



POLICY SUBMISSION

**From Wealth Creation to Wealth
Distribution: Proposals of the Combat
Poverty Agency on Budget 2000**

November 1999

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Summary of proposals and costings

Issue	Proposal	Cost (£m)
Social welfare	Increase personal rates in line with earnings (+£5.50 per week)	220
	Increase qualified adult allowances to 70% of personal rate (+£5 per week)	27
	Align start of social welfare and tax years	n/a
	Introduce a national housing benefit for the private rented sector	n/a
Child income support	Increase universal support for children (+£20 per month in child benefit)	254
	Provide a direct childcare supplement (+£32.50 per month in child benefit)	self-financing
	Rationalise child dependent allowances (+50p/£1 per week for lowest rates)	14
	Improve school-related welfare schemes (higher payments, greater take-up)	e10
Taxation	Increase personal and PAYE allowances (+£800/£200 per year)	365
	Make PRSI more progressive (higher allowance, abolish threshold)	self-financing
	Address anomaly in structure of health levy	n/a
	Ensure equitable taxation of couples	e 20
Social infrastructure	Reform taxation of business	revenue
	Increase provision of social housing	n/a
	Extend availability of low-cost childcare services	7.5
	Tackle educational disadvantage	25.5
	Regenerate urban areas	50
	Promote rural development	50
Total	Support community development	25
		c1,070

1. Introduction

The Agency has a statutory duty to advise government through the Minister for Social, Community and Family Affairs on all aspects of social and economic policy relating to poverty. Our submission on the priorities for Budget 2000 is of central importance in this regard, given the Budget's primacy in government fiscal policy.¹ The Budget is the key policy instrument for ensuring that the substantial gains of the Celtic Tiger are shared fairly among all citizens. It thus complements market measures such as wages, investments and other earnings in determining the living standards of the population.

The theme of our submission on Budget 2000 is 'from wealth creation to wealth redistribution'. Our exceptional economic performance has not benefited all members of society to the same extent. While those on the lowest incomes have seen their living standards improve relative to previous years and their levels of material deprivation reduce, their position vis-à-vis the remainder of society has got worse, with a rise in the extent and intensity of relative income poverty. It is the responsibility of government to ensure that the inequalities arising from wealth creation are controlled and ameliorated through public policy interventions. Until the fair distribution of our new-found wealth is addressed, the Celtic Tiger will be an incomplete achievement.

The distributive challenge for Budget 2000 is underpinned in a number of other government policy documents. The first of these is the National Anti-Poverty Strategy (NAPS), the strategic policy initiative for tackling poverty. The government recently issued revised targets under NAPS for the reduction of persistent poverty to 5 per cent by 2004 and the cut in unemployment and long-term unemployment to 5 and 2.5 per cent respectively by 2002. It is also considering the adoption of other poverty reduction targets, such as for income poverty and child poverty. The government's strategy is strongly supported by the social partners and its performance in achieving its targets is subject to on-going monitoring and evaluation and will also be reviewed at the UN social summit next year (Copenhagen +5).

Other important distributive policy influences on the Budget are the discussions on a new social partnership agreement, based on the NESC strategy report, and the finalisation of the national development plan 2000-2006. Underlying both of these policy statements is the need for a fairer share-out of wealth as between social groups and between regions and areas in the country. There are also the reports of a number of government working groups on issues relating to the tax/welfare treatment of children and families, which require careful and comprehensive consideration.

There is also a European social cohesion dimension to government fiscal policy. Aside from the requirements of EMU and the growth and stability pact, there is a strengthened social aspect of EU policy, notably the employment action plan and the social action agenda on tackling poverty and other forms of inequality. In this context, there is a unique opportunity for Ireland to shape a new European model of development based on 'equitable growth', whereby the pursuit of economic growth and social cohesion are two sides of the one coin, one re-inforcing the other.

There has never been a better opportunity for radical government intervention to rid this country of its long legacy of poverty and deprivation. The resources are available, the social consensus exists, and the policies are evident and tested. What

¹ Many of the themes in this submission on Budget 2000 are also reflected in the Agency's proposals for a successor to Partnership 2000.

is needed now is the political will and imagination to lead this society into a better future for all.

2. Social-economic context of Budget 2000

Our booming economy

The Irish economy continues to achieve exceptional levels of performance. Over the six years since 1994:

- real GNP growth has exceeded 6 per cent per annum
- annual price inflation has never exceeded 2.5 per cent
- unemployment has fallen by three-fifths to 6.25 per cent
- the debt-to-GNP ratio has been halved to under 50 per cent.

This positive situation has been summarised as follows: 'Such a prolonged period of economic success is unprecedented in Ireland and very rare in world history. Moreover, because it has been built on sound foundations, there is no reason why it should end in a serious set-back.'²

Exchequer surplus ahead of target

Government income and expenditure is also in a very satisfactory state. The main headlines are:

- tax receipts far ahead of target
- a moderate increase in expenditure
- substantial savings from the decline in unemployment
- current government surplus approaching £2b
- one-off income from sales of state assets (£3.5b).

Mixed news in terms of poverty trends

During the year, there have been a number of reports on poverty trends and issues. Their findings suggest the achievement of number of key NAPS objectives:

- persistent poverty (income poverty + deprivation) has fallen
- unemployment is down to 6 per cent
- long-term unemployment now 3 per cent

However, besides these successes, there are both old and emerging problems:

- more households are experiencing relative income poverty
- the depth or intensity of income poverty has increased
- a quarter of all children still live in families below half average incomes
- the poverty risk for women has worsened

On the comparative international level, Ireland has been shown to be amongst those countries with the highest rates of poverty. For instance, the UN Development Report for 1998 placed Ireland amongst the developed countries with where poverty is most widespread, highlighting in particular the high levels of adult literacy.

New social needs have also emerged which impact on poverty:

² Baker, T.J, Duffy, D and Smyth, D. (1999) *Quarterly economic commentary*, May, 1999, p27

- growing housing waiting lists
- an increase in homelessness
- inferior living conditions for residents in public housing estates
- limited access to affordable childcare
- persistent rates of early school leaving
- high levels of adult illiteracy
- limited access to basic services for Travellers and people with disabilities
- increased numbers of refugees and asylum seekers.

3. A distributive strategy for Budget 2000

Recent achievements, further challenges

It is important to acknowledge the benefits that economic growth have brought to society, including to many of those previously in poverty. However, there has been an excessive reliance on job creation as the instrument of income distribution. There remain many barriers for those in poverty to improve their situation through accessing the labour market. The unemployed, especially those long-term out of work, often have skills and education levels which are not in accord with the requirements of a modern economy. Difficulties accessing childcare are a major obstacle for women, especially those parenting on their own. There also remain financial issues to do with the tax and welfare systems, which inhibit welfare dependents from taking up work. This is most evident with regard to housing income supports, in particular in the private rented sector, where rents have greatly increased in recent years.

