997) *Sharing in Progress: National Anti-Poverty Strategy*. Dublin: Stationery Office.

⁵ *op cit.* p20-21.

Summary of Main Recommendations

Issue	Proposal	Cost	Funding
1. High marginal tax rates for the lower paid	increase personal allowances by £1,000 for single people (to £3,900) and by £2,000 for married couples (£7,800)	£475m	through buoyancy or the introduction of tax credits or standard rating personal allowances
2. Reducing the PRSI burden on the low paid	increase PRSI personal allowances to £100	£40m	either buoyancy or off-set by the abolition or substantially increasing the PRSI ceiling
3. Increasing the value of child benefit	flat rate increase of £7 per child extend the higher child benefit rate to the second child introduce two additional payments per annum	£89m £33.2m £88.8m	tax buoyancy taxing the increase in child benefit would help to off-set the additional costs involved
4. Addressing the difficulties associated with FIS	prioritise improved take-up of FIS and examine more carefully options in regard to addressing poverty traps associated with FIS	would depend on measure	N/A
5. Social welfare rates	increase all social welfare payments in line with average earnings in industry increase the personal rate to a minimum of £73.24	£63m/ £114m £55m/ £98m	tax buoyancy
6. Up-rating social welfare rates	establish a working group to set out the steps and information requirements for an explicit and transparent agreed process of evaluating and up-rating the minimum income standard	negligible	N/A
7. Health care for	extend the medical card to	maximum	tax buoyancy and

children	all children in receipt of child benefit	of £60m	dividend from better child health
8. Withdrawal of rent/mortgage allowance	introduce a national housing income support scheme with tapered withdrawal	would depend on scheme	tax buoyancy and reallocate budget for social housing
9. Tax relief for charities	introduce a tax relief for corporate donations to approved charities	£3m	tax buoyancy

Submission by The Combat Poverty Agency

Subject Personal taxation

Issue 1 High marginal tax rates for the lower paid.

Proposal Increase personal allowances by £1,000 for single people (to £3,900) and £2,000 for married couples (£7,800).

Background In last year's budget tax reforms costing almost £400 million (full year) were made, including increases to the personal allowances, widening the tax band, a reduction in the standard rate of tax and in the PRSI rate. The Agency believes that, while these policies had some positive impact on low income earners, the diversity of measures introduced diluted the focus of the amount available and limited the scope for (a) targeting the benefits on the lower paid and (b) introducing fundamental reform to tackle the problems faced by low earners with high marginal tax rates. The Agency believes that the best and fairest taxation reform route to take is the one which maximises benefit to low income earners, as this would increase the incentive to work and would reduce poverty traps.

There are three main routes available in reducing the current level of taxation: tax rate cuts; band-widening and allowances increases. Analysis carried out by the Economic and Social Research Institute using their SWITCH model indicates that all forms of tax cuts benefit higher income earners most, but that increasing personal allowances is the most redistributive taxation reform for low to medium earners.⁶ This position was endorsed by the Expert Working Group on the Integration of the Tax and Social Welfare Systems⁷ and more recently by the National Economic and Social Council which stated that the *superiority of increased personal allowances should be a principle guiding income tax reduction in the coming years.*⁸

⁶ See Callan, T., O'Donoghue, C., and O'Neill, C. (1996). *Simulating Welfare and Income Changes: The ESRI Tax-Benefit Model*. Dublin: The Economic and Social Research Institute.

⁷ Expert Working Group (1996). *Integrating Tax and Social Welfare*. Dublin: Stationery Office.

⁸ National Economic and Social Council. (1996). *Strategy Into the 21st Century*. Dublin.

Cost	£475 million in the 1997/98 tax year (costing provided by the Department of Finance)
Assumptions	None.
Benefits	<p>Increased personal tax allowances would have the following benefits:</p> <ul style="list-style-type: none"> • improve the incentive to work; • remove the poverty trap from the income schedule; • increase the incomes of lower paid (non-tax exempt workers); • promote employment, especially among the long-term unemployed; • reduce welfare dependency; • simplify and rationalise the tax system; • align tax allowances and welfare payments.
Funding	<p>There are two main ways in which this proposal could be funded. The first, and less radical approach, would be to rely on additional receipts from tax buoyancy, reduced social welfare costs, lower wage demands and higher tax take from more people in work to fund these changes. The second, and more radical approach, would be to fund this proposal by introducing a system of tax credits or standard rating personal allowances and to use the extra resources generated to bring personal allowances up to, or above, the exemption limits.⁹</p>
Oral evidence	We wish to give oral evidence to the Committee in relation to this proposal.

