Government Discussion Paper: Proposals for Supporting Lone Parents

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ABBREVIATIONS

BTEA Back to Education Allowance
BTWA Back to Work Allowance
BTWEA Back to Work Enterprise Allowance
CDA Child Dependent Addition
CE Community Employment
CPA Combat Poverty Agency
CSO Central Statistics Office
D/SFA Department of Social and Family Affairs
EOCP Equal Opportunities Childcare Programme
ESRI Economic and Social Research Institute
ENPs Exceptional Needs Payments
EU-SILC European Union Survey on Living Conditions
FIS Family Income Supplement
HSE Health Service Executive
LPA Lone Parents Allowance
NAPS National Action Plan Against Poverty and Social Exclusion
NESC National Economic and Social Council
NESF National Economic and Social Forum
OFP One Parent Family Payment
PA Parental Allowance
QA Qualified Adult
QAA Qualified Adult Allowance
SWA Supplementary Welfare Allowance
UA Unemployment Assistance
UB Unemployment Benefit
INTRODUCTION BY THE MINISTER FOR SOCIAL AND FAMILY AFFAIRS

The Government is committed to tackling child poverty and has made this a key objective under Sustaining Progress, the National Action Plan against Poverty and Social Exclusion and the National Children’s Strategy.

This report by Government presents a review of the issues facing lone parents as research has identified children of lone parents as one of the major groups at risk of child poverty. The report sets out the supports, income and otherwise in place; and the barriers to achieving economic independence. It seeks to tackle the relatively high risk of poverty and social exclusion faced by many such families and their children. The objective is that the proposed reforms and recommendations in the report will form part of a co-ordinated strategy in addressing this problem. This report contains two strands of work by expert working groups that was conducted under the auspices of the Cabinet Committee on Social Inclusion, chaired by the Taoiseach. The first is a review of obstacles to employment for lone parents carried out by the Senior Officials Group on Social Inclusion, chaired by the Department of the Taoiseach. This is one of the key actions under the ‘Ending Child Poverty’ Initiative of the ‘Sustaining Progress’ Partnership Agreement. The second is a review of income support arrangements for lone parents carried out within my own Department of Social and Family Affairs.

As Minister for Social Affairs a key focus for me has been to ensure that the social welfare system meets the needs of all of our citizens in 21st century Ireland. It must be a system that not only delivers income support, which of course is crucial to those concerned, but also a system that provides supports and encouragement, incentives and activation measures appropriate to people’s needs and abilities to ensure that their personal potential and contribution to society is fulfilled. For this reason I am happy to present the proposals of Government contained in these reports which relate not only to income support, but to the entire system of welfare and its reform and co-ordination in supporting citizens.

The social welfare system is operating in an increasingly changing environment. Nowhere is this more clearly shown than in the changing nature of family structures and the role of men and women in society and in the changes that have taken place in the labour market. Family formation and structure has become more fluid, with people moving between different family forms – lone parenthood, cohabitation, marriage. No longer is the married couple, with a male breadwinner the norm in Irish society. The number of lone parent families has increased significantly and now constitutes almost 17% per cent of families in Ireland. The vast majority of lone parents are women. This rise, which is happening due to the rising number of births outside of marriage, now accounting for 1 in every 3 births in Ireland, and the increase in marital breakdown and breakdown of cohabiting relationships, is reflected in the increasing numbers claiming the One Parent Family Payment (OPF) from the Department of Social and Family Affairs. OPF numbers have risen from 59,000 in 1997, to some 80,000 people currently supported through the payment and other supports, such as rent allowance, at a total cost last year of over €800 million.

Lone Parents

It is essential that the social welfare system and income support arrangements reflect the changing environment in which it operates. Indeed the response of my Department to meeting the income needs of lone parents demonstrates how the system has responded to the changes which have taken place. Social welfare support for lone parents has changed dramatically over time. Early schemes were structured on the basis that women with children should remain in the home full-time. The Lone Parent Allowance introduced in 1990 represented a shift in emphasis towards encouraging and facilitating lone parents in taking up employment, thus reflecting societal change. The scheme introduced equality between mothers and fathers and removed the term ‘unmarried’ from the social welfare code.
It represented an acknowledgement that the cause of ‘lone parenthood’ should no longer be relevant in terms of income provision. The OFP, introduced in 1997, simplified the system further. In introducing a relatively generous earnings disregard it gave recognition to women’s increasing participation in the labour market and the fact that employment can provide a route out of poverty and social exclusion.

