

# Review of Child Income Support Policies and Programmes

## Report of the Consultation Seminar

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An Roinn Coimirce Sóisialaí

Department of Social Protection

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## Introduction

The Department of Social Protection held a consultation seminar on the report of the *Value for Money and Expenditure Review of Child Income Supports and Associated Spending Programmes* on 29 March 2011. This report sets out the feedback raised by stakeholders and interest groups during the course of the seminar.

The seminar was a follow up to the consultation exercise that was conducted during the course of the VfM review process. The objectives of a half day seminar were to:

- To provide stakeholders with an overview of the findings of the review.
- To get reaction to the findings from stakeholders.
- To obtain specific views as to the future direction of CIS payments.

The seminar was attended by 34 participants representing various interest groups, social partners and relevant government departments. A list of attendees is set out in the annex. The seminar commenced with a presentation on the review process and findings by John Bohan (D/Social Protection). This was followed by a response to the review by John Sweeney.<sup>1</sup> Groups that participated in the consultation process for the VfM Review were afforded an opportunity to make short presentations setting out their response to the review. The final session of the seminar was an open discussion, which gave other participants a chance to provide their views on their priority concerns.

## Overview of findings

John Bohan (D/Social Protection) gave a presentation on the CIS Review explaining the Value for Money and Expenditure Review process and the rationale for choosing child income supports as a topic. Through an analysis of the key outcome indicators of child income support payments, it was determined that:

- There was a significant real improvement in the level of support for all children.
- Reduction in child poverty rates were observed especially in the latter part of review period.
- CIS payments played a significant role in child poverty reduction but other factors likely to have large impact.
- Supports were *moderately efficient* at reducing poverty despite importance of universal payments.

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<sup>1</sup> Dr Sweeney noted that he was speaking at the seminar in his own right as an expert in this area and not as a representative of the National Economic and Social Council, as the Council had not considered the contents of the CIS Review.

- The composition of payments ensured that there were no take-up problems and avoided employment disincentives.

The key conclusions of the report were also identified:

- Some success in objective of reducing child poverty but need for policy refocus because
  - Relied too much on Child Benefit; high visibility for savings.
  - Too great Child Benefit reduction (plus compensation) would have implications for incentives.
  - Complexity and inconsistency in selective instruments.
- Possible better outcomes from:
  - Case for “mixed strategy” for universal/selective rates.
  - More consistent payment rate and structures.
  - Structural reform to better align universal and selective instruments.

The various approaches to reform were also identified including reform within the current structure, an integrated CIS payment, increased integration with the tax system and a second tier CIS payment.

Anne Vaughan (D/Social Protection) commented that the review was deliberately building on the NESC *Developmental Welfare State* model, which sets out a framework for improving social protection for the population. Of particular importance in this regard are working age and child income supports and their interaction with employment incentives. While there were difficulties in instigating change during the good times, the current economic situation meant that there were further difficulties to be dealt with in delivering reform now.

## Reaction from stakeholders and interest groups

The CIS Review was widely welcomed by stakeholders and was seen as making a positive contribution to public discourse and debate on supports to families and their children. Furthermore, the review was complimented on in terms of its detail and analysis. Moreover, the review was helpful in setting out the objectives of child income supports, i.e. supporting the cost of child raising and reducing child poverty. However, it was not clear what specific actions would emanate from the review and there was a general view that any specific proposals that may follow through from its findings would require further analysis and response by stakeholders. Nevertheless, the review presented an important opportunity to instigate reforms, but the ongoing challenge is to do this right. There is also a need for long term planning and the report contributes to this. In general, the report presents a comprehensive overview of the issues, although it was observed that many of the issues identified in the report are not new and have been considered in every decade since the 1940s. There was general agreement that reforming the income system is not easy and that the political system has been unable to deliver the necessary changes, even during the period of revenue surpluses. On the other hand, there is now an opportunity to look at these issues once again and there is also an openness to developing new structures and approaches for the

21<sup>st</sup> century. Finally it was noted by Cúram that the consultation process and methodology, including research on a particular subject and dialogue between different stakeholders, is a good model, as it holds promise for better policy, planning and delivery of services, which can be focused on outcomes.

