

# Securing Adequate Income for All

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# Approach

- This presentation will focus on attempts over the past quarter of a century to secure an adequate income for all people in Ireland.
- Will reflect from the perspective of a person who has been involved - in a variety of roles

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# Social Exclusion

- Results from (among other things) a combination of deprivations:
  - Resources (income poverty)
  - Participation (decision-making and services)
  - Values/culture (not valued)
  - Social networks (community, family and neighbours)

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# Social Inclusion

- Requires recognition and delivery of social, economic and cultural rights:
  - Adequate income
  - Meaningful work
  - Appropriate accommodation
  - Relevant education
  - Adequate healthcare
  - Real participation
  - Cultural respect

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# Key - Income

- Adequate income is THE crucial component in securing inclusion
- Fully recognising that it is not the only component

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# Commission on Taxation (1982)

- Considered Negative Income Tax (a variation of Basic Income)
- Did no serious costings
- Decided to recommend that tax and welfare systems be kept separate.

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## Commission on Social Welfare (1986)

- Minimum welfare payment of between €63.50 and €78.20 (at 1985 prices)
- Adult dependant payment of 60% of personal rate
- Child rates to be rationalised
- Considered Basic Income – based €€€ on Tax Commission!

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## Commission on Social Welfare (2)

### Guiding Principles:

- Adequacy
- Redistribution
- Comprehensiveness
- Simplicity
- Consistency

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## Tax and Welfare Integration Group (1996)

- Looked at a number of options
- In evaluating these options it allocated + £1,000m to all options EXCEPT Basic Income
- Surprise: Basic Income did not match one of the other proposals!!

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## Partnership 2000 (1996)

- Commitment to implement the Commission on Social Welfare's proposals (updated by inflation) by 1999.
- Commitment to establish a Working Group on Benchmarking and Indexation of Social Welfare
- Commitment to study Basic Income

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## National Anti-Poverty Strategy (1997)

*People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living that is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities that are considered the norm for other people in society.*

- National Anti-Poverty Strategy (1997) and NAP Inclusion 2007

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## National Pensions Policy Initiative (1998)

- Personal rate for state pension of €121.90 per week
- 34% of Gross Average Industrial Earnings (GAIE)

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## Tax Credits Working Group

- Part of *Partnership 2000* agreement
- CV Pillar approach
- Proposed introduction but not until after 2000 (millennium bug, euro etc.)
- Implemented from 1999 Budget
- Good decision

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## Social Welfare Benchmarking and Indexation Group (2001)

- Objective: To provide every person with sufficient income to live life with dignity.
- CV Pillar approach in theory
- CV Pillar approach in practice
- Outcome: minimum personal rate of 27% of GAIE
- 30% of GAIE could be looked at in the context of a review

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## Basic Income Working Group - 2001

- Committed in P2000 - (1997)
- BI would improve the income of 70% of households in the bottom four deciles
- Tax rate required:
  - ESRI: Down from 67% to 53%
  - Clark: 47.1%
  - Department of Finance: 47.7%

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## Basic Income Green paper 2002

- Positive impact on poverty (with no additional resources)
- Tax rate of 47% BUT likely to be lower in 2002 as it was assessed on a tax base that was several years out of date.
- Could be done structurally

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## Refundable Tax Credits Working Group - PPF

- Due to report in 2002
- Systemic blockages:
  - Delivery structure?
  - Costs?
  - Never costed a proposal made
  - Did provide costings for proposal nobody was making
- Treatment of Basic Income - pre Green Paper (used TWIG as basis)
- The unacceptable footnote

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## NAPS Review - 2002

- Government adopted a new social welfare target of €150 a week in 2002 terms to be achieved by 2007.
- In 2002 €150 was equivalent to 30% of Gross Average Industrial Earnings

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## Budgets 2003 and 2004

- Fell further behind the target of 30% of GAIE

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## Inchydoney

- Invited to speak to FF meeting of TDs, Senators and MEPs.
- Outlined the welfare target.
- Sought delivery of target on time.
- Proposed:
  - 2005: + €14
  - 2006: + €17
  - 2007: + €20 a week

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## Budgets 2005/6/7

- Outcomes of these Budgets:
  - 2005: + €14
  - 2006: + €17
  - 2007: + €20 a week
- Poverty rate fell in response to these increases
  - 2004: 19.4%
  - 2006: 17%
  - 2007: ???