Budget 1999 completed the process of bringing welfare payments within the range of the minimum adequate rate as recommended by the Commission on Social Welfare and up-rated for inflation. This was a significant achievement in welfare policy, given the shortfall that previously existed in between welfare rates and the recommended minimum figure. However, rising affluence presents new challenges in terms of continuing to ensure a minimally adequate income for those on welfare. The failure to link welfare payments to increases in incomes has meant that those outside the labour market have found their situation has relatively disimproved. Above average increases for pensioners, while welcome, still leave the living standards of the generality of welfare recipients out of step with overall advances in living standards.

The situation for children remains a source of major concern, due to the failure to grant significant increases in child income support in recent Budgets. The result is that the welfare situation of children in Ireland remains amongst the worst in Europe. Indeed, concern about the inadequacy of welfare benefits for children has been raised at an international level by the UN Committee reviewing the implementation of the International Covenant on Economic, Social and Cultural Rights in May 1999.

Using our affluence to maximum effect

Ireland is now a country of affluence. The challenge is to use that affluence to maximum effect to secure the wellbeing of current and future generations. This means investing our resources in ways that underpin future economic development and social progress. Tackling poverty is critical in this regard. Poverty imposes a huge economic and social cost on society in terms of the waste of human resources and in individual misery. Investing in the social capital of those on low income is crucial to maintaining our competitive advantage in an information age and to maximising the flow of workers to meet expanding labour demands.

Fortunately, we are now in the position where there are no economic reasons why poverty should persist in society. Also, in social terms, we are now approaching the peak of our demographic structure, with falling age and economic dependency rates. Tackling poverty is now down to our collective willingness to share our expanding resources in an equitable and sustainable manner. The government finances, with an expected surplus of almost £2b, not alone allows considerable scope to distribute resources, but also to do so in a way that underpins future progress through reform of our tax and welfare systems. This opportunity was in part grasped last year with the standard rating of tax allowances as the first step in the introduction of a tax credit system. Similar radical measures should be undertaken this year on the social welfare side, in particular through the enhancement of child benefit.

A fairer share-out of economic resources

There is a basic link between tackling poverty and distributing income. This is often overlooked by an exclusive focus on the social welfare component of the Budget, either in terms of a) the size of the social welfare increase or b) the overall cost of the social welfare budget. This one-sided approach to distribution is totally inadequate in an era of significant increases in personal incomes, supplemented by a government policy of major tax reductions, and is a clear recipe for worsening levels of poverty.

The implication of a continuation of recent tax and welfare policies for poverty levels has been illustrated in the recent government report *Monitoring Poverty Trends*.³ Simulating a continuation of recent tax/welfare policies, the report predicts that relative income poverty will increase by almost a half between 1994 and 2001 at the 40 per cent income poverty line and by a sixth at the 50 per cent line. This predicted increase in poverty reflects the following weaknesses in the current policy mix:

- simply inflation-proofing welfare incomes, or slightly above, is not enough to keep pace with the overall increase in after-tax personal incomes;
- selective targeting of certain high poverty risk welfare categories for higher payments, such as the elderly, leaves other vulnerable groups behind;
- tax reform, no matter how progressive, has no impact on those outside the tax net;
- not everyone can avail of increased incentives to work.

The distributive impact of Budget 1999 illustrates this situation (Figure 1). Benchmarked against indexation to earnings, this Budget primarily benefited those on middle incomes (+3 per cent), with more modest gains for lower and higher earners (though still a marked improvement on the distributive impact of tax

³ Callan, T, Layte, R, Nolan, B, Watson, D, Whelan, C T, Williams, J and Maitre, B (1999), *Monitoring poverty trends. Data from the 1997 Living in Ireland Survey*, Dublin: Stationery Office.

reductions in previous Budgets).⁴ By contrast, those on the lowest incomes - primarily social welfare recipients - secured minimal gains from the most generous Budget in recent years (almost £1b in tax cuts and welfare increases). Indeed, the poorest decile of the population experienced a decline in its share of income when benchmarked to increases in wages. Overall, then, Budget 1999 still contributed to income inequality and relative poverty, rather than reducing it, despite its many positive features.

Key benchmarks for budgetary reform

Clearly, an alternative budgetary strategy is required if the poverty reduction targets of the National Anti-Poverty Strategy are to be given full effect. In this regard, the key benchmark in ensuring a distribution of income through the tax and welfare systems must be the growth in earnings. A neutral Budget would then be one where the increase in post-tax income would be equivalent to the rise in welfare payments. Obviously, such a Budget would only maintain the status quo in terms of poverty rates, and not reduce it, though the intensity of poverty may be reduced. As a society, we have the resource capacity to go beyond such a no-change scenario. This will require a re-balancing of the tax/welfare package, which in recent years has seen far more resources expended on the tax side as compared to welfare reforms.

The distribution of resources should not negatively impact on work incentives, given the importance of work as a route out of poverty. For this reason, child benefit is identified as the key tax/welfare policy instrument for supporting families. However, its current level is far below what might reasonably be expected to compensate households for the additional costs of rearing children. In addition, the current package of child income support (child benefit and child dependent allowances) falls far short of what is required to provide a minimally adequate rate for children living in poverty. The health of the government finances allows a unique opportunity to significantly increase child benefit in order to achieve both these goals.

There are also some issues pertaining to the equitable tax/welfare treatment of households arising from the various government-commissioned reviews on this topic. In particular, these reports highlight the provision of assistance with child-care costs, the low proportionality of payments for adult dependants and the unfair tax treatment of cohabiting couples. Finally, there is scope for targeted investment in a number of key social policy areas, including support for community development. Such investment should be underpinned by a policy of equal opportunity for all, in particular for groups vulnerable to exclusion due to gender, race or disability.

Agency recommendations for Budget 2000

Taking account of the resources available and being prudent in terms of the scale of reform that is feasible in one year, the following £1b Budget package is proposed:

Issue	Goal	Allocation
Social welfare	link welfare with earnings	£260m
Child income	increase support for all children	£280m
support	reduce burden on low paid	£385m
Taxation	provide additional resources in key policy	£140m
Social services	areas	

⁴ Callan, T, Nolan, B, Walsh, J and Nestor, R (1999), 'Income tax and social welfare policies', in Kearney, C (ed) *Budget Perspectives*, Dublin: ESRI

Excluding child income support, the figures are broadly in line with indications in the multi-annual budget projections and recent budgetary experience. The Agency feels that child income increases should be treated as a special case and not included as part of the annual social welfare allocation, as it is delivered through child benefit which goes to all families. As such, this item can be seen as combining both a welfare payment and a tax reduction for families and should be presented as such in Budget 2000. If the tax/welfare package is larger (or smaller), similar priorities should apply in terms of distributing the resources that are available. These four sets of policy proposals are fleshed out in more detail in the remainder of the submission below.

