

Making a Decisive Impact on Poverty Through Social Partnership

Submission to the Social Partners on a New Partnership Agreement

1. Introduction

The Combat Poverty Agency is a state advisory agency developing and promoting evidence-based proposals and measures to combat poverty in Ireland. Combat Poverty supports the social partnership process and welcomes this opportunity to make a submission to the partnership discussions.

Economically, Ireland is now one of the wealthiest nations in the world. Yet we still have many social deficits. Ireland experiences relatively high levels of poverty, particularly among some sub-sections of the population and in some areas of the country – larger families, lone parents, older people living alone, people with disabilities, some ethnic minorities, and in the border counties. This is a key challenge facing Ireland, which should be addressed as a priority in the next partnership agreement.

Tackling poverty will require a revised model of social provision, as set out in NESC's *Developmental Welfare State*, involving income supports, service provision and innovative measures which ensure greater participation¹. The substantial reduction of relative poverty and the elimination of consistent poverty must be a priority in the next national agreement.

The National Development Plan 2000-2006 has had social inclusion as one of its four objectives and social inclusion has been a horizontal principle cutting right across the Plan. Preparations are in hand for the development of the next National Development Plan 2007-2013. The mainstreaming of social inclusion will require that: the next National Development Plan identifies key actions to tackle social inclusion to reach the targets set out in the National Action Plan against Poverty and Social Exclusion; allocates resources to these actions and carries out poverty proofing across the plan with social inclusion continuing to be a horizontal principle.

This submission puts forward recommendations for the partnership agreement on the basis of a developmental welfare state: income support; public services; and innovation. It also highlights areas for institutional reform to ensure implementation of the recommendations.

¹ National Economic and Social Council (2005), *The Developmental Welfare State*, Dublin: National Economic and Social Development Office.

2. Policy Vision

(i) Introduction

Not all of Irish society has gained equally from Ireland's continued economic buoyancy. This is mostly due to structural inequalities which act as barriers to sharing the benefits of a booming economy. Low educational attainment and low or outdated skills act as key barriers to employment which is a major route out of poverty. This section of the submission presents some broad policy visions which Combat Poverty argues would make a real difference to poverty levels in Ireland and would assist Irish society in becoming more equal.

(ii) Taxation

Ireland has become a 'low-tax' economy in the sense that direct taxation is now at a historically low level. However, indirect taxation now accounts for about 50% of all exchequer revenue, and is now a more dominant form of taxation. As indirect taxes are generally regressive, these taxes hit the poor the hardest. Tax expenditures and reliefs for high earners also act as a drain on revenue, with revenue forgone in tax expenditures accounting for approximately one-fifth of aggregate exchequer returns. Efforts to broaden the tax base need to be pursued so that the tax system is seen to be fair.

(iii) Social Expenditure

Relative to its EU counterparts, Ireland has among the lowest levels of social expenditure as a proportion of national income.² Recent research by Combat Poverty identified public services as a key area that requires increased spending, along with mechanisms for linking benefit incomes to incomes from paid employment and increasing the incomes of low-income working families.

Greater efforts are also required to integrate groups excluded from the labour force. Generous investment in both income and services for children (such as education and health) are key to meeting the targets set in the National Anti-Poverty Strategy and eliminating child poverty.³

(iv) Sustainable Economic Growth

Sustaining economic growth is crucial to our capacity to tackle poverty. It provides jobs and resources, each of which are crucial if poverty is to be tackled in the years ahead. To maintain economic and employment growth, policymakers need to ensure Ireland's competitiveness in a global economy and to continue public and private investment in public infrastructure and productive activity. The National Action Plan can contribute to this objective by targeting investment in human capital and local economic development which will deliver economic outcomes in the longer-term.

(v) Redistributing Resources and Opportunities

A key role of government is to redistribute resources and opportunities in a fair and equitable manner. Despite economic growth, not all social groups or areas have gained equally. Combat Poverty argues for a greater redistribution of resources and opportunities towards low-income groups in Irish society. Greater efforts are needed to integrate groups excluded from the labour force. Economic measures which target groups and areas excluded from economic growth are also important. These measures yield returns to the economy in terms of fostering economic growth among less buoyant sectors.

(vi) Value for Money for Public Investment in Services and Infrastructure

Capital investment projects require more rigorous assessment and their feasibility (both financial and temporal) require scientific appraisal so that projects do not run over either in cost or time to the same magnitude that has been documented recently. The announcement by the Minister for Transport in 2005 to encourage fixed-price contracts for major infrastructural projects is a welcome development.