⁹ For a discussion of this option see: Expert Working Group. (1996). *Integrating Tax and Social Welfare*. Dublin: Stationery Office. p.76.

Submission by	The Combat Poverty Agency
Subject	Personal taxation
Issue 2	Reducing the PRSI burden on the low paid
Proposal	Increase PRSI allowances to £100
Background	<p>Last year the Employees' PRSI rate for Class A and H contributors was cut by 1 per cent and no change was made to the allowance for full-rate PRSI contributors, under which the first £80 of weekly wages is disregarded in the calculation of PRSI. The Agency believes that future reforms of PRSI should focus on targeted relief for those on low incomes. The Agency, therefore, recommends that the PRSI allowance should be increased to £100 and that there should be no further cuts in the rate of PRSI.</p>
Cost	£40 million (ballpark figure provided by the Department of Finance)
Assumptions	That the PRSI Fund is not diminished and that the PRSI rates are not lowered.
Benefit	This proposal would reduce the PRSI wedge on lower incomes.
Funding	Either buoyancy or off-set by the abolition or substantially increasing the PRSI ceiling. The Expert Working Group on the Integration of the Tax and Social Welfare Systems estimated a potential yield of £60 million from the abolition of the employee ceiling (1996 figures). ¹⁰
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.

¹⁰ *op cit.* p.89.

Submission by	The Combat Poverty Agency
Subject	Poverty traps - child income support (i)
Issue 3	Increasing the value of child benefit
Proposal	Flat rate increase of £7 per child, extend the higher child benefit rate to the second child and introduce two additional payments per annum. These increases in child benefit should be made liable for taxation.
Background	<p>There is a wide variation in the risk of poverty between households with children and those without: 25.5 per cent as compared to 13.8 per cent.¹¹ In other words, households with children are 1.85 times as likely to be in poverty as those without children. This difference in poverty risk is reflected in the composition of poor households, with households with children accounting for 55 per cent of the total, though only representing 40 per cent of the entire household population. A similar variation in the risk of poverty is also apparent between children and adults. The relevant figures here are 29.3 per cent (children) and 17.9 per cent (adults), a gap of 11.4 percentage points. Children are thus two-thirds more likely to be below the 50 per cent income threshold as adults.</p> <p>These findings have important policy implications if the inferior and deteriorating income status of households with children is to be addressed. Reform of child income support must take cognisance of the wider context influencing tax and social welfare reform, particularly work incentives, employment and poverty traps. These are relevant because of the structure of welfare payments to the unemployed, especially child dependant allowances. The loss of these benefits, and other secondary benefits, where a person takes up work can result in a small gain in new household income. Transition mechanisms, such as FIS and child additions to tax exemptions give rise to another set of problems for low income workers with children - high marginal tax rates as income from work rises (see issue 7 below). Other general policy concerns relate to the problems of means-tested payments and more effective targeting of resources.</p> <p>Over recent years, considerable resources have been dedicated to improving child benefit, which has the advantages of high take-up and no poverty traps. Further increases in child benefit are, however, required if child poverty is to be addressed. An immediate concern is that the real value of the child income support package for smaller (and more numerous) families has declined by 20p per week</p>

¹¹ Callan, T., Nolan, B., Whelan, B., Whelan, C. and Williams, J. (1996). *Poverty in the 1990s: Evidence from the 1994 Living in Ireland Survey*. Dublin: Oak Tree Press, the Economic and Social Research Institute and the Combat Poverty Agency.

following Budget 1997. This was due to the fact that in Budget 1997 child benefit was only raised by £1 for the first and second child and child dependant allowances were not increased. Currently the third and subsequent child receives a higher payment - this should be extended to the second child with the long-term aim of extending it to the first child.

In addition, families face particular financial stress at certain times of the years, for instance in the lead up to Christmas or when children are returning to school.¹² To help with the costs at these times two extra payments should be made per year for each child, the first in August and the second in December. The August payment could play an important role in trying to tackle educational disadvantage and break the cycle of poverty by helping with the extra costs associated with returning to school.

