

Policy Submission

Review of One Parent Family Payment

**Submission to the
Department of Social & Family Affairs**

May 2005

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1. Introduction

Combat Poverty is making a Submission to the Department of Social and Family Affairs Review of One-Parent Family Payment.

Combat Poverty is a state advisory agency developing and promoting evidence-based proposals and measures to combat poverty in Ireland. A key objective of Combat Poverty is to promote a fairer distribution of income and employment by providing evidence-based advice on tax, welfare and employment policies.

- The Director of Combat Poverty a member of the Department of Social and Family Affairs Working Group set up to review lone parent family payments, with a particular focus on income support arrangements.

Combat Poverty's submission focuses on the poverty perspective and suggests potential options in moving forward.

2. Alleviation of Poverty

It is well documented that lone parents have a high risk of poverty – 42% risk of poverty at 60% median income (CSO, 2003) and 33% risk of consistent poverty – the highest risk group. Nearly one third of lone parents households are unable to afford new clothes and/or have experienced debt problems arising from ordinary living expenses.

Thus, any reform of the income support arrangements should ensure that:

- Income support is increased, to prevent poverty;
- Lone parents are supported to enter the labour market, as employment is an important route out of poverty;

- That these supports include childcare, education and training, flexible working arrangements, and an adequate return from employment to prevent poverty and provide an incentive to work;
- Lone parents are not penalised in forming relationships – a gender and marital status neutral approach; and
- Lone parents retain financial independence.

3. Principles

Arising from this a number of principles should inform any reform of One-Parent Family Payment. These should include:

Adequacy – the level of income support, from social welfare and/or employment should be adequate to prevent poverty.

Equity – all persons/groups in the same situation/circumstances should be treated equitably.

Choice – lone parents should be supported in their choice of caring, engaging in the labour force and/or combining a caring/employment role.

Financial Independence – the system should seek to ensure that lone parents are financially independent.

Simplicity – the system should be simple and transparent so that lone parents can make informed choices.

Consistency – there should be co-ordination and consistency in policies to support lone parents, across the social welfare, tax and employment codes.

4. Context

The remainder of the submission focuses on income support issues, given the remit of the Working Group. However, income support measures need to be complemented by other support measures, specifically:

- childcare provision – which is available, accessible and affordable;
- education and training supports; and
- available and suitable jobs.

Child poverty remains a challenge in Ireland. 25% of Irish children (under 16 years of age) are at risk of poverty and 14% are living in consistent poverty. One third of children in lone parent households are consistently poor. There is clearly an overlap between levels of child poverty and poverty among lone parents. A

focus on tackling child poverty needs to be part of any solution to improve income supports for lone parents.

5. Approach

If we were to design an income support system for lone parents from scratch, we may put in place a support system very different to the one we have today. As well as suggesting changes to the current system it is useful to look at what an “ideal” system might be, particularly drawing on the experience of other countries.

Elements of an “ideal” system would include:

- an adequate level of payment for the lone parent and child/ren;
- the facility to move between/combine work and caring;
- the facility to form relationships without penalty; and
- support from both parents.

6. Options

Some options are presented here which would move some way towards meeting the criteria and principles set out above.

a) ***Movement towards an individualised system of assessment and payment***

Overview

A more individualised system of assessment and payment would mean reform of the current social welfare system which is based on the now outdated male breadwinner model. The Qualified Adult Allowance would be brought up to the level of the personal rate and a person who was not in work, but seeking work would be entitled to it in their own right and would be assessed on their own means. Some exemption for carers of children (and others) could be built into the system in relation to availability for work, if they were in a full-time or part-time caring capacity.

Various options to this include: administrative individualisation, a household payment, individualisation through the social insurance system and use of credits.

Issues Addressed

An individualised system of assessment and payment would provide the lone parent with financial independence and choice, regardless of their marital/relationship status.