The broad themes identified across the range of interventions were as follows:

- Universality of payment / Horizontal distribution
- Selectivity of payment / Vertical distribution
- Reform to existing payments
- CIS integrated payment
- Reforms in other areas
- Services
- Employment / Working age payments
- International comparisons
- Wider child well-being
- Debt

#### *Universality of payment / Horizontal distribution*

In general there was broad support for the continuation of the principle of universality in CIS payments.

- Society should share in the cost of raising children. There must be recognition that children are central to the public good. (John Sweeney)
- Child Benefit rates should not be cut and the commitment to maintain social welfare rates in the Programme for Government was welcomed. (Barnardos)
- Payments to children should be universal and should not be taxed. If the income to a particular household is deemed too high (or is considered unaffordable in the current economic context) then the payments to adults should be taxed further, not the payments to children. (Social Justice Ireland)
- Child Benefit is a very important source of income for lone parents, particularly for those at work as it can help cover childcare costs. (OPEN)
- The secondary objective of Child Benefit being an independent income for women in the home should be elaborated on. This should address the move away from the male 'breadwinner' model. The issue of gender inequalities in the social welfare system also needs to be addressed. (NWC)
- Cash benefits can have a benefit on demographics – France and Ireland, two countries providing relatively generous cash benefits to families with children, have amongst the highest birth rates in the EU. (Cúram)

### *Selectivity of payment / Vertical distribution*

There was general agreement that selective payments are important instruments in the policy mix that help to protect children. Given that child income supports play an important role in reducing child poverty, the Government should ensure vertical distribution as part of a mixed approach to CIS payments.

- Children have the right not to live in poverty. (Children's Rights Alliance)
- Disappointment that cuts to Child Benefit in Budget 2011 were not compensated through QCIs. (Children's Rights Alliance)
- CIS is not just about Child Benefit, it is really important that the report sets out other objectives, such as the child poverty reduction objective. (One Family)
- There is a need to redistribute income more effectively: increase tax take – target should be 37.5% of GDP (EU average). (Social Justice Ireland)
- Children need a good start in life and a poor start for children is an ethical dilemma. We have a long way to go to achieve Barnardos' goal of Ireland being the best place to grow up as a child. (Treoir)
- CIS payments do a good job in reducing child poverty. Main driver in reducing child poverty is Child Benefit. Ireland is one of the best performing countries in terms of poverty reduction from social transfers and this is a policy success. Another policy success is delivering the National Action Plan for Social Inclusion child income support goal. Even in the current economic situation, CIS payments have kept many families afloat. However, with the current system, we have achieved as much as we can. (SID)

### *Reform to existing payments*

A number of stakeholders identified the need to reform current CIS payments, particularly the Family Income Supplement, which has a dual role as both an income support for children and as an in-work support for parents. The issue of making Child Benefit more selective was also discussed.

- QCIs are somewhat invisible as payments and as such their impact on incentives needs to be acknowledged. (John Sweeney)
- FIS should be reformed and can play an important role in tackling employment disincentives. (Barnardos)
- Revenue Commissioners should alert those employees who might be entitled to a FIS payment. (INOJ)
- FIS could play a significant role in flexicurity, but if someone is on a low wage, why can entitlement not be triggered. (OPEN)
- FIS is not only a child income support but also an employment subsidy. The issue of disincentives is critical in this regard. (One Family)
- Taxing or means testing of Child Benefit is not right and will not deliver the right outcomes. (Children's Rights Alliance)
- Report would appear to be uneasy about taxing Child Benefit. It is not convincing that administrative and logistical difficulties hinder this approach, particularly after 25 years of this

being an issue. While taxing child benefit is one way of differentiating between those who can and those cannot pay tax, it is not necessarily the appropriate approach. Nevertheless, the argument for not taking such an approach should be advanced. (Tony McCashin)

- Individualisation in the tax system should be matched with individualisation of social welfare system. Equal payment of adult dependant allowance, a substantial proportion of which would go to children, should be considered. (Tony McCashin)

### *CIS integrated payment*

A number of interventions considered the reform approach of an integrated CIS payment as set out in the report and sought further information on the mechanics of such an approach in order to determine its merits.