4. Policy issue 1 - social welfare

In Budget 1999, personal social welfare rates were raised by between £3 per week for the majority of welfare recipients to £6 per week for some categories of old age pensions. Increases in most social welfare rates have been linked to increases in the rate of inflation. Inflation, however, has been running at a very low rate of approximately 2 per cent for the past number of years, while earnings have been increasing at a much higher rate of approximately 5-6 per cent. While this has benefited many of those in work, it has meant that the relative value of welfare payments has fallen significantly behind that of wages. If this situation continues, then the gap between those in work and those in receipt of welfare payments will widen. This pattern is already evidenced in research that shows that those experiencing poverty fall further below the poverty line in 1997 than they did in 1994, though overall deprivation levels have fallen.⁵ Therefore, the numbers in income poverty and the depth of their poverty are increasing.

Increasing welfare payments in line with earnings (flat increase of £5.50 per week)

In order to redress this pattern and to distribute the benefits of economic growth more widely, the Agency recommends that earnings growth be used as the up-rating mechanism for social welfare rates rather than price inflation. This will help prevent a further increase in relative poverty created as the result of increases in social welfare incomes lagging substantially behind the growth in average earnings over a number of years and start to redress the growing income inequalities.⁶ It is predicted that earnings will rise by approximately 6 per cent in the coming year.⁷ This increase is net of changes in the tax system that are an additional benefit to those in employment, but will not, of course, improve the situation of those in receipt of welfare payments. Applying this rate of wage inflation to the current social welfare rates would result in increases ranging from £3.10 for the lower payments to £5.72 per week and cost an additional £186 million in a full year. The Agency recommends a flat rate increase of £5.50 per week to all social welfare rates in this Budget, approximately £1.70 of which would go towards keeping pace with price inflation. The cost of this increase is £220 million in a full year.

This increase would raise the relative value of the lower social welfare rates by more than 6 per cent. However, social welfare rates have fallen relative to earnings in

⁵ Callan, T *et al* (1999) *op cit*.

⁶ Callan, T., Nolan, B. and Walsh, J, 'Income Tax and Social Welfare Policies', in Callan et al (1998) *Budget Perspectives: Proceedings of a Conference Held on 27th September 1998*. Dublin: Economic and Social Research Institute.

⁷ Baker, T.J., Duffy, D. and Symth, D. (1999) *Quarterly Economic Commentary, August 1999*. Dublin: Economic and Social Research Institute.

recent years, due to the link in increases with low levels of inflation. If the further development of a dual society is to be avoided, more significant increases will be needed over the coming years to prevent social welfare rates from falling more substantially behind wages in relative terms. By increasing the lower rates by more than 6 per cent in this current budget an element of this 'catch up' process between social welfare rates and earnings is introduced. The recommended increase of £5.50 per week also brings the government half way to closing the £11 gap between the lower rate of the Old Age Contributory Pension and the £100 rate it is committed to reaching before 2002. In addition, this increase would result in bringing Old Age Contributory Pensions to 28.6 per cent of average industrial earnings, therefore moving towards the £100 rate recommended by the Pensions Board.⁸

Bringing qualified adult payments up to 70 per cent of personal rates (£5 per week)

Qualified adult payments were increased in last year's budget by between £2 and £3 per week. These increases resulted in restoring a number of the qualified adult rates, particularly those of contributory payments, to 60 per cent of the personal rate as recommended by the Commission on Social Welfare. However, it remains that a considerable number of qualified adult rates fall below this proportion. In particular, qualified adult payments for the over 80s in receipt of non-contributory pensions are approximately 50 to 52 per cent of the personal rate.

Recently, a government working group on tax/welfare treatment of households considered the optimum rate for qualified adult payments.⁹ Drawing on research commissioned from the ESRI, the group suggested that qualified adult rates need to be increased to 70 per cent of personal rates for couples to have the same standard of living (income and resources) as a single person.¹⁰ To introduce such increases would result in a wide range of increases across payments in the first instance, ranging from £2.40 to £14.25 and cost an additional £42m in a full year. The Agency recommends that, in the context of this budget, qualified adult payments should be increased by a flat rate of £5 per week as a substantial move towards achieving the 70 per cent proportion. This will cost an additional £27 million in a full year and will result in the majority of qualified adult rates reaching approximately 65 – 70 per cent of the corresponding adult rates. However, in the case of the qualified adult rates for Old Age Non-Contributory Pensions, these would remain below the 60 per cent rate and any additional available resources should be targeted at these.

Aligning the introduction of welfare increases with tax changes

Bringing forward the date for introducing annual welfare increases so that is aligned with the tax year, ie April 6th has been an aspiration of recent governments. To-date, some moderate progress has been made in advancing the date for payment increases. The Agency proposes that this alignment be further progressed by bringing forward the payment of welfare increases by four weeks to the middle of May. The full alignment could then be completed in next year's Budget.

⁸ The Pensions Board (1998) *Securing Retirement Income: National Pensions Policy Initiative Report of the Pensions Board*. Dublin: The Pensions Board.

⁹ Government of Ireland (1999) *The Report of the Working Group Examining the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Social Welfare Codes*. Dublin: The Stationery Office.

¹⁰ Nolan, B et al, (forthcoming) *Households Composition, Living Standards and Needs*. Economic and Social Research Institute.

Mainstreaming SWA rent/mortgage supplements as a national housing benefit

Policy in regard to SWA rent and mortgage supplements has been subject to considerable review in recent years, with particular concern being expressed in relation to increasing costs, disincentives to work and administrative efficiency.¹¹ A number of transitional reforms have been introduced, but the bigger question of establishing a statutory system of housing benefit for the private rented sector has not been addressed. Such a scheme would incorporate a tapered withdrawal of benefit. There would also be a minimum standard of accommodation requirement in such a scheme. The Agency feels this reform is essential if the role of the private rented sector in social housing policy is to be adequately supported and fully recognised.

5. Policy issue 2 - income support for children and families

In 1994, Ireland had the second highest rate of child poverty in Europe at 29 per cent (measured as below 50 per cent relative poverty line). By 1997, this had fallen to 24 per cent, mainly due to the fall in unemployment.¹² The risk of poverty for children remains higher than that for adults: 24 per cent as compared to 21 per cent.¹³ The risk of poverty remains highest for larger families, rising from 17 per cent for households with one child to 44 per cent for households with four children. Other indicators of children in need are set out in table 1 below.

Table 1: Various measures of children in need

<i>Children in receipt of clothing and footwear scheme (2-22)</i>	<i>Children in welfare families (0-22)¹⁴</i>	<i>Children with medical cards (0-15)</i>	<i>Poor children (est 0-19)¹⁵</i>
209,300	440,100 (116,662 insurance) (290,147 assistance) (33,334 FIS)	306,821	246,420 (50% line) 363,911 (60% line)

In discussions last year, the United Nations Committee on the Rights of the Child recommended that the Irish government adopt a programme to eradicate child

¹¹ Guerin, D (1999), *Housing income support in the private rented sector*, Dublin: Combat Poverty Agency

¹² Callan, T *et al* (1999), *op cit*.

