

CHAPTER 8: CONSULTATION PROCESS

Consultation with stakeholders is a key requirement in the VfM review process, which provides an opportunity for interested parties and experts in the field to make an input into the process. In line with this requirement a consultation process for this review was conducted. The consultation process consisted of analysis by policy experts, which is covered in section 8.1, and written submissions from policy advocate groups, which is dealt with in section 8.2.

8.1 Policy experts

In order to deepen the Steering Group's understanding of the issues around CIS policy and programmes and to further inform its deliberations, three policy experts were invited to provide an input into the process. The experts were Dr. John Sweeney of the NESc, Dr. Olivier Bargain of UCD and Professor Tim Callan of the ESRI.

Dr. Sweeney provided an overview of current literature relating to child income supports and the role played by these supports in assisting with the cost of child-raising (horizontal redistribution) and in reducing child poverty (vertical redistribution). Based on the findings of this research, it was argued that the role of CIS in tackling child poverty should be prioritised based on the grounds that there is a moral case to be made in ending child poverty, as well as an economic case, as investments made in early childhood development can facilitate returns over the course of the life cycle. Dr Sweeney noted that the political priority assigned to achieving an end to child poverty can be constrained by the general desire to retain the universal proportion of CIS payments.

The findings from the literature also suggest that at a certain level of household income, the development of a child is not significantly improved by further increases in that level of income. Therefore, the question arises as to what else is needed to reduce child poverty levels. International evidence points to the fact that although all developed countries find it difficult to reduce, let alone, eradicate child poverty, some states, primarily those located in Scandinavia, do achieve lower rates of child poverty. Generally those states that do achieve low rates of child poverty provide a multi-faceted approach whereby, in addition to CIS, the state also invests in the provision of child related services.

Although Ireland has a high level of spending on CIS, access to child related services is comparatively poor in international terms and there are high levels of children at risk of poverty. For those households that are on very low levels of income there is access to essential services, but costs for services rise rapidly as household income improves. Following on from this evidence, Dr. Sweeney argued that CIS should be seen as making a *contribution* to reducing child poverty and that families on low incomes need access to quality services while on a low income. Furthermore, the best protection against child poverty was parental earnings and adult welfare payments are as important as CIS in influencing 'children's income'. Dr Sweeney concluded by offering the following basic advice for addressing child poverty: provide a medical card for all children; build on the Early Child Care and Education scheme by extending it back one year; and introduce a second tier payment for CIS.

Dr. Bargain drew on his work on the cost of a child and economies of scales. Once again the role of CIS policy in both horizontal and vertical redistribution was identified as an important consideration. From a horizontal equity perspective there is an assumption that assistance to families implies equal treatment of equals. This gives rise to the use of equivalence scales for the estimation of the cost of a child. However, the use of equivalence scales can be imprecise as there are variations between families. Recent research using methodological techniques based on the consumption of adult goods in families suggests that the cost of a child can vary from around 10% to over 20% of the cost of an adult. However, this approach can underestimate the true cost of a child as time devoted to child care is not factored into the calculations. What is particularly noteworthy is the finding that child costs increase as one goes up the income distribution.

Dr. Bargain also provided an examination of the effect on poverty and child poverty of in-work benefit policies as an example of the effectiveness of vertical redistribution instruments. His analysis suggests that FIS is effective in reducing poverty among the working population not only because of the redistributive effect of the payment but also because of the incentive effect among certain groups at risk of poverty, particularly lone parent households. However, the payment is not available to all people on low incomes and splitting FIS into child and non-child elements should be considered for both equity and efficiency arguments. Dr Bargain's concluding advice to the Group was for economies of scale to be considered in the context of intra-familial redistribution and the effect of increases in CIS rates on adult consumption patterns.

Prof. Callan provided an overview of policy developments in relation to CIS. The key question identified was what policy measures kept children out of poverty. While CIS is an instrument targeted on children, parental income, whether derived from employment or social welfare,

is central to the solution of child poverty. Reference was made to the role of CIS payments in relation to both horizontal and vertical redistribution objectives. In terms of horizontal redistribution, there were two features of CIS that were worth noting: sharing in the cost of rearing a child between the generations more broadly and redistributing resources and income over the course of the life cycle. However, it is difficult to measure the effectiveness of these features of CIS payments. In contrast it is much easier to measure the vertical redistribution objectives, as the 'at risk of poverty' indicator can provide information on how effective the payments are in combating child poverty.

Although there has been some retrenchment in CIS as a universal payment, the payment should not go too far towards being a selective payment as this would have implications for work incentives. On the other hand, there are macroeconomic implications for the balance between CB and QCI and consequently there is a need to take account not only of the fiscal situation but also the unemployment situation when determining the levels of these payments. With regard to the other CIS instruments, FIS remains problematic, particularly in terms of its take up. While research has been conducted in this area, further work is needed to determine the extent of this problem.