- The CIS integrated payment was described as being very close to the NESC second tier payment and could be implemented relatively easily, given that it would operate within the social welfare system without recourse to the tax system. (John Sweeney)
- Those who advocated a second tier payment see the integrated payment as a workable alternative. (Children's Rights Alliance)
- Integrated payment is an attractive options and the fact that it could be achieved relatively quickly is desirable. However, there is a need to stand back and ensure that reforms are part of a coherent policy. (Treoir)
- Integrated payment would improve acceptance and reduce stigmatisation. (Cúram)
- Report is not clear about where thresholds for 'Type A' and 'Type B' would be set. (INOUE)
- Type 'A' and 'B' payments would appear to be problematic as poverty traps would still exist. New poverty traps would be created. The report does not adequately resolve this. (Social Justice Ireland)
- Whether or not reforms will worsen child poverty rates is a critical question. (SID)

### *Reforms in other areas*

Stakeholders also identified a range of issues that were considered as having relevance on child income supports.

- Issue of lone parents is a particular challenge, especially in the context of the change in income support to lone parent, which will stop when a child is 14 years old. Lone parents will still be lone parents while their children are aged 14 – 18. (OPEN)
- Concerns remain regarding proposals to move lone parents on to JA when the child reaches 14 and that this will increase poverty rates amongst lone parents. There is a need to look at reforms to OPF payment in light of the CIS Review. (One Family)
- Report could have gone into greater detail on the inter-play with secondary benefits, such as rent supplement, medical cards. (OPEN)
- Rent supplement acts as a huge barrier for parents to take up work – high numbers of lone parents are still in receipt of this payment. (OPEN)

- Refundable tax credit is a viable approach but would require the integration of the tax and welfare systems. However, there appears to be administrative resistance to this approach. (Social Justice Ireland)
- The individualised tax system does not take account of dependants such as children or elderly or disabled persons who require care, or the varying requirements dependents have for care, supervision and support which may entail actual replacement costs (from net income) or opportunity costs to the at-home parent or family carer, including income, pension and access to social welfare support. (Cúram)
- Domiciliary Care Allowance has been eroded over the years. How does this tie in with reforms to child income supports? (Inclusion Ireland)

### *Services*

At a broad level, the provision of services was considered by all of the stakeholders to be vital and that a balance between income supports and services is required. It was acknowledged that the cost of child raising was shared by society not only in terms of income supports but also in terms of spending on education, health etc. Furthermore, the provision of high quality services was considered to be an important factor in breaking the poverty cycle.

- Services that are important to children's development should be accessible and of high quality independently of household income and of parents' other socio-economic circumstances. (John Sweeney)
- Appropriate mechanisms to deal with cross cutting issues are needed at an administrative/ government level. (John Sweeney)
- Achieving the right mix between income supports and services needs to be accomplished through enhanced cross departmental working and institutional change. (NWC)
- There is a need to avoid a residual welfare state and ensure that there is 'buy in' from middle and higher earners for the provision of services. (John Sweeney)
- Savings made from reforms to social welfare system should be diverted into services. The issue of budgetary considerations should be parked, as Ireland is playing catch-up in terms of service provision. (OPEN)
- Lack of childcare services impacts on parents' ability to take up work and funding for childcare services should be ring-fenced. The issue of childcare is the 'fly in the ointment'. (Barnardos)
- The provision of appropriate childcare services is a huge issue for parents and impacts on parental employment. (NWC)
- Evidence shows that we need an early childcare infrastructure, but there is minimal financial support for this. The report is not clear on how this could be progressed. (NWC)
- ECCE is a welcome initiative, but it is not a free year for most parents. (NWC)
- ECCE is a good example of a universal service and needs to be expanded. (One Family)
- The replacement of the Early Childcare Supplement with the ECCE was a good step, but it is also a cautionary example. Reform and rebalancing of payments should not be a codeword for cuts. Furthermore, the ECCE did not solve the problem of the cost of childcare. (Start Strong)

- Services need to be high quality. Services of poor quality result in poorer outcomes. With regard to staff working with children, qualifications need to be improved. (Cúram)
- Quality of services determines the outcomes achieved. (Start Strong)
- Services also need to be accessible for people living in rural areas; innovative methods that different communities can develop to meet the social and educational needs of children should be piloted (Cúram)
- There is a need for a forum for in-depth discussions on how to achieve reform/rebalancing of supports/services perhaps through the aegis of the Department of Children and Youth Affairs. (Start Strong)
- Are services appropriate substitutes for cash payments? What do customers want? These are questions that could be explored through a small scale survey. (Tony McCashin)

### *Cost of a child*

The findings of the review relating to the cost of a child and the need for research to be conducted into this issue elicited a number of responses.