¹³ The risk of poverty experienced by children fell from 29 per cent to 24 per cent at the 50 per cent relative income poverty line and from 40 per cent to 38 per cent at the 60 per cent relative income poverty line, while that of adults increased from 18 per cent to 21 per cent and from 32 per cent to 34 per cent respectively.

¹⁴ This includes full and half rate CDAs, which may give rise to some double counting in the total.

¹⁵ Based on applying ESRI figures on the risk for children (aged under 16 years) in 1997 of living in households falling below 50 per cent and 60 per cent of average income (25 per cent and 35 per cent respectively) to the total number of child benefit beneficiaries. These cut-off points are the weekly equivalent of £25.89 and £31.08 per child.

poverty as a priority.¹⁶ A key priority in this regard should be the provision of a minimally adequate payment for children fully dependent on welfare. Based on the uprating of the minimal costs of child which were calculated in previous research for the Agency, the average payment should be at least of the order of £32.10 per week (with a range from £19 to £43).¹⁷ This compares to a current basic combined child income support package of £21.16, which is the equivalent of only two-thirds of the minimal costs of rearing a child.

Increasing child benefit (+£20 per month)

The potential of increased child benefit as a mechanism for supporting children and families has been highlighted in a number of reports to government in recent years.¹⁸ The advantages of child benefit as a means of supporting families with children and combating poverty have been well documented. Child benefit does not create either poverty or unemployment traps, provides support for all children irrespective of the labour market or welfare status of their parents, is beneficial to low income families and larger families and is given to the main carers of children, women. It forms a key element of Government policies in assisting parents with the costs of child rearing and is a vital component of a package of family policies.¹⁹ Although substantial increases are viewed as an expensive option, this should be considered in light of the fact that Ireland has a traditionally low level of income support for children in international terms and is therefore starting from a comparatively low initial level of expenditure.²⁰

In Budget 2000, it is imperative that child benefit be increased substantially if adequate financial support is to be provided for families, and in particular welfare dependant families. In last year's Budget, the net gain for welfare-dependent households with children was minimal, due to the freeze on child dependent payments and the modest £3/£4 monthly increases in child benefit.²¹ Such low increases worsen the relative position of the families compared to other welfare households.

In the long-term, the Agency recommends a child benefit of £100. However, as this would cost in the region of £1b per annum on the basis of current rates of payment and recipients, the Agency recommends that a staged approach be adopted over a number of budgets. Because of the high cost of child benefit, there have been various proposals to target additional resources either at certain times of the year and to certain types of families. In addition, there have been suggestions as some of the costs of child benefit could be claw-backed from better-off families, thereby allowing a higher increase. These are summarised below.

¹⁶ United Nations Information Service. *Committee on Rights of Child Concludes Consideration of Report by Ireland*. Press Release. 13th January 1998.

¹⁷ Carney, C, Fitzgerald, E, Kiely, G and Quinn, P (1994), *The cost of a child*, Dublin: Combat poverty Agency. The average cost of a child based on 1992 data gathered in this report was £28.11.

¹⁸ See Government of Ireland (1996) *Report of the Expert Working Group on the Integration of the Tax and Social Welfare Systems*, Dublin: Stationery Office, and Department of Social, Community and Family Affairs (1998) *Strengthening Families for Life: Final Report of the Commission on the Family*, Dublin: Stationery Office.

¹⁹ Minister for Social, Community and Family Affairs, Dermot Ahern T.D., paper presented at a conference "Towards a Child-Friendly Society", Stockholm, June 1999.

²⁰ See Bradshaw, J., Ditch, J, Holmes, H. and Whiteford, P. (1993) *Support for Children: A Comparison of Arrangements in Fifteen Countries*. London: HMSO.

²¹ *The National Anti-Poverty Strategy and the 1999 Budget*. Poverty Today Supplement April / May 1999, Combat Poverty Agency.

Table 2: Options for targeting child benefit

Option	Rationale	Concerns
Double CB at certain times in the year	The costs of children are higher when schools re-open, at Christmas, etc	<ul style="list-style-type: none"> • Fluctuation in payments • Payment too low in other months
Pay a higher CB for older children	Older children cost more	<ul style="list-style-type: none"> • At what age(s)? • Added complexity • Older families tend to be better-off
Give a higher CB for larger families (ie increase current £10 differential for 3 rd + child)	Larger families have a higher poverty risk	<ul style="list-style-type: none"> • Ignores economies of scale • Majority of poor children are in smaller families • Number of larger families is falling all the time
Pay a higher CB for younger children (eg for under 3s, as suggested by Commission on Family)	Younger children impose a childcare cost; and parents should have the choice to work or stay at home	<ul style="list-style-type: none"> • Severe drop in payment • Added complexity
Tax CB (as proposed by ESRI, TWIG and some anti-poverty groups)	Clawback resources from better-off families, while still directing full payment to principal carers of children	<ul style="list-style-type: none"> • Queries re legality • Increase tax burden • Where would cut-off be? • Who is taxed – man/woman? • Loss of public support
Introduce a means-tested CB (suggested by previous govt)	Restrict payment to poorer families	<ul style="list-style-type: none"> • Introduce poverty trap • Where cut off • Create dual system

Having reviewed the above options, the Agency believes that the optimum approach would be to increase all child benefit payments by a flat £20 per month, or £5 per week. This would result in the following:

- a rise in the lower rate of child benefit from £34.50 to £54.50 per month, at an additional cost of £199m in a full year;
- an increase in the higher rate (3rd+ child) of child benefit from £46.50 to £66.50 per month, at an additional cost of £56m in a full year.

The overall cost of these reforms is £254m in a full year. This move would also represent a substantial move towards a long-term goal of a £100 monthly child benefit.

Rationalising child dependent allowances (£1 and 50p per week in lowest rates)

There are three rates of child dependent allowances, ranging from £13.20 to £17. These rates have been frozen for a number of years as part of a policy of increasing child benefit. However, in the absence of significant increases in child benefit, welfare dependent households with children have fallen behind other welfare households, as

well as households with paid work. We have already argued for a substantial increase in child benefit in Budget 2000. In addition, there is scope to rationalise the number of child dependent allowances by bringing up the lower payments. This would have the benefit of targeting children most in need. The Agency recommends a rationalising in payment rates as follows:

- increase the lowest child dependent rates by £1 per week to £14.20 per week, with pro-rata increases for half-rates. This will cost £10 (+) million in a full year.
- increase the middle child dependent rate by 50 pence to £15.70 per week, again pro-rata for half-rates. The cost of this is £4 million (+) in a full year.

While these appear rather modest reforms, they would still exceed the net gain achieved for children in welfare-dependent families last year. Furthermore, they are recommended in the context of a substantial increase in child benefit. The combined net gain for children in welfare households would be £5.20 per week.²² If such an increase does not occur, more substantial increases to child dependent allowances will need to be introduced as a key component of an anti-poverty strategy for children in welfare dependent households. This flat rate increase should be of the order of £5.60 per week for children on the lowest rate of payment.

²² This figure is calculated as follows.