Until such time as child benefit can be considered to be adequate to cover the cost of a child for those reliant on social welfare as their main source of income, child dependant allowances should not be cut.

Cost

The cost of a flat rate increase of £7 for all children would be £89 million in a full year.

The additional cost of extending the higher rate child benefit to the second child would be £33.2 million in a full year.

The additional cost of introducing two additional payments per year would be £88.8 million in a full year.

Assumption

That recipient numbers remain stable.

Benefits

The benefits of increasing the value of child benefit would be to:

- reduce poverty traps;
- increase the incomes of lower and middle income families;
- simplify the system of child income support;
- improve the potential financial independence of mothers
- reduce child poverty;
- help to tackle educational disadvantage;
- reduce welfare dependency.

¹²

see, for example:

O'Donoghue, M. (1991) *Educational Costs and Welfare Provision for Low Income Families*. Limerick:PAUL Partnership.

Daly, M. and Walsh, J. (1988). *Money Lending and Low Income Families*. Dublin: Combat Poverty Agency.

Funding

This could be funded by tax buoyancy. Taxing the increase in child benefit would help to off-set the additional costs involved.

Oral Evidence

We wish to give oral evidence to the Committee in relation to this proposal.

Submission by	Combat Poverty Agency
Subject	Poverty traps - child income support (ii)
Issue 4	Addressing the difficulties associated with Family Income Supplement (FIS).
Proposal	Prioritise improved take-up of FIS and examine more carefully options in regard to addressing poverty traps associated with FIS.
Background	<p>Government policy has prioritised a reformed FIS as a means of improving work incentives for low income families (<i>Partnership 2000</i>). This was one of four options outlined in the report of the tax/ welfare integration expert group. This expert group pointed out that the FIS option would militate, in the longer-term, against other options such as an integrated child benefit or a child benefit supplement. The Agency is opposed to this FIS policy choice as, in principle, it favours the route of an integrated child benefit. However, given the government's decision in favour of FIS, the Agency wishes to contribute to discussion on how FIS could be enhanced.</p> <p>There are two major weaknesses associated with the scheme: the low take-up of benefit, estimated at 40 per cent of potential beneficiaries and 63 per cent of potential cost; and the high rate of tax-cum-benefit withdrawal (poverty trap), which can exceed 100 per cent for those affected by marginal tax relief (FIS is withdrawn at a rate of 60p in the pound, while marginal tax plus PRSI can take 47p in the pound, a combined withdrawal rate of 107 per cent). Another set of difficulties linked to FIS arises from its interaction with the increasing array of similar in-work benefits¹³ in terms of duplication, poverty traps, horizontal equity and long-term subsidisation of low wage employment. Finally, there are issues pertaining to the exclusion of low paid self-employees, the hours threshold for eligibility to the scheme (19) and the absence of an allowance for a working adult dependant.</p> <p>The current focus of reform of FIS is on reducing the poverty trap, through calculating entitlement on a net income basis. The first stage in this process was introduced in the 1997 Budget, where PRSI contributions and levies were exempted from calculations of earnings. Ironically, these deductions are not central to the high tax/benefit withdrawal rates associated with FIS and therefore will have minimal impact on this issue.</p> <p>A move to FIS on a net income basis will undoubtedly address the issue of marginal tax/welfare rates over 100 per cent. However, it will also have a number of drawbacks:</p>

¹³ i.e. one parent family payment, back-to-work allowance, retention of child dependant allowances for 13 weeks and Jobstart (£80 subsidy to employers).

- by making more families eligible to FIS, it will increase the number of beneficiaries exposed to high tax/welfare withdrawal rates of 70 - 90 per cent;
- the additional expenditure under the scheme will primarily benefit middle income families, with no gain for those on the lowest incomes (who do not pay tax or PRSI).

Another means of addressing the poverty trap associated with FIS is to reduce the number of families liable to tax at the 40 per cent marginal rate by increasing personal tax allowances (see issue one of this submission).

There is also the fact that more severe poverty traps exist within the system, for example, in relation of housing benefits, differential rent and medical cards. These problems are not being addressed, although proposals to address them are contained in this submission (see issues seven and eight). There is also the continued disincentive to work faced by a partner of a FIS recipient, in particular if they have to take on child care costs.