The environment in which the system operates has continued to change since then, with greater fluidity in family formation, changes in the labour market and changing expectations regarding the roles of men and women, particularly women’s increasing participation in paid employment. It is time now for the system to once again be refocused in order to reflect the society in which it operates and changing expectations of family and working life. This is particularly the case with regard to those parenting alone. A number of issues illustrate this:

- The categorisation of lone parents within the social welfare system, while originally intended to identify and target their particular needs is no longer appropriate. Lone parents are not a homogenous group. They are of differing ages, education and employment backgrounds and have experienced different routes to becoming a lone parent and hence have differing needs. Indeed many of these needs are common to all parents on a low income.
- Categorisation of people in this manner can lead to stereotyping and can prevent people from changing their personal situation or declaring such a change because of fears of a loss of income. Under the terms of the OFP a person must be living alone, therefore those who cohabit or marry are not entitled to claim the payment. This results in a disincentive to OFP recipients to form and/or declare long-term relationships. There are also the consequences for the child or children involved to be considered. It can not be good social policy to have rules that have the effect of keeping family formations apart.
- The supports which are provided to lone parents, while substantial (and outlined in the reports), have to date been passive in nature, with no active or systematic supports in assisting the person to take up education, training or employment opportunities. Currently a person in receipt of OFP can continue to receive their payment until their child is 18 or 22 if in full time education, with no further direct intervention by the state. This long term welfare dependency is not in the best interests of the lone parent, their children or society in general.
- While the earnings disregard in the OFP has been successful in encouraging lone parents to enter employment, with 60% of OFP recipients in employment, it has also resulted in poverty traps emerging for those in receipt of payment. The result is that lone parents are entering employment, but in attempting to retain the security of their social welfare income can become trapped in part-time, low paid employment.
- Despite the unprecedented growth of the Irish economy over the last decade, lone parents remain one of the groups who are particularly vulnerable to poverty, with over 30% in consistent poverty in 2004 compared to 7% of the overall population and 48.3% at risk of poverty compared to 19.4% of the overall population.

It is a well established fact that one of the best routes out of poverty for lone parents is through paid employment. This has been outlined nationally by my own Department and by the Combat Poverty Agency. Internationally the OECD have highlighted the fact that the long period that lone parents can spend on benefit can result in children growing up in poor and social excluded households. Research from the EU Survey on Income and Living Conditions (2005) highlights the fact that parental employment rather than family type is the single most important factor associated with a high risk of child poverty. Indeed, one of the prime objectives of the One Parent Family Payment is to encourage lone parents to consider the gradual move to education and employment and away from welfare dependency. This is a transition that can transform lives. It is also a transition that is not always smooth, as obstacles can appear along the way in terms of supports required and the unintentional traps which can arise in relation to income support. For parents in receipt of OFP particular obstacles have been identified including the need for accessible childcare and education and training supports which can enable them to access employment which can support them and their families.

While the system has and does provide a range of supports to lone parents there is a need now for that support to be more focused on the needs of those receiving it and to be provided in a more systematic and structured manner. A priority objective for me as Minster has been to set about removing obstacles to work for lone parents in receipt of income support.

Review of Obstacles to employment for lone parents

It is in this context and for this reason that my own Department has examined the income supports currently available for lone parents and parents on low income. This review examines if those supports meet not only income needs, but broader objectives in terms of tacking intergenerational poverty, facilitating financial independence and facilitating participation in employment and people’s choice in terms of living arrangements. At the same time the Senior Officials Group on Social Inclusion, chaired by the Department of An Taoiseach was mandated by the Cabinet Committee on Social Inclusion to examine obstacles to employment for lone parents. In doing so, it has focused on the areas of income supports, employment supports, education, childcare and support programmes and information.

Overall the conclusion of both groups is that while income support remains crucial and must be adequate to meet need, passive income support alone is not sufficient if poverty and social exclusion are to be comprehensively addressed and people are to have financial independence and reach their potential. Other supports are also required advice, encouragement, referral, provision of support services such as educational and training opportunities, childcare etc.

The reports put forward radical proposals for reform of the income support system for parents on low income and for the implementation of an integrated programme to support the movement by lone parents into more full-time and quality employment involving the development of a comprehensive package of supports to be delivered using a cross government approach.