Weekly child income support 1999

Child benefit (first child)	£7.96
Child dependant allowance (lowest rate)	<u>£13.20</u>
	£21.16
Up-rated by 2 per cent inflation	£21.58

Monthly child income support on basis of recommended changes

Child benefit (£20 increase)	£12.58
Child dependent allowance	<u>£14.20</u>
	£26.78

Net gain on basis of recommended changes is £5.20 per week.

Subventing the costs of childcare (£32.50 supplement to child benefit)

Another child-related issue for consideration in Budget 2000 is support for childcare. The Agency accepts that childcare is important in the context of a growing labour market. It equally believes that the needs and rights of children should be central to a childcare strategy, with the needs of children experiencing disadvantage being prioritised. The Agency has previously argued that the fairest way to support the demand for childcare is through a direct cash payment. It has opposed the provision of tax relief for childcare as a regressive measure that only benefits those in paid employment and, furthermore, disproportionately benefits those on higher incomes. A substantial increase in child benefit, as proposed earlier in this submission, can make an important contribution towards the cost of childcare. However, the Agency recognises that additional support may be required in order to make a significant contribution towards childcare costs, particularly for low income families. Supporting childcare in this way recognises parents as the primary carers of their children and respects their right to choose the most appropriate form of care.

The recent report of the household treatment group²³ examined options in relation to restructuring the tax system so as to direct resources from married couples to households with children.²⁴ The restructuring suggested would restrict the transferability of bands at the 46 per cent tax rate, while retaining the transferability of personal allowances between couples, on the basis that transferability could be viewed as, amongst other things, assisting households with children. It was felt that this resource is poorly targeted as it fails to differentiate between households with and without children and primarily benefits better-off households. The revenue gain that would arise from this restriction is estimated at £367m per annum.

A number of options arise in relation to utilising this finance to support childcare:

1. increase child benefit by £32.50 per month: this would absorb the total amount of revenue made available through eliminating the transferability of tax bands;
2. increase child benefit for the under 5s by £50 per month (£11.50 per week) and provide an additional £20 per month (£5 per week) for all children aged 5 and over: cost an estimated £157m and £195m respectively in a full year.

Across the income distribution, the former option would result in gains in the lower income deciles and losses in the upper half of the distribution (see figure 2).²⁵ The

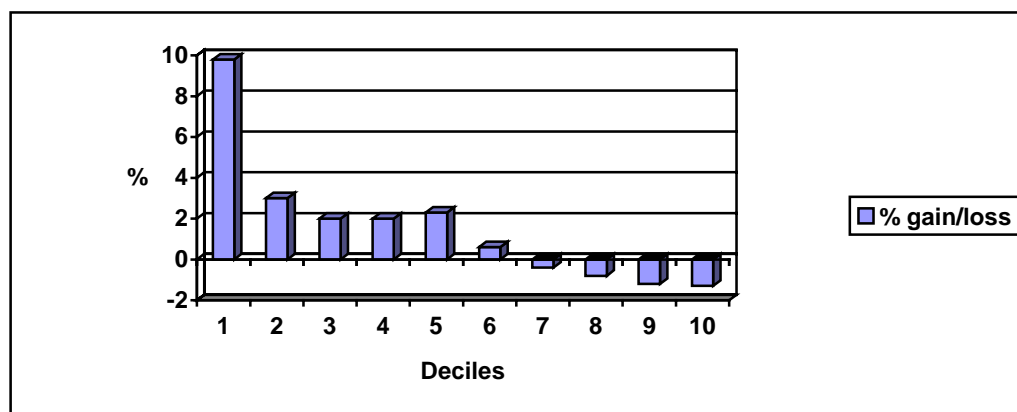
²³ Government of Ireland (1999) *The Report of the Working Group Examining the Treatment of Married, Cohabiting and One-Parent Families under the Tax and Welfare Codes*. Dublin: Stationery Office.

²⁴ Many commentators and reports have commented on the anomalies that exist in the treatment of different types of families under the tax and social welfare codes. Essentially social and economic realities in Ireland have changed considerably in recent years and the tax and social welfare systems have developed separately to deal with these changes. This has resulted in a number of anomalies, particularly in relation to the treatment of different types of families.

²⁵ A decile in one tenth of the population. Deciles are calculated by ranking the population from those on the lowest incomes to those on the highest incomes and dividing them in to ten equal sized groups, called deciles. Decile 1 is the tenth of the population on the lowest incomes and decile 10 is the tenth of the population on the highest income.

gain is highest at almost 10 per cent for the bottom decile, with gains of 2 to 2.5 per cent for other deciles in the bottom half of the income distribution. The top four deciles lose on average by between 0.5 per cent and 1.3 per cent. (The change in disposable income for the second under 5 option would be similar.)

Figure 2: Distributive impact of restriction of transferability of rate bands + increase in child benefit



When analysed by family type, there is a redistribution from couples without children towards those with children. This includes gains for lone parents and unemployed couples with children, who gain from the increase in child benefit and are largely unaffected by the restrictions on the transferability of tax allowances. There is also a redistribution from better-off families to those on lower incomes, through the shift from tax-based relief towards child benefit. A third redistribution is within the household. At present, the transfer of tax-free allowances is most often from wife to husband, resulting in an increase in the husband's take home pay. An increase in child benefit financed by restrictions on transferability would tend to reduce the husband's take home pay and increase the income directly received by the mother.

The Agency recognises that there are some losers under this proposal, in particular couples without dependent children and some single earner couples with children. To overcome this, the Agency proposes that the restriction in rate bands be phased in, such as with the restriction of mortgage interest relief. However, it should be noted that many of the losers identified under this proposal have been and will continue to be substantial gainers under recent tax reductions, thereby more than compensating for any losses involved in curtailing the transferability of bands. Another outcome of this reform will be to improve work incentives for second earners in married households, mainly women. This is important in a context of the encouraging the increased participation of women with children in the labour force.

Improving the package of education-related welfare schemes

There is growing policy recognition of the importance of education-related welfare schemes in bolstering income around certain school-related expenditure peaks and thereby removing obstacles to participation in education. Indeed, the National Anti-Poverty Strategy specifically identifies 'increased support towards the cost of participation in education for welfare dependent and low income families, thereby

eliminating barriers to education' as a key policy action (p10). There are a number of welfare schemes which provide assistance in this regard:

- clothing and footwear scheme
- free school meals
- free school books
- free school transport
- exemption from exam fees
- SWA exceptional needs payments for First Communion and Confirmation.

This package of educational welfare benefits suffers from a number of weaknesses: inadequate payments, low take-up, high administration costs and variable eligibility criteria. The Agency has recently submitted a detailed assessment of one of these benefits: the clothing and footwear scheme.²⁶ The submission highlights the inadequate level of financial support for children in general and calls for a significant increase in child benefit, along with the option of a double payment to coincide with the start of the school year. We also argue for an improvement in the package of secondary education benefits in terms of quality and take-up. This should be overseen by a working group jointly convened by the Departments of Social, Community and Family Affairs and Education and Science, and involving other relevant interests.