Also, this approach does not address the other principal weakness of FIS: low take-up rates. It is assumed that putting FIS on a net income basis will increase take-up, but there is little evidence to suggest that - most families will undoubtedly claim it, but equally more families will be eligible to FIS, so that the overall take-up rate may not increase.

Addressing the take-up issue is as important as putting FIS on a net income basis (or perhaps even more). To-date, most of the effort to improve take-up of FIS has focused on information dissemination. Research in the UK has pointed to other factors which may inhibit take-up: for example, perceived eligibility and negative attitudes towards dependence on state benefits. Another issue is the means by which FIS is delivered, and whether a tax-based system of identifying and subsequently paying FIS might improve take-up.

Finally, further consideration should be given to the interaction of FIS with other in-work benefits and the long-term implications of these in terms of providing a permanent subsidy to low paid employment. In particular, the issue of introducing a minimum wage should be looked at as a quid-pro-quo for public subsidisation of low paid work.

Cost	Would depend on scheme.
Assumptions	None.
Benefits	Would depend on scheme.
Funding	Not applicable.
Oral evidence	We wish to give oral evidence to the Committee in relation to this proposal.

Submission by	The Combat Poverty Agency				
Subject	Issues relating to disadvantage				
Issue 5	Social welfare rates				
Proposal	Increase all social welfare payments in line with average earnings in industry and ensure that the lowest personal payments reach a minimum adequate rate of £73.24, with pro-rata increases for adult dependants				
Background	<p>Almost all social welfare payments have now reached at least 98% of the lowest point in the minimum adequate range as defined by the Commission on Social Welfare ten years ago. Supplementary Welfare Allowance and short-term Unemployment Assistance are the two exceptions, both of which are still only 94% of the lowest point in the Commission's range.</p> <p>The Agency welcomes the commitment in <i>Partnership 2000</i> that the minimum adequate rate will be reached in the lifetime of the agreement and argues that this should be a key priority of this Budget. Research carried out by the ESRI for the Agency found that future demographic projections are positive for Ireland and that we are now entering a sustained period of demographic advantage.¹⁴</p> <p>As outlined above, current economic projections are also very positive.¹⁵ Average industrial earnings are projected to increase above inflation in the coming years. It is therefore imperative that social welfare rates follow suit. This has broadly been the experience in the past decade, even if it has not been explicit government policy. If this does not occur, social welfare dependants will become even further marginalised and excluded from full participation in society. Increasing social welfare rates in line with average industrial earnings would help to ensure that some of the gains of economic growth reach those outside traditional market mechanisms for redistributing resources (employment, property, shares, etc.).</p> <p>In short, there has never been a better opportunity to ensure our social welfare rates are adequate to prevent poverty, as determined by the prevailing living standards.</p>				
Cost	<p>The cost of up-rating personal rates in line with average earnings in industry (3.7%) is as follows:</p> <table> <tr> <td>29 weeks</td><td>52 weeks</td></tr> <tr> <td>£63 million</td><td>£114 million</td></tr> </table>	29 weeks	52 weeks	£63 million	£114 million
29 weeks	52 weeks				
£63 million	£114 million				

¹⁴ Fahey, T. and Fitz Gerald, J. (1997) *Welfare Implications of Demographic Trends*. Oak Tree Press and the Combat Poverty Agency.

¹⁵ Duffy, D. *et al.* (1997). *op cit.*

The additional cost of up-rating personal rates to a minimum of £73.24¹⁶ is as follows:

	29 weeks £55 million	52 weeks £98 million
Assumption	Assumes recipient numbers and average earnings in industry remain stable. (See issues six and seven below for proposals relating to child income support.)	
Benefits	<p>Increasing social welfare rates as proposed would have the following benefits:</p> <ul style="list-style-type: none"> • reduce poverty levels amongst social welfare recipients; • target the fruits of growth to those most in need; • strengthen public commitments to social solidarity; • meet the agreement in <i>Partnership 2000</i> that the minimum adequate rates as set by the Commission on Social Welfare will be implemented. 	
Funding	Tax buoyancy.	
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.	

¹⁶ This figure is based on up-rating the Commission on Social Welfare's minimum adequate rate of £50 in 1985 to £68.10 in 1996 (see National Anti-Poverty Strategy. *Sharing in Progress* (1997), p96). For 1997 and 1998, payment rates have been up-rated by projected average growth in industrial earnings 1995-2000 (3.7 per cent per year) - *Medium Term Review* Table 6.8. p128.