- There is no clear understanding or guideline on the proportion of the cost of child rearing that it is appropriate to socialise. (John Sweeney)
- Absence of a statement regarding the level of societal support for a child is noted in the report. This should help to stimulate debate and discussion. (OPEN)
- There is a need to increase our understanding of the cost of a child, particularly in the context of the difficulties that families now face with regard to mortgages and childcare costs. (Children's Rights Alliance)
- Cost of childcare should be reflected in the cost of a child. (NWC)
- Having up to date data regarding the cost of raising a child is really important. (One Family)
- Research shows that the cost of a child varies across the age span, particularly babies and older adolescents, who can cost more. (VPSJ)
- The issue of equivalence scales should be revisited and the national scales should be updated. (Tony McCashin)

### *Employment / Working age payments*

Child income supports were not viewed in isolation from other welfare payments and stakeholders made reference to the broader context of social protection reforms, particularly reforms to working age payments.

- Reforms to child income supports must link in with reforms to working age payments. (Barnardos)
- Welfare to work and activation present a challenge for families as work often does not recognise families and their commitments. (INOUE)
- Activation issues and proposals regarding a Single Working Age Payment demonstrate the huge challenge there is in looking at the whole package. (OPEN)

- Report provides important analysis of the interaction between JA, OPF and employment incentives. Reforms must take account of varying disregards, replacement rates, withdrawal rates and on how they impact on lone parents. (One Family)
- A big challenge is to move lone parents into work so that better outcomes are achieved for children. There is a need to take into account childcare costs in this regard. (One Family)
- Employment and increasing parental employment is central in addressing child and family poverty and reducing poverty rates. (SID)
- There is a need to address poverty traps for parents which hinder the transition from welfare to work. (SID)

#### *International comparisons*

Consideration of the situation in other countries was raised by a number of stakeholders, particularly with regard to what lessons could be learnt.

- Better outcomes are achieved in countries that spend more on services than on income supports. Ireland has major ground to make up in this regard. (John Sweeney)
- Ireland has high levels of children (0-17) who live in households where no one works: 18%, comparable to the UK. (John Sweeney)
- Lessons from other countries show the importance of services and the findings in Chapter 7 of the review are important in this regard. (NWC)
- There is a need to look at other countries and learn from those that have good outcomes for children. (One Family)

#### *Wider child well-being*

The wider context for child income supports was highlighted by a number of stakeholders, particularly in relation to child well-being and improving outcomes for children across a range of activities.

- Child income supports need to fit into a wider child well-being framework such as the National Children's Strategy. (Barnardos)
- Child poverty is a complex issue – intergenerational transmission of poverty: poor children generally grow up in poor households, which have been poor for generations. (INOU)
- Findings in relation to the wider context of CIS were welcomed; as such supports enable families to secure better outcomes. (NWC)
- There is a need to look at the overall picture of children's lives in terms of income supports, health and education. (Treoir)
- Growing-up in Ireland survey data should be interrogated to look at the broader issue of child welfare / child well-being. Levels in this regard might look different to the one that is assumed. (Tony McCashin)

## *Debt*

While a number of stakeholder groups made reference to the current economic situation and on how it affected families and their children, one group highlighted debt as an issue.

- The debt burden on families has increased in recent years. While the report's analysis is based on 2008 statistics, the situation is now significantly different: due to unemployment a large, and increasing, minority of families are at risk of bankruptcy. Child Benefit, as a cash benefit, is important for such families (referred to as the 'New Poor' in public discussion/debate) and this should be borne in mind in the context of the Budget process. (Cúram)

## **Closing Comments**

John Bohan (D/Social Protection) responded to the various interventions and iterated that while the Value for Money review process had come to an end, another process was beginning. The Department would continue working on the feasibility of the integrated CIS payment approach, which would consider the mechanics of such a payment. While stakeholders identified services as a key ingredient in addressing child poverty, there is a paradox in the fact that poverty is measured in terms of income and levels of income supports. If resources were diverted from income supports to services, measures of poverty and deprivation could worsen in the short term. Therefore, the issue of appropriate indicators would need to be considered and this could be done in the context of the development of the National Children's Strategy.