Specific Agency proposals re education-related welfare schemes are:

- Regularise entitlement to the various schemes, beginning with the transfer of the administration of the clothing and footwear scheme to by the Department of Social, Community and Family Affairs. This would extend coverage and improve take-up. Subsequently, the clothing and footwear could be used to provide a passport to other education benefits. By making the scheme the flagship of school-related benefits, it would reduce administration of other schemes, boost overall take-up and generally increase appreciation of the importance of children attending school among low-income families.
- Link the level of payment under the various schemes to the actual costs involved. In the case of the clothing and footwear scheme, we suggest a payment of £75 to £100 (compared to £43 and £58 currently). This could be delivered through a direct payment or through a double child benefit with a top-up allowance.
- Reform the school meals scheme on the lines recommended in the official review of the scheme last year. This would include (i) the Department of Education and Science taking over the administration of the scheme; (ii) extending coverage to all low-income families; (iii) improving meal content; (iv) supporting local pilot initiatives; (v) and incorporating a nutrition programme.
- It is opportune to consider a major review of the adequacy and operation of the school books scheme. This is important to ensure full implementation and benefit from the introduction of the new curricula at both primary and post-primary levels. In the interim, additional funding of £2 million should be made available under the scheme, especially for the further development of book rental schemes.

²⁶ Combat Poverty Agency (1999), *Submission on the review of the Back to School Clothing and Footwear Scheme to the Department of Social, Community and Family Affairs*.

- There should be consideration of mainstreaming the payment of a supplement/scholarship for low-income children in the critical years between junior and leaving certificate, as part of integrated local package of support measures.
- There should be a significant increase in the higher education maintenance grant.

6. Policy issue 3 - taxation

Recent Budgets have provided substantial windfalls for taxpayers, with £580m being allocated in 1999. This has been allocated in a variety of changes, including cuts in rates, widening of bands and increases in personal allowances. There have also been major reductions in the rate of corporation and capital taxes. Last year, the government heralded the phased introduction of tax credits, with the first step being the standard rating of personal allowances. This was a very welcome move and Budget 2000 should complete this reform by standard rating outstanding personal allowances. Tax credits allow for greater flexibility in reforming the tax system.

There is some debate about the scope for tax reductions in Budget 2000, despite the scale of the government budget surplus. The Agency has used as its guide the figure of £350m, which is the figure indicated for tax reduction in the multi-annual budget statement. In this context, the priority for reduction of the tax burden this year is to further increase standardised personal allowances/tax credits. Not alone is this fairer in that all taxpayers benefit equally, it also improves work incentives for low earners, for whose labour there is a considerable unmet demand at the moment.

Reducing the tax burden on the lower paid (+£1,000 in personal/PAYE allowances)

The benchmark for the increase in tax allowances/credits is the proposed minimum wage. Under the current tax structure, this basic wage would be liable for income tax (and PRSI). Given the expense involved in increasing tax allowances to the required amount, this will take a few years to achieve. The forthcoming Budget should commence the process of meeting this goal by increasing personal allowances by £800, plus a £200 increase in the PAYE allowance (total cost £365m). This focus on personal allowances means that there should be no change in either tax bands or tax rates. However, by raising allowances, the point at which workers enter the 46 per cent rate is also increased by an equivalent amount. The Agency sees no basis for a cut in the top rate of taxation, as this exclusively benefits the better-off.

Reforming PRSI and the health levy

There should also be scope to reform the system of PRSI and levies. The application of PRSI and the health levy to the income schedule is illustrated below. There are two major anomalies with the current system: the exemption of PRSI from earned annual income above £25,400 and the poverty trap arising under the health levy when income exceeds £11,250 per annum. We advocate that the PRSI threshold be abolished and a tapered rate be introduced (eg 2 per cent). The additional resources generated by this could be used to increase the PRSI allowance in line with the increase in personal/PAYE allowances (ie c£120 pw).

Turning to the health levy, this imposes a flat rate tax of 2 per cent on all income. Thus, the levy lacks the progressivity of the tax system, though is not quite as regressive as PRSI due to its income ceiling. The levy does incorporate an exemption on earnings below £11,250 or £217 per week. However, once income passes this threshold, then the levy is applied retrospectively on all income, leading

to marginal tax rates of over 100 per cent. This anomaly should be urgently addressed, as it particularly affects those on lower incomes. There are a number of options for reform here: the levy could be incorporated into general taxation or a flat rate allowance could be provided or a transitional marginal rate of 5 per cent for those slightly over the exemption threshold could be introduced.

Extend the tax treatment of married couple to cohabiting couples

Individual treatment under the tax and social welfare code was considered by the working group on the fiscal treatment of households.²⁷ Particular issues arise due to the differential treatment of cohabiting couples under the two codes. They are treated in the same way as married couples in the social welfare code and as individuals in the tax code. This results in anomalies of treatment, in particular for people moving between the two codes. It can also result in an increased risk of poverty in some instances, which is of particular concern to the Agency, especially where children are involved. In the context of social change, and to reduce anomalies, the working group considered a number of tax reform options for cohabiting couples. The Agency presents two of these for implementation in Budget 2000.

Currently, cohabiting couples - with or without children - are exclusively treated as single people for income tax purposes (unlike married couples who have the option of transferring their allowances/bands). Each partner is allowed his/her own personal allowances etc, but these cannot be transferred to the other partner, nor can one partner share unused allowances and bands of the other. For low and middle income cohabiting couples in particular, this can be a disincentive to the establishment of a formal relationship. The Agency proposes extending the transferability of tax allowances to cohabiting couples. It does not propose extending the transferability of tax bands as it is recommending the restriction of the transferability of tax bands for married couples, as outlined in the previous section of this submission. The cost of extending transferability of tax allowances is estimated to be in the region of £8-15m.²⁸ Implementation of this proposal would bring about a more equitable and consistent treatment of married and cohabiting couples within the tax code and between the tax and social welfare codes. A requirement for some form of registration or court recognition of the cohabiting relationship may be necessary. International examples of how this can be done are cited in the household review group report.²⁹

Another anomaly in the tax treatment of cohabiting couples relates to capital taxation. This especially arises where cohabiting couples seek to the transfer of their principal residence from one partner to the other. Cohabiting couples are treated as strangers for the purposes of capital taxation. The transfer of a principal private residence between a cohabiting couple would generally give rise to (i) Capital Acquisitions Tax (CAT) in the case of both gifts and inheritances, (ii) stamp duty and (iii) probate tax. The Agency proposes that relief should be provided for cohabitees living together for a number of years. The scale of the relief would be to exempt the principal private residence from gift and inheritance tax. This would meet the objective that cohabiting people would have no CAT to pay on their shared residence. This relief could be conditional on the two individuals having lived together for a minimum period and the surviving individual not owning or having an interest in any other residence. This

²⁷ Government of Ireland (1999), *op cit*

²⁸ For estimates of costings see *ibid*. Estimates vary because the number of cohabiting couples is not precisely known.