² Timonen, V. (2005). Irish Expenditure in a Comparative International Context: Epilogue, Combat Poverty Agency: Dublin

³ Combat Poverty Agency (2005). Ending Child Poverty Policy Statement, Combat Poverty Agency: Dublin

(vii) Targeted and Developmental Approach

It is recognised that, because of the costs associated with universal approaches to social provision, a form of 'tailored universalism' may be more expedient in the short to medium-term. This model recognises that mainstream service providers should 'adjust their services to accommodate a more diverse public, including a public whose individual members have different requirements if they are to have an equal opportunity to benefit from the service'.⁴ Improving delivery of, as well as access to, public services is important and can be achieved at less cost than the adoption of full universalism. Furthermore, there should be an increased emphasis on activation and citizenship in service provision.

(viii) Supporting Families and Strengthening Communities

Families and communities can play an important role in tackling poverty and social exclusion. There is an increasing diversity of family life in Ireland, both in terms of composition and cultural background. Families are also struggling to maintain work-life balance. Supporting families, especially those on low-incomes, is a crucial component in promoting social progress. At a wider level, local communities are both a provider of social services and a mechanism to integrate people into social networks. From a poverty perspective, families and communities are central to tackling the cumulative and intergenerational dimensions of poverty. A pro-active policy of supporting families and community development can contribute to this.

3. Making a Decisive Impact on Poverty

(a) Poverty

Data from the EU SILC provide the following insights⁵:

- 19.4% of the population (780,000 people) experience relative income poverty.

- The position of older people has deteriorated significantly in recent years, as their poverty rate increased by twice the average figure.
- The rate of in-work poverty has doubled to 9%. With 157,000 people affected, this is the second-largest labour market category (after home duties), and more than those in poverty who are unemployed and ill.
- 6.8% of the population (270,000 people) are in consistent poverty
- Groups at high risk of poverty include children and adults and children in lone parent households.
- Cash transfers reduce income poverty by 40%. This is two-thirds of the mean poverty reduction affect achieved through social transfers in the EU.
- The poorest fifth of the population receive less than one-quarter the income of the richest 20%, with cash transfers representing over 80% of gross household income for this group.

(b) Importance of the National Action Plan

The framework for promoting social inclusion is currently being updated in the form of the National Action Plan against Poverty and Social Exclusion 2006-2008. National Action Plans are being prepared by all member states as part of the EU Social Inclusion Process, which was initiated at the Lisbon Summit in 2000. The overall aim of the process is to make a decisive impact on poverty by the year 2010. The new Plan, with its associated targets, needs to be delivered through relevant policies and programmes across government. Importantly, it should be a central focus of the new social partnership agreement, particularly through its support for new poverty reduction targets and for mainstreaming social inclusion in all aspects of national and local policymaking. This will require 'joined-up' government, as well as setting standards, informed by socio-economic rights on what should be achieved.

⁴ NES (2005). The Developmental Welfare State, NES: Dublin

⁵ CSO (2005). EU Survey on Income and Living Conditions: First Results. CSO: Cork.

The Plan takes on additional significance as it coincides with the formal end of the National Anti-Poverty Strategy (NAPS). Henceforth, the National Action Plan and the NAPS will be fused into the one strategy, serving national and EU purposes. In achieving this alignment, it is important that the strengths of the two approaches are retained and combined into a cohesive strategy.

(c) Targets

Ireland has led the way here with its target for consistent poverty. However, as just one measure of poverty this is not an adequate basis for monitoring poverty trends. One target figure does not reflect the wider challenge. Combat Poverty supports a three-tier approach to the setting of poverty targets.

- Government should ensure that the real position of those in poverty improves over time, as measured by both income and deprivation.
- The rate of consistent poverty, adjusting both income and deprivation to reflect societal trends, should be reduced and ideally eliminated by 2010.
- The rate of relative income poverty should be reduced in line with the EU norm. This would mean a reduction of a quarter (or 5 percentage points) by 2010. A more ambitious target would be to match the situation in more affluent EU member states, which would imply a 50% decrease in the rate of income poverty.

In addition to these overall targets, specific action must be taken to address the situation of groups more likely to be in poverty. Therefore, an additional target is proposed for key vulnerable groups as follows:

- The poverty rate differential for vulnerable groups (as compared to the average) is halved. This should apply in particular for children and lone parents, whose differential is currently very high.

It is also important to revise the existing targets in the sectoral areas of health, education, housing and employment. Targets should be outcome-focused and measurable over time. Ideally, there should be one primary target in each policy area, supported by a number of subsidiary targets.