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## Budget 2008

- Marking time
- Maintained the lowest adult rate for a single person at 30% of GAIE.
- Failed to take the next steps towards providing an adequate income for everyone.

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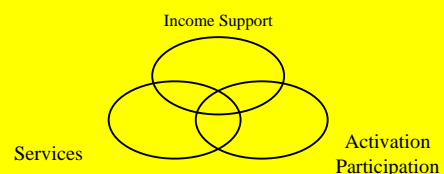
## Developmental Welfare State – NESC 2005

- Ireland's welfare state and social policies ... need to change...
- Life-cycle approach – Children, adults of working age, older people and people with disabilities
- Securing income, services and activation for all

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## Three inter-linked areas



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## Income Support

- Progressive child income support
- Working age income for participation
- Minimum pension guarantee
- Capped tax expenditures

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## Towards 2016 (2006)

- Economic and Social – complementarity
- Developmental Welfare State
- Life-cycle approach – Contains a series of high-level goals concerning income for each of these groups.

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## National Action Plan for Social Inclusion (2007)

- Adopts a life-cycle approach BUT...
- Does not apply the high-level goals agreed in Towards 2016
- Does not set out any meaningful road towards substantially reducing income poverty

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## Context Today

- Economic growth
- Employment growth
- From emigration to immigration
- Population growth
- Record house building
- Good public finances
- From depression to the confidence of the Celtic Tiger

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## Downsides

- Poverty persists on an unacceptable scale
- Housing waiting lists
- Two-tier healthcare system
- Adult literacy problems
- Inadequate infrastructure
- Poor public transport
- Long commutes

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## A Just Society

- A just society is one that structured in such a way so as to promote right relationships so that
  - human rights are respected,
  - human dignity protected,
  - human development is facilitated
  - the environment is protected and respected.

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## Resources

- Record levels of economic growth
- Income per capita far above EU average
- Public finances are in good shape
- Very low debt/GNP ratio
- New NDP: €185bn.
- Not a question of resources

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## Poverty

- At risk of poverty
  - €11,400 for a single person
  - €26,400 for a household of four
- 750,000+ people
  - 30% of households are working poor
  - 50% depend on social welfare

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## The way forward? (1)

Within the present system:

- *Working poor:*
  - Refundable tax credits
- *Welfare:*
  - Maintain the lowest single adult payment at 30% of GAIE
  - Bring the payment for qualifying adult up to 30% of GAIE.
- Introduce a cost of disability payment

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## The way forward? (2)

- Children:
  - Improve the payments (currently 53-82% of poverty line)
- Older People:
  - Increase all pensions to the current COAP payment (34.2% of GAIE) and beyond
  - Increase qualifying adult to 100%

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## The Way Forward? (3)

Better alternative:

- Move to a system more appropriate to 21<sup>st</sup> century e.g. Basic Income
  - Deals with flexibility – and ‘work’ issues
  - Deals with security
  - Can be implemented
  - Can be financed
- Programme for Government: integrate tax and welfare systems

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## The Way Forward? (4)

Income Adequacy – the level?

- Set appropriate levels of payment to ensure adequacy
- Vincentian Partnership work shows clearly where the adequacy levels should be located.

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## The Way Forward? (5)

### Measuring poverty

- What should be the key indicator for measuring poverty?
  - Consistent?
  - Risk of poverty?
- Persistent poverty

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## Need for a Guiding Vision

- Policies are guided by vision
- Recent years: focus has been on increasing economic growth and people's income
- Need for a new vision that would promote right relationships between people, institutions and environment.
- Requires an adequate income for all

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## Ensuring:

- The development of all people and the whole person simultaneously and in solidarity.
- The plentiful resources are harnessed to build a fair society in which everyone's wellbeing is facilitated.

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