Impediments to Implementation

- i. It would require the implementation of a different model of social welfare provision, arguably more in line with the needs of today's society. However, there may be constitutional issues in this regard, relating to the definition of the family.
- ii. Cost. Increasing all QAAs from the current 66% of the personal rate to 100% of the personal rate would be expensive.

Comment

A long-term strategic aim could be to move towards a fully individualised system and this could be phased in by gradually increasing the QAAs or phasing the change in by payment type.

b) Increase in Child Income Support

Overview

Increasing levels of child income support, focused on the child would help to reduce levels of child poverty and potentially place less contingency on the marital and employment status of the parent(s), depending on the nature of the child payments.

Universal child benefit fulfils these criteria and analysis shows that countries with higher levels of universal payments, such as child benefit have lower levels of child poverty. Current payment is €141.60 per month (€177.30 per month for 3rd plus child/ren). There is a *Sustaining Progress* commitment to increase Child benefit to €149.90 (€185.40). This commitment is now overdue, and also needs to be inflation proofed.

For low income families additional, targeted support is also required. This is currently provided through Child Dependent Allowances (CDAs) for families on welfare and through Family Income Supplement (FIS) for families in low paid employment. The CDAs have been frozen since 1994, with the policy objective of increasing Child Benefit instead and reducing poverty and unemployment traps. However, the balance has now tipped so that Child Benefit makes up the biggest element of child income support for low income families. It is now time to increase CDAs to provide additional support to low income families. In so doing, the CDAs could also be consolidated into one higher rate, to simplify the system. Alternatively, the possibility of age-relating them also exists.

Family Income Supplement (FIS) is paid to low income working families. Shortcomings in FIS are its relatively low take up rate and the gap and uncertainty about whether you will qualify and how much you will get. These shortcomings need to be addressed.

A key challenge is to co-ordinate more closely the CDAs and the FIS, so that if lone parents (and other categories of welfare recipient) move between welfare and low paid work on a part-time or full-time basis they receive a tapered payment for their child/children, depending on their income.

It may also be worthwhile considering other possibilities for child income support for low income families eg. A child benefit supplement, as proposed by the Tax/Welfare Integration Group (although they suggested this would be administratively very complex), or use of tax credits (as in UK).

Issues addressed

This approach of increasing child income support would reduce child poverty, and poverty among lone parent families. It would also provide lone parents with more choice and financial independence.

Impediments to Implementation

The main impediment to this approach would seem to be cost. If the technicalities of an integrated CDA/FIS can be worked out this route has real possibilities of meeting the dual aim of reducing child poverty and providing greater opportunities for lone parents.

c) *Support for Return to Work, related to the Age of the Child*

Overview

Some countries have systems of support for lone parents, depending on the age of the child/ren. These can support lone parents back into the workforce and limit long-term dependency on social welfare benefits. A potential model could encourage lone parents into the workforce (or education/training) when their youngest child reached school-going age. Here the focus would be on part-time work. When the youngest child was older, the lone parent could be encouraged into full-time work. While this is an attractive option a number of conditions would need to be met to ensure a positive outcome. These conditions would include:

- There would be no compulsion – transition into the workforce would be through information, encouragement and supports;
- “Facilitators” would need to be provided “on the ground” to provide information and support to lone parents;
- Suitable and affordable childcare would need to be available;
- Education and training supports would need to be available; and
- Suitable jobs and flexible employers would need to be available.

This approach has worked well in countries where these supports are in place eg. The Nordic countries, but less so where the supports are missing. There has been a mixed response to this approach in the UK (New Deal for Lone Parents – where the supports are in place it has worked well).

Issues Addressed

This approach would provide lone parents with more choice and greater financial independence, reducing the length of time lone parents may be welfare dependent. Engaging in education, training and/or work also leads to greater levels of confidence and social interaction.