With regard to the issue of lone parents, their poverty levels are clearly problematic. While resolving the situation for lone parents would significantly go towards reducing child poverty levels, there would still be a need to deal with CIS issues at a more general level. Nevertheless, issues relating to secondary benefits and the issue of concurrent payment of FIS with other social welfare payments clearly need to be addressed.

Although the issue of childcare was identified by a number of stakeholders, this is an issue that cannot be solved through child income supports. Clearly, childcare costs are an important item in family expenditure and updated analysis of the cost of a child should take this item into account.

Concern was also expressed that a new architecture for CIS payments could result in new poverty traps. While this is a risk, the question remains whether a new architecture represents an improvement in this respect. This is a principle that should be applied to all approaches to reform the system. It is acknowledged that universal systems can help to avoid poverty traps, however the extent to which this approach can be relied on has to be modified in the current economic situation.

In relation to the issue of a link between income supports and fertility, while this was referred to in the report, the review did not examine the issue in any great detail. With regard to the cost of a child, the ongoing work by the Vincentian Partnership for Social Justice to disaggregate the individual cost of a child from their household type analysis will be welcome. On the issue of equivalence scales, this is an issue that could be considered in the context of the cost of a child study that the review recommends. In

terms of the query on the Domiciliary Care Allowance, this is more related to disability costs rather than the cost of a child itself.

Finally, while the review acknowledges that there are policy successes, including meeting NAP Inclusion targets on child income supports, even after budget cuts, and reductions in child poverty levels, the question remains can the system be relied on into the future to deliver on its objectives and how can the current system be built on.

Mary Doyle (OMCYA) commented that one theme that emerged from the seminar was that issues relating to children needed to be addressed through an integrated approach by combining resources, policies and strategies for children and their families. Increasingly our focus is on how our money is spent. This has a consequence for our society and for the need to rethink what does social solidarity mean in Ireland today.

It is evident from the seminar's discussions of the importance placed on services. From the debate on this issue, it might be perceived that little had been done in improving services. On the contrary, a lot has been achieved. Nevertheless, there is scope for further development and in particular there would be merit in having the childcare issue explored further.

The new Department of Children and Youth Affairs will have a role to play in progressing these issues, particularly in the context of the development of the new National Children's Strategy. One of the national outcomes for the strategy is "keeping children economically secure" and the issues raised in the seminar are of particular relevance in this regard.

## Annex – List of Participants

<b>Name</b>	<b>Organisation</b>
John Bohan	Department of Social Protection
Tina Burns	Department of Social Protection
Frances Byrne	OPEN
Maria Corbett	Children's Rights Alliance
Ciaran Diamond	Department of Social Protection
Margot Doherty	Treoir
Mary Doyle	Office of the Minister for Children and Youth Affairs
Niamh Gallagher	Children's Rights Alliance
Joan Gordon	Department of Social Protection
Sean Healy	Social Justice Ireland
Helen Johnston	NESC
Susan Jones CHF	Vincentian Partnership for Social Justice
Siobhan Kane	Inclusion Ireland
Pat Leahy	Department of Finance
Christopher McCamley	Department of Social Protection
Tony McCashin	TCD
Candy Murphy	One Family
Brid O'Brien	INOUE
Orla O'Connor	National Women's Council
Kieran O'Dwyer	Department of Social Protection
Seamus O'Fearghail	Department of Social Protection
Alan O'Kelly	IBEC
Joan O'Shea	Department of Finance
Phil Ryan	
Barry Sobey	Department of Social Protection
John Sweeney	NESC
Robert Thornton	Vincentian Partnership for Social Justice
June Tinsley	Barnardos
Áine Uí Ghiollagáin	Cúram
Anne Vaughan	Department of Social Protection
Jim Walsh	Social Inclusion Division, Department of Community, Equality and Gaeltacht Affairs
Paraic Walsh	Ombudsman for Children
Grainne Weld	Vincentian Partnership for Social Justice
Toby Wolfe	Start Strong