(d) Mainstreaming Social Inclusion

Social inclusion must be 'mainstreamed' in the national agreement and public policy generally. Mainstreaming social inclusion is the integration of poverty and social-inclusion issues, including an equality perspective, into all areas of policy-making, and is promoted through the participation of public bodies, social partners, NGOs and other relevant actors.⁶

Mainstreaming social inclusion requires a number of key elements:

- Political and executive leadership;
- Structures, including a centralised unit, to drive and co-ordinate social-inclusion policies;
- Appropriate skills, knowledge and capacity, highlighting an important role for human resource functions;
- Community participation and engagement;
- Research and evaluation to monitor and inform progress and undertake impact assessments;
- Awareness-raising through an effective communications strategy; and
- Resources – financial and personnel.

⁶ Mainstreaming Social Inclusion EU funded project, led by Combat Poverty. 2005.

4. Key Recommendations

The key specific recommendations of Combat Poverty's Submission on the next Partnership Agreement are as follows:

- There must be a focus on making a decisive impact on poverty both through the Partnership Agreement and through the Irish National Action Plan against Poverty and Social Exclusion 2006-08.
- Ireland spends particularly small sums in areas such as old-age expenditure and family services. Social expenditure should be increased where appropriate over the coming years to rectify the current deficits.
- Policies that redistribute resources should be pursued as a policy goal. This requires that both regional and targeted approaches must be adopted to assist vulnerable groups and parts of Ireland that have not benefited from economic growth to the same extent as others.
- The new National Action Plan against Poverty and Social Exclusion should be integrated into the Partnership Agreement. The plan, with its associated targets, needs to be delivered through relevant policies and programmes across government. The Plan should set new poverty reduction targets and move towards mainstreaming social inclusion in all aspects of national and local policymaking. This will require 'joined-up' government, as well as setting standards, informed by socio-economic rights, on what should be achieved.
- Combat Poverty argues that 'tailored universalism' can be an effective paradigm to pursue, particularly in areas such as service provision for people with disabilities and childcare. This model is founded on a needs-based approach, and requires that service providers tailor their services to accommodate a more diverse public.
- While the policy of low direct taxation should be welcomed from a low-income perspective, efforts to continue to broaden the tax base should be pursued as a policy goal to improve the equity of the taxation system. Indirect taxes, being regressive in nature, should not be increased.
- The Submission recommends improvements to current social welfare payments, paying particular attention to the area of child income support. Combat Poverty proposes a significant improvement in the levels of supports for second-tier (means-tested) child-income support with a recommended medium-term move towards an employment-neutral Child Benefit Supplement to replace Child-Dependent Allowances and Family Income Supplements.
- In the area of healthcare, Combat Poverty proposes an emphasis on primary care with a strong focus on equity of access to such services.
- The Submission recommends early childhood care and education for all three and four year olds, with a focus on disadvantaged children first. In addition, a demand-side measure to assist low-income families meet the costs of early childhood care and education could be employed, in the short-term through an increase in the earnings' disregard for the Family Income Supplement, or through a direct subvention to low-income families.
- In housing, Combat Poverty argues for a more ambitious programme of social and affordable housing, continued monitoring and refining of the Residential Accommodation Scheme, and more use of integrated transport and land-use planning in the creation of new, high-quality sustainable housing developments.

- Combat Poverty supports a three-tier approach to the setting of poverty targets. Government should ensure that the real position of those in poverty improves over time, as measured by both income and deprivation. The rate of consistent poverty should be reduced and ideally eliminated by 2010. The rate of relative income poverty should be reduced in line with the EU norm. In addition to these overall targets, specific action must be taken to address the situation of groups who are more likely to be in poverty. The poverty-rate differential for vulnerable groups (compared to the average), should be halved. It is also important to revise the existing targets in the sectoral areas of health, education, housing and employment. Targets should be outcome-focused and measurable over time.
- A number of recommendations are made in the area of participation and community involvement. These include, *inter alia*, continued resources and support for the National Anti-Poverty Networks Programme and the Community Development Support Programme. *See full submission for more details.*
- Some recommendations are also provided for institutional reform in the areas of leadership, rights and standards, poverty proofing, joined-up policy-making, resource allocation, and research and data requirements. *Readers can consult the full submission for more on this.*

5. Conclusion

This Submission has presented the Combat Poverty perspective on the desired future direction of anti-poverty policy under a future social partnership agreement, with a particular focus on social welfare and public services. Combat Poverty believes there must be a focus on making a decisive impact on poverty, both through the Partnership Agreement and through the Irish National Action Plan against Poverty and Social Exclusion 2006-08. Failure to do so will result in continuing trends of high income inequality, low levels of public-service provision, and a society increasingly marked by structural inequities.

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N.B. This is a summary version of the Combat Poverty submission on the next Partnership Agreement. A full version is available from our website: www.combatpoverty.ie/publications