Submission by	The Combat Poverty Agency
Subject	Issues relating to disadvantage
Issue 6	Up-rating social welfare rates
Proposal	Establish a Working Group to set out the steps and information requirements for an explicit and transparent agreed process of evaluating and up-rating the minimum income standard.
Background	<p>The <i>Review of the Commission on Social Welfare's Minimum Adequate Income</i>¹⁷ outlined alternative approaches used to up-rate social welfare rates. The examination revealed a number of themes around: inflation proofing; concern about work incentives; adequacy; sharing growth; and affordability. However, in the current period of economic growth it is essential that payments are up-rated in line with the general living standards, otherwise the incomes of those dependant on social welfare will fall further behind the rest of society.</p> <p>In order to determine the appropriate rate of increase more detailed data than is currently available on indicators of general living standards such as earnings and household incomes and their distribution is required as well as more work on equivalence scales. However, data does exist on changes in consumer prices, in average take-home pay and in average income per head which could be used to assess how an adequate standard was changing over time, in the first instance.</p>
Cost	Negligible.
Assumptions	None.
Benefit	Such a Working Group could develop a transparent and accountable mechanism for future up-rating of social welfare rates to ensure that they reach a minimum adequate rate and that they remain in line with general living standards thereafter.
Funding	Not applicable.
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.
Submission by	The Combat Poverty Agency
Subject	Issues relating to disadvantage

¹⁷ Callan, T., Nolan, B., and Whelan, C. (1996). *A Review of the Commission on Social Welfare's Minimum Adequate Income*. Dublin: Economic and Social Research Institute. Policy Research Series paper no. 29.

Issue 7	Health care for children
Proposal	Extend the medical card to all children in receipt of child benefit.
Background	<p>Medical care for children can prove to be expensive, especially in large families. The medical card is perceived as a very important resource by families living on a low income: it acts as a cushion against the exceptional costs associated with their children getting sick.</p> <p>The Agency's preferred option would be to extend the medical card to all children in receipt of child benefit. This would have the advantage of addressing work disincentives faced by large families and would also should help to improve the overall health of the child population. The cost of introducing such a scheme has been estimated at approximately £60 million.¹⁸</p> <p>An alternative approach would be to extend the eligibility limits for the child medical card. This could be done by assessing eligibility on net income (assessment is already net of PRSI). Alternatively a system of graduated withdrawal could be introduced, for instance, the card could cover doctor's charges only for higher income households.</p>
Cost	Would depend on the measure adopted - maximum of £60 million.
Assumptions	None.
Benefit	<p>The benefits of such a scheme would be to:</p> <ul style="list-style-type: none"> • reduce work disincentives; • facilitate transitions from unemployment to work; • help to reduce the cost of medical care for low income families; • provide better health care for children.
Funding	Tax buoyancy initially and dividend from better child health levels in the long term.
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.

¹⁸ Expert Working Group (1996). *Integrating Tax and Social Welfare*. Dublin: Stationery Office. p. 129.

Submission by	The Combat Poverty Agency
Subject	Poverty and unemployment traps - housing costs
Issue 8	Withdrawal of rent/mortgage supplements
Proposal	Introduce a statutory means-tested scheme of housing income support.
Background	<p>The commitment in <i>Partnership 2000</i> to consider an appropriate tapering arrangement for SWA rent or mortgage supplements is to be welcomed. It is the Agency's view that the best way to alleviate the current poverty traps which exist in relation to these housing supplements would be to introduce a statutory, means-tested scheme of housing income support which would be open to employed and unemployed people. Such a scheme would incorporate a tapered withdrawal of benefit, where income exceeded the eligibility threshold. The scheme should also be designed to rationalise housing subsidies in other tenure groups, particularly those in local authorities, and could be devolved to local authorities for administration.</p>
Cost	Would depend on scheme.
Assumptions	None.
Benefit	<p>The benefits of a statutory-means-test housing support scheme would be to:</p> <ul style="list-style-type: none"> • remove poverty traps and increase incentives to work; • reduce welfare dependency; • simplify the system of housing support; • strengthen the social housing sector in general; • eliminate anomalies between schemes of housing assistance; • make public subsidisation of housing more transparent.
Funding	<p>While it is impossible to estimate the cost of such a scheme without further consideration of the exact eligibility criteria, etc., funding could be allocated from current commitments for increased investment in social housing. Also by rationalising current housing subsidies, savings could be made by ensuring that housing needs are met in a cost effective way, be that by the local authorities, the private sector, the voluntary sector or combinations of these.</p>
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.