²⁹ *Ibid*, chapter 9

proposal should be applied to all cohabiting arrangements, including siblings and same sex couples. This would be equitable across household types, reduce financial hardship and be relatively easy to administer. Its estimated cost is £5 million.³⁰

Addressing other aspects of taxation

There have been a number of disturbing revelations in recent times about the opportunities for tax evasion for people in the financial sector. The differential investigation and subsequent treatment of this fraudulent activity, as compared to welfare abuse, is particularly notable. It is a core principle of a socially cohesive society that all members pay their fair share of taxes and claim only their legitimate entitlements. Recent behaviour has cast a cloud over this principle, and every effort should be made to remedy the perception of differential treatment of those with large amounts of wealth as compared to low and middle income earners.

The fiscal treatment of pensions and housing has come under review recently. In the absence of a system of property tax and given the high level of home ownership, the continuation of mortgage interest relief should be reviewed. Possible options here are to reduce the rate of relief and/or to curtail it to the first mortgage only. In the long-term, the abolition of mortgage interest relief could be considered. The standard rating of personal allowances and mortgage and health insurance reliefs, together with the overall reduction in the tax burden, has created question marks about the continued application of 46 per cent rate in other forms of tax relief. This situation results in a topsy-turvy system of benefits for those who are better. The Agency advocates that all reliefs should be only applicable at the standard rate of personal taxation.

Finally, the government has indicated a policy objective of reducing corporation tax to 12.5 per cent. This will confer major benefit on the business sector, at the same time as profits in this sector are spiralling. The Agency feels that the long-term implications of this reduction should be reconsidered, or else the introduction of a clawback tax, especially in non-traded sectors, might be examined. Another clawback would be to abolish the income ceiling on employers PRSI. Finally, the Agency supports the introduction of environmental and other forms of 'polluter-pays' taxes.

Policy issue 5 - targeted investment in social services and infrastructure

The government is currently considering its investment priorities for the period 2000-2006 under the national development plan. There is a widespread view that major investment is required in the physical infrastructure of the country if the current rate of growth is to be sustained. The Agency is supportive of this approach, but feels it should not be defined in narrow terms such as roads, railways etc, but should also include social infrastructure and services. In particular, there is a need for investment in disadvantaged areas. The following are the Agency's priorities for social investment.

Increasing the provision of social housing

There is a widely recognised need to increase the output of social housing to cater for the increase in the public housing waiting list. We acknowledge the increase in output proposed for this and successive years of 4,500 units per annum. This level of increase is still inadequate given the numbers on the housing list (39,176

³⁰ This is the cost estimate provided by the Department of Finance, see *ibid*.

households). Our proposal is for a triple the social housing output to 12,500, which would be the equivalent of a quarter of current housing output. This ratio should be the benchmark for social housing provision in the future. In this regard, the Agency is very supportive of the proposal to require a set-aside of 20 per cent social housing in all new housing developments.

In addition to increasing the quantity of social housing, the Agency also recommends an improvement in the quality of provision.³¹ This requires better management of the social housing stock by the public and voluntary providers, adequate provision of facilities and greater involvement of tenants in the management of estates. The long-term goal should be to have a social housing sector which is more than a second-best option for those who cannot afford private ownership. In this regard, there is a need to review the fiscal treatment of housing, to ensure equitable treatment of diverse tenures. This would include the introduction of a national housing benefit scheme, as mentioned previously. Special measures are required to ensure that social housing is equally accessible to people with disabilities. In particular, adequate resources should be provided through the disabled person's grant to finance house conversions.

Investing in childcare services

The childcare debate has been to the fore since the establishment of the Partnership 2000 working group on childcare. In its report published in January of this year, a detailed and complex strategy to support both the supply of and demand for childcare was presented.³² In its response to this strategy, the Agency set the recommendations made by the working group in the context of poverty proofing.³³ In doing so, it is evident that many of the measures recommended by the working group would not benefit poor families and, in fact, could impact negatively upon them. Moreover, the recommendations were focussed primarily on supporting parents in or seeking employment. Little emphasis was placed on the needs of children.

In supporting an increased *supply* of childcare in disadvantaged areas and for low income families, the Agency welcomes a number of the recommendations made by the working group, although careful consideration needs to be given to the manner in which they are implemented. In addition to increased child benefit, the Agency recommends that resources be allocated to support the provision of childcare facilities in disadvantaged areas. In this respect the following recommendations proposed by the working group should be met under the budget:

- The Department of Justice and Equality's Equal Opportunities Childcare Programme should be expanded to increase the supply of quality childcare places in disadvantaged areas. An additional £3.5 million per annum should be allocated to this programme for the next three years to allow for the development of both infrastructure and staff. In addition, consideration should be given to the extension of this programme outside designated areas of disadvantage.
- Capital grants should be made available to small-scale group service providers to allow them to upgrade premises in line with statutory regulations. These grants should, however, prioritise providers in disadvantaged areas who cannot avail of support under the Equal Opportunities Childcare Programme. While the

³¹ Fahey, T ed (1999), *Social housing in Ireland. A study of success, failure and lessons learned*. Dublin: Oak Tree Press, in association with the Combat Poverty Agency.

³² Government of Ireland (1999) *op cit*.

³³ *Poverty Proofing Childcare in the Context of the National Anti-Poverty Strategy*, Poverty Today Supplement, July / August 1999, Combat Poverty Agency.

childcare working group recommends the allocation of £2 million to this in the immediate term, a similar amount should be designated to such provision over the coming 3 years subject to a review of take up and need. A requirement of this funding is that services are accessible to all social groups, including people with disabilities.

- The working group recommended that £1 million per annum is allocated to the provision of after-school care and the development of childcare networks for providers. However, no indication is given as to how this allocation should be divided between these two elements. The Agency considers that this amount is too low and that £2 million per annum should be allocated in the first instance to the development and provision of after-school care.

Tackling educational disadvantage

There are established links between levels of educational achievement and access to employment, and between levels of education and earning from employment.³⁴ Investment in education is not important simply at the level of the individual capacity to earn, but is also essential in supporting sustainable economic growth both in the immediate and longer term. While not an area of primary consideration in the Budget, it is here that special measures can be introduced and additional resources allocated. The past year has seen the introduction of a two-year package of measures announced by the Minister for Education and Science that have the capacity to impact on educational disadvantage. In addition, the first Green Paper on Adult Education was launched, recognising the seriousness of Ireland's adult literacy problem and the need for measures to promote lifelong learning.³⁵

Investment in children's education should start at the earliest stage possible. Thus, the recommendations made above in relation to the development and support of childcare facilities and services are of relevance here as the majority of childcare services include substantial educational components. Beyond early education, the hidden costs of education, retention in school and transition from one level of education to the next are concerns for those involved in the area of combating educational disadvantage. Adult education and adult literacy are also issues that need to be addressed. In relation to these areas the Agency recommends:

- An additional £5m should be allocated to early education initiatives, as part of the development of a national framework for early childhood education. An advisory committee, including representatives from the community and voluntary sector, should be established to consider the best use of available resources, drawing on the research, evaluation and experience of current initiatives and to ensure coherence and synergy between different initiatives in this area.
- Provision of a further £5m to expand the *Breaking the Cycle* programme through increasing the number of schools in the programme.
- Make £5m available for the extension and development of the 8-15 early school leavers initiative, based on locally integrated approaches.