In relation to how CIS could be reformed, Prof Callan suggested that an integrated and taxable child benefit system could yield improved child poverty outcomes. However, there are currently administrative and technical issues that would hinder this development, although these could be dealt with over time. If, on the other hand, such problems could not be overcome, then a child benefit supplement or a refundable tax credit could provide an alternative solution.

Prof Callan concluded with some suggestions on how to monitor progress in tackling child poverty. One approach is to use a multi-tiered mechanism that would track movements in real incomes along with changes in both consistent poverty and 'at risk of poverty' rates. In particular the 'at risk of poverty' indicator was a good long term anchor for measuring developments over time. But because of this indicator's sensitivities to changes in income generally, a tiered monitoring mechanism would enhance the understanding of the effectiveness of policy approaches.

8.2 Consultation with policy advocate groups

Fifteen stakeholder organisations, from the social partners and community and voluntary groups, responded to a request for written submissions on the issues set out in the Terms of Reference for the review.¹⁴⁷ Submissions ranged from brief one to two page documents to comprehensive submissions of around 12 to 15 pages. In general stakeholders welcomed the opportunity to provide a submission and there was recognition that it was an opportune time to review Child Income Support policy. A number of the submissions argued that the review should be broad in scope and consider the effectiveness of CIS policy within a wider policy context, particularly from the perspective of income supports for adults and services for children. Some of the submissions also identified the principles on which CIS should be based, including the need to address child poverty while bearing in mind the need for resource efficiency. The need for an equitable social welfare system which puts the interests of the children first was also recognised in a number of the submissions.

Rationale for spending

There was strong agreement in the submissions of the importance of Child Benefit as a universal payment, which contributes to the cost of bringing up a child. The horizontal equity principle was recognised as important and reflected the value that Irish society placed on children and the need for State assistance in child rearing. Consequently, it was argued that the universality of the Child Benefit payment should be maintained. There was also recognition that Child Benefit played a role in vertical redistribution, i.e. in reducing child poverty. As a result of having multiple objectives, one submission suggested that it will always be difficult for CIS to ensure that all of these objectives were met.

Furthermore, CIS policy was seen as not sufficient in its own right to tackle child poverty and a number of submissions highlighted the importance played by adult income supports as part of the solution to tackling child poverty. It was argued that an integrated social protection system was necessary and this should be considered in the context of the review.

¹⁴⁷ These groups are as follows: Barnardos, National Women's Council, Open, One Family, INOU, Vincentian Partnership for Social Justice, Treoir, Inclusion Ireland, Children's Rights Alliance, Curam, ISPCC, St Vincent de Paul, Start Strong, Focus Ireland and IBEC. Barnardos, the Children's Rights Alliance and St Vincent de Paul provided supplements to their submissions as members of the End Child Poverty Coalition.

Efficiency of spending

Commenting on the efficiency with which CIS programmes have achieved their objectives, there was a belief that the schemes were not effective in addressing child poverty. Although the advantages of Child Benefit as a universal payment were noted in submissions, its lack of targeting at low income families limited the payment's effectiveness in providing support to children in the poorest families. On the other hand, one submission observed that there is no agreement on what level of costs associated with child rearing should be socialised. A further submission commented that Child Benefit failed to distinguish the age of children as different age groups incurred different expenses. Finally, a couple of submissions called for Child Benefit to be paid to the parents of children seeking asylum so that it supported all children in the State.

With regard to QCs concerns were expressed in a number of submissions that although this payment was targeted at the poorest children in the state, it could act as a disincentive to work, particularly if the payment was increased. There were also concerns that the payment was lost if a recipient transitioned from welfare to work and that there was no automatic transfer to an in-work child income support payment, such as FIS. Submissions diverged on the appropriate level of payment for QCs: one called for this payment to be increased while another called for a more nuanced approach than simply increasing the rates of payment.

Submissions were in general critical of FIS, observing that it was a complex and cumbersome payment. Consequently, it had a low take up from potential recipients, thereby reducing its effectiveness in meeting its objectives. The application process, whereby the employer had a role in the application process, was perceived to be a barrier. The exclusion of self employed was also criticised. One submission called for the payment to be made more flexible and adaptable to people's working conditions in the current economic climate, particularly in terms of the hours worked condition. Another submission argued for more generous increases for small families on FIS and for the withdrawal thresholds to be reduced. This submission also called for FIS thresholds to be adjusted to compensate for changes in the rate of, or eligibility criteria for, Child Benefit or the income tax system.

A couple of submissions identified the Back to School Clothing and Footwear Allowance as a useful support to the cost of rearing a child. However, this payment was seen to be ineffective in meeting increasing costs in education and the submissions called for a book rental scheme to be established. One submission discussed the role of the Early Childcare Supplement as a child income support and commented that it was a failed attempt to support families with the cost of early care and education services. Its replacement by the Free Pre-School Year was welcomed as a positive step although its impact was perceived as limited.