Impediments to Implementation

It is relevant to note that Ireland has not had a strong tradition of women's employment (the majority of lone parents are women) and levels of women's employment are now at historically high levels. While there is still some way to go to reach the target levels set in the EU it may be that the rate of increase of women's participation may level off. A key impediment to implementation is the provision of the supports required and the cost of these. However, they should be seen in the context of the long-term benefits.

d) *Tapering withdrawal of payment on formation of a relationship*

Overview

A key disincentive for lone parents to form relationships is the cohabitation rule. A potential option to address this is to taper withdrawal of the One Parent Family Payment. A model is the Back to Work Allowance, which has worked well. The lone parent would inform the authorities on the commencement of a relationship and the One Parent Family Payment would then be withdrawn over a number of years (3 to 5). This would allow the formation of a stable relationship before the payment is totally withdrawn. If the relationship did not work out the Lone Parent would revert to Lone Parent status and regain full entitlement to One Parent Family Payment.

Issues Addressed

The cohabitation rule would be less of a deterrent to forming relationships.

Impediments to Implementation

The system remains intrusive and would be difficult to administer.

e) *Secondary benefits*

There are a number of secondary benefits which are of benefit to lone parent families. The key ones are:

- Clothing and Footwear Allowance
- Rent Supplement
- Medical Card

The clothing and footwear allowance is important in providing payment for the provision of footwear and clothing at the start of the school year. The CSO statistics and qualitative research indicate how important it is to have adequate clothing and footwear and how this can be a struggle in many lone parent families. The amount of this allowance should be increased, as well as wider issues such as the advertising of brand names, school clothing requirements and additional school costs addressed.

The rent supplement provides much needed support for many lone parent households with limited housing options. However, it also creates a poverty trap. The provision of social housing is clearly a way forward, so long as the social housing is appropriate and maintained. Recent moves in this direction are to be welcomed as long as the commitments can be met.

Medical cards are an important real and perceived support for many lone parents. The commitment to increase the thresholds for eligibility for medical cards needs to be met and their tapered withdrawal considered to reduce the poverty trap created by their complete withdrawal. Improved provision of primary care and support for lone parents before and after birth are also important.

Issues Addressed

Reform and improvement of these secondary benefits would reduce poverty traps and child poverty and support lone parents to make more real and independent choices.

Impediments to Implementation

Many of these schemes are complex and it may be difficult to make the changes suggested without further complicating the system or having unintended consequences. There is also a cost factor. A more radical approach would be to increase income support and improve service provision, making it unnecessary to have this range of secondary benefits, except in exceptional circumstances.

f) *Family support services*

Overview

Family support services have an important part to play in tackling poverty among low income families and children. Examples include the Family Services Projects, Family Resource Centres, Springboard etc. While on their own they can only make a limited impact they have an important role

within a broader package. There is merit in looking at the development and expansion of such services. For example, the Sure Start programme in the UK has made an impact in the areas where it is located.

Issues Addressed

Family support services can provide direct support to lone parent families and provide them with the information and services they need to make informed choices.

Impediments to Implementation

By their nature these programmes provide intensive support therefore they are expensive. Also, they need to be extensively available to have the required effect.

g) Other issues

Other issues relevant in this context are:

- Review/increase the earnings disregard
- Increase the provision and quality of school meals.

h) Tabular Overview of options against principles

Option	Adequacy	Equity	Choice	Financial Independence	Simplicity	Consistency
Individualisation	?	✓	✓	✓	✓	✓
Child Income Support	✓	✓	✓	✓	?	✓
Age-related work supports	?	?	✓	✓	?	?
Tapered withdrawal	-	-	?	?	x	?
Secondary Benefits	✓	?	?	?	x	x
Family Support services	-	-	✓	✓	?	-

7. Conclusion

This paper sets out some potential options for consideration and a brief assessment of how they meet the principles for reform.

Whatever options are developed it is important to agree the direction of policy and work toward a long term solution. Any short-term measures should work towards this end.