³⁴ O'Flynn, J. *Community Education: An Anti-Poverty Strategy* in "The Adult Learner". Dublin: Aontas.

³⁵ Department of Education and Science (1998) *Green Paper: Adult Education in an Era of Learning*. Dublin: The Stationery Office.

- Support for transition from second to third level education through the provision of £2m for local partnership programmes in disadvantaged area and an additional £0.5m for local programmes in other areas.
- Allocate £3.5m to adult and community education to bring the total budget to £9m. This should include an increased funding for adult literacy and for the development and mainstreaming of the Women's Education Initiative. The mechanisms for allocating this money would require further consultation.
- There should be capital investment to improve, upgrade, and equip primary and post-primary schools in disadvantaged areas and to make them accessible for children with disabilities. Additionally, rural schools should be developed to include appropriate facilities necessary for them to act as centres for local community development activity. Furthermore, capital investment is required to support and develop the adult education infrastructure and should include adequate provision for programmes such as Youthreach, Community Training Workshops and Traveller training Workshops. A minimum of £5 million should be allocated for this purpose, which would be a one-off capital payment.

Regenerating run-down urban areas

The Agency has previously highlighted the need for a strategic focus on the regeneration of urban public housing neighbourhoods. The reasons for this are:

- the concentration of half of all poor households in such areas, reflecting the exceptionally high risk of poverty for households in public housing, estimated at 42 percent, as compared to 9 per cent in other housing tenures;³⁶
- the inferior living conditions experience in public housing estates, as reflected in the quality of housing and the general social and physical environment, including the growth of drugs/crime;³⁷

It is also an objective of the National Anti-Poverty Strategy to bring about

*sustained social and economic development in disadvantaged areas in order to improve the lives of people living in disadvantaged areas, by empowering the m to become effective citizens, improving the quality of their lives, helping them acquire the skills and education necessary to gain employment and providing them with employment opportunities.*³⁸

The Agency believes that the socio-spatial patterns associated with social exclusion in urban areas are different to those in rural areas and require a targeted response. These patterns should be a priority for the national development plan through the inclusion of an urban regeneration strategy. This approach would also be in keeping with recent EU and OECD urban policy statements, which are to be reflected in the next round of structural funds and also incorporated into national urban policies.³⁹

³⁶ B Nolan et al, 1999, *Where are poor households*, Dublin: Oak Tree Press in association with the Combat Poverty Agency

³⁷ T Fahey (ed), 1999, *Social housing in Ireland*, Dublin: Oak Tree Press in association with the Combat Poverty Agency and the Katharine Howard Foundation

³⁸ Ireland, 1998, *Sharing in progress. National anti-poverty strategy*, Dublin: Stationery Office

³⁹ CEC: *Towards an urban agenda in the EU and EU Action Plan for Sustainable Urban Development*; OECD: *Integrating distressed urban areas*. For overview, see European Foundation for the

The Agency advocates that Budget 2000 should establish an urban regeneration social investment fund of £50m targeted at local authority estates. (This could be one strand of a wider radical social investment strategy for disadvantaged areas.⁴⁰) This fund would be available to support infrastructural projects, in particular projects which complimented the objectives of integrated area plans under the 1999 urban renewal scheme.

Supporting rural development

The Agency welcomes the publication of the government white paper on rural development and its recognition of the need for socially inclusive policies to address the particular dimensions of poverty and disadvantage in rural areas. The National Anti-Poverty Strategy identified rural poverty as a key issue to be addressed recognising that the problems of poverty and social exclusion have a distinct impact in a rural context as they are compounded by aspects of physical isolation and demographic dependence. Thus, it is important to ensure that strategies are developed with regard to the provision of services in rural areas, especially those concerned with educational disadvantage, unemployment and income adequacy.

The Agency proposes that Budget 2000 makes available up to £50 million for a package of measures to promote social inclusion in rural areas and to consolidate actions contained in the Rural Development White Paper. This would show a serious commitment to addressing poverty and exclusion in rural areas and provide an important 'kick start' for further developments. While it is recognised that the National Development Plan can provide funding for initiatives to address rural poverty, the Agency proposes the following priorities for Budget 2000:

- The Agency has commissioned a study on low farm income households.⁴¹ Arising from this, we recommend that additional funding is made available to enable more low income farm households to participate in a more targeted Rural Environment Protection Scheme. Similarly, as compensatory payments in disadvantaged areas come to be allocated on a farm size basis, these could be tiered to be of proportionately greater benefit to smaller farmers.
- Development of a regionalised agricultural and job training service focused on the low income farm households, with local delivery of training opportunities.
- Provision of funding towards the implementation of appropriate local transport services building on the models identified by local partnership pilot schemes.
- Allocate significant investment in community health services for vulnerable groups, to include provision of day care services with adequate transport and home help services.
- Special provision of affordable housing in rural areas, where there is a threat from the demand for holiday homes creating an affordability gap.

Improvement of Living and Working Conditions (1998), *Partnerships, participation, investment and innovation: meeting the challenge of distressed urban areas*. Conference report, June 1998.

⁴⁰ Combat Poverty Agency (1999) *Poverty and policy. Proposals for a successor to Partnership 2000*.

⁴¹ Frawley, J, Commins, P, Scott, S and Trace, F (Forthcoming) *Low Income Farm Households: Incidence, Characteristics and Options for Improving Policy Measures*. Dublin: Combat Poverty Agency.

- Provide capacity building, training and support services for community development and disadvantaged groups.
- Allocate a significant investment for the proposed Rural Development Fund.
- Provide resources to ensure a staff team, with supports, are available to implement the rural proofing proposals of the white paper.

Supporting community development

Community development is an important element in an anti-poverty strategy. This is explicitly recognised in the green paper on the relationship between state and the voluntary and community sector. While publication of the white paper is awaited, the Agency proposes the following actions:

- Establish a long-term programme of funding and support to enable national anti-poverty networks to strengthen their contribution to social partnership and to adequately support their membership. This programme could be administered by the Agency.
- Provide an additional £15m per annum for funding local community development projects including women's groups and community arts projects and rationalise and co-ordinate the main funding sources (i.e. Department of Social, Community and Family Affairs, local development partnerships, Area Development Management, local authorities and health boards).
- Review the implication of reductions in community employment for disadvantaged communities and make provision to ensure the maintenance of core community resources and services.
- Allocate an additional £5m per annum to expand national information, training and support services for the community development sector including strengthening the Agency's capacity to fulfil its statutory role in this regard.