Improving effectiveness of existing programmes

Considering what changes could be put in place to the existing programmes to improve their effectiveness and efficiency elicited a variety of responses. One submission suggested that the level of payment could be linked to certain indices, as set out in *Towards 2016*, which could be modified as these indices improve. Another submission suggested the creation of a more central and universal administration system. Placing children and their needs at the centre of the supports was seen as desirable in a further submission. There were also calls for better targeting of supports.

A number of the submissions discussed the adequacy of CIS payments and the level of support in general. There was a general desire to see current levels of payment maintained. One submission argued that Child Benefit rates should be reinstated to 2009 levels if other reforms were not introduced. Another submission argued against the McCarthy report recommendation of a 20% reduction in Child Benefit. A further submission called for the real value of QCs to be maintained by adjusting the payment to compensate for any changes to the rate of, or eligibility criteria for, Child Benefit or other social welfare payments. On the other hand, one submission called for the review to consider whether the CIS spending programmes could be reformed to provide greater levels of support, while either maintaining or even providing saving to the exchequer.

Alternative policy or organisational approaches

On the question of alternative policy or organisational approaches, there was general agreement in the submissions that a targeted second tier payment would be a key reform option that should be fully considered. This would entail the amalgamation of FIS and QCs into one payment for all low income families along the lines suggested by the NESC. This would be paid irrespective of whether income came from welfare or from work. This new measure would run in parallel with the Child Benefit payment. The new payment should be set up to incentivise work and ensure that poverty traps are not created.

However, one submission argued that the introduction of a second tier payment would not ensure that all children in low income households were protected from poverty because it would not replace the income derived from FIS as currently structured for those on very low earnings. Consequently, a second tier payment could result in creating employment disincentives. Instead, this submission called for the real value of QCs, FIS and adult social

welfare rates to be maintained and for enhancing the FIS scheme. This, the submission maintained, would be a more cost effective set of policies designed to address child poverty.

Other approaches proposed in submissions included the full individualisation of the Income Tax and Social Welfare systems, which would entail the integration of the two systems to ensure that a single substantial support is made available to all children equally. A system of Care Credits which would be designed to significantly improve the outcomes associated with child rearing was proposed in another submission.

Wider impact of policy – provision of services

There was also a general recognition in the submissions that child income supports on their own were insufficient to address child poverty and what is needed is to improve public services for children and families. One submission argued that this could be done by redirecting some of the CIS expenditure into service provision. A range of core services were identified for improvement. These included childcare and employment supports to assist parents in moving off welfare and into sustainable employment.

Early childhood education and care was identified as an important support that would assist in children's development and wellbeing. Health and housing supports were also identified as playing an important role in the reduction of child poverty. Proposals under these categories included expanding the entitlement to medical cards to all families with children under the age of 8; the retention of the medical card for all those qualifying for the second tier payment, regardless of income source, until their children reach 18; and transferring families living in rented accommodation from Rent Supplement to the Rental Accommodation Scheme after six months instead of a year.

Overview

Submissions, by and large, addressed the issues set out in the Terms of Reference for the review, while reflecting the concerns and interest of their own organisations' stakeholders. There was a general acceptance in the submissions that CIS policies have two primary objectives: contributing to the cost of child-raising and assisting in the reduction of child poverty. While submissions agreed that the universal payment feature of Child Benefit should be maintained, there were diverging views as to what the appropriate level of payment for a child should be or the proportion of CIS payments that should be devoted to the universal payment instrument. Submissions also agreed that CIS payments, as currently structured, were not effective in tackling child poverty. A number of submissions identified

some problems with the current schemes, particularly with regard to FIS. However, apart from identifying particular problems that should be remedied, submissions in general did not go so far as to provide integrated proposals as to how existing programmes could be changed to improve their effectiveness and efficiency.

With regard to proposals for alternative policy approaches, there was significant support for the development of a targeted second tier payment, although one submission diverged from a consensus view on this approach in arguing for improvements to existing programmes and structures. Submissions also considered the wider impact of CIS policies for society and there was a general agreement that public services needed to be improved if child poverty was to be effectively addressed. On the other hand, few of the submissions considered how existing resources should be allocated to deliver these services. On the whole, the issues identified in the submission documents concur with the issues that are substantially dealt with in the review.

8.3 Summary

This chapter provides an overview of the findings from the consultation process. It is evident from this process that there is strong policy and stakeholder support for the continuation of spending on child income supports. There was also a general acceptance of the importance of the horizontal equity principle of assisting households in child rearing. Furthermore, there was general agreement that child income supports schemes were not as effective in reducing child poverty as they could be. A range of reforms to improve child poverty outcomes was identified, from structural reforms of existing programmes to alternative approaches such as a second tier child income support payment or taxing child benefit. Finally, the need to improve public services for children and families as a means to address child poverty was a common message that was apparent in both the written submissions from the policy advocate groups and in the comment and analysis from the policy experts.