Submission by	The Combat Poverty Agency
Subject	Business taxation
Issue 9	Tax relief for charities.
Proposal	Introduction of tax relief for corporate donations to approved charities.
Background	<p>Charity organisations in Ireland play a crucial role in giving people a helping hand. However they are under increasing financial pressure. Even during this period of relative economic boom, poverty and social exclusion remain high and charities need funding in order to deliver high quality services. This issue was also raised in the recently published green paper on the community and voluntary sector and its relationship with the state.¹⁹ Recently completed research commissioned by the Agency on the establishment of community foundations emphasised that unless tax treatment of private sector donations is made more favourable in Ireland, the introduction of such foundations would face a major impediment here.²⁰</p> <p>This proposal to introduce tax relief for corporate donations to approved charities has been advanced by the Irish Charities Tax Reform Group who calculated that it could result in up to £11 million being donated annually by companies to charities. The scheme would allow corporate donations of between £100 and £10,000 (up to a maximum of 10% of companies' taxable income) be made to approved charities. In order to qualify for such donations charities would have to present accounts to the authorities, and maintain full records of all contributions. The scheme could be piloted or introduced on a phased basis.</p>
Cost	£3 million
Assumptions	None.
Benefit	Such reform would help Irish charities to raise funding to provide much needed help and services to the benefit of the whole community.
Funding	Tax buoyancy.
Oral Evidence	We do not wish to give oral evidence to the Committee in relation to this proposal.

¹⁹ Department of Social Welfare. (1997). *Supporting Voluntary Activity: A Green Paper on the Community and Voluntary Sector and its Relationship with the State*. Dublin Stationery Office. p 70.

²⁰ *Community Foundations: The potential in Ireland*. (forthcoming: Combat Poverty Agency, 1997)

Submission by	The Combat Poverty Agency
Subject	Unemployment - rural issues
Issue 10	Social exclusion in rural areas
Proposal	Review poverty traps particularly experienced by unemployed people living in rural areas..
Background	Unemployment is the biggest cause of social exclusion in both urban and rural areas. Unemployment rates tend to be lower in rural than urban areas due to emigration and under-employment. However, the problems of unemployment in rural areas are compounded by limited employment opportunities, transport difficulties and the lack of access to information and services. ²¹
Cost	
Assumptions	
Benefit	
Funding	
Oral Evidence	We wish to give oral evidence to the Committee in relation to this proposal.

²¹ National Economic and Social Forum. (1997). *Rural Renewal - Combating Social Exclusion*. Forum Report Number 12. Dublin: National Economic and Social Forum.

Submission by The Combat Poverty Agency

Subject Issues Relating to Disadvantage - Social Welfare

Proposal iii) Pro-rata increase other social welfare personal payments and adult dependency allowances.

Background The Agency agrees that long-term social welfare payments should be paid at higher rates than short-term payments, as is currently the case. This reflects the fact that long-term social welfare dependants are at greater risk of experiencing poverty, as any financial reserves they might have are used up over time. The Agency would support retention of the current differentials (about £2). The Agency also agree that contributory benefits should be slightly higher than non-contributory ones, to support and encourage the contributory principle. However, the priority for spending in this area must be to ensure that the lowest payments are raised to a minimum level and that other payments are increased by the rate of inflation.

Cost

Costings	29 wks	52 wks
cost of inflation proofing personal rate payments	£33m	£59m
additional cost of bringing all payments to a minimum of £69.50.	£14m	£25m
additional cost of increasing long-term contributory payments to £2 above minimum adequate rate.		
cost of pro-rata increase for contributory benefits		
cost of inflation proofing adult dependent payments		
TOTAL ADDITIONAL COST FOR YEAR		

Assumptions The recipient levels remain stable and inflation at 2%.

Benefit

Funding

Oral Evidence We wish to give oral evidence to the Committee in relation to this proposal.