Overall, the aim of the proposed reforms is to:

- Prevent long term dependence on social welfare income support and facilitates financial independence.
- Facilitate participation in employment /education and training in a positive and systematic way.
- Remove poverty traps from the system of income support.
- Provide income support at a level sufficient to enable full participation in society.
- Recognise parental choice with regard to care of young children but with the expectation that parents will not remain outside of the labour force indefinitely.
- Change the expectations surrounding receipt of OFP, introducing an expectation of participation but with supports provided in this regard.
- Be neutral in terms of influencing people’s basic choices regarding choice of living arrangements.
- Ensure consistency of treatment across means tested social welfare schemes.

The range of proposals contained in this report aim to address the difficulties many of the country’s 80,000 lone parents on welfare support encounter in areas such as access to employment and education, income supports, childcare, cohabitation rules and unfair stereotyping. Central to delivering a better standard of living for lone parents and their children are policies directed at the breaking down of existing obstacles to employment, increasing access to career enhancing education and training opportunities, and the transforming of lives through targeted supports and enlightened social policies.
Reflecting the changing and complex nature of society and of the issues facing citizens in Ireland today, the reports recognise that the issues cannot be addressed by one Government department or agency. For the model proposed to be fully effective it requires an approach that involves all the relevant Departments. In this way supports can be provided in a comprehensive and consistent manner, and with agreed objectives.

Budget Changes

Recommendations and observations in the report have already informed the Budget changes that I introduced to the One Parent Family Payment for 2006. Alongside other social welfare payments, the rate of payment was increased by €17 per week. Importantly, I have also increased the earnings disregard for the first time since the scheme was introduced in 1997 from €293 to €375 per week. This is in line with the recommendations made in the reports and will give lone parents an opportunity to continue to increase their earnings without raising their fears, real or perceived, about losing their entitlement to payment, which I know from speaking to many lone parents, represents their financial security. My aim in maintaining the lower earnings threshold, but increasing the higher one, is to maintain the security which OFP provides to lone parents while at the same time providing a platform from which they can increase their earnings, eventually moving to financial independence.

Overall, the significant improvements which I made in Budget 2006 are just one element in the proposals for reform put forward with these reports. In the longer term the benefits of this change are:

- Reduced dependence on social welfare income support;
- Positive poverty and social inclusion impact, and;
- Breaking the cycle of intergenerational poverty and social exclusion.

Consultation

The Government, having considered both reports, asked that the findings and proposals should be placed in the public domain for discussion and debate. Many of the changes proposed are fundamental in nature, raising issues which touch on important aspects of Irish society. A full and frank debate will allow all views to be aired, all sections of society to be heard, and in time, areas of agreement and consensus to evolve and emerge.

Conclusion

Lone Parents are a valuable resource. Behind the statistics are very real lives, day-to-day pressures, lives given to providing the best for children and lives searching for greater fulfilment. Lone parents have the added responsibility of providing care for their children as well as often being the sole breadwinner. We have a responsibility to use the income support system and wider welfare supports to address the problems behind that income need, to tackle the social issues and pressures that blunt fulfilment and curb aspirations. Movement into employment is a transition that can change lives, but is not always smooth. Obstacle can emerge along the way. The proposals put forward in these reports by Government aim to identify and seek to address these obstacles.

Overall the work presents a comprehensive analysis of the income support arrangements and obstacles to employment for lone parent families. It highlights the need for a refocusing of income support and for co-ordination of supports provided in a more systematic and proactive manner. The reports also highlight the need for a change of relationship between the citizen and the state, with a move away from passive income support, to a relationship of mutual obligation, with provision of income and other supports in an expectation of participation according to people’s abilities so as to ensure that the full potential of no person is overlooked or neglected.

Social policies often need regular reforming so as to keep up with, and to reflect, a constantly changing society. For my part, I am committed to pressing ahead with reforms that wipe away restrictive social policies and replace them with more enlightened policies that, in this case, set about opening up genuine choices and opportunities for lone parents. The Government will listen closely to the views expressed as these reports are discussed, assessed and debated. As soon as I am convinced that we have reached conclusions that are fully workable and clearly thought out it will be my intention in the months ahead to take these proposals to Cabinet for discussions and decisions. And so I look forward to the proposals that emerge from this review, and the consultative process, helping to shape reforms of the social welfare system so that it better reflects the reality of people’s lives in 21st century Ireland.

Séamus Brennan T.D.
Minister for Social Affairs
February 2006
Report of the Working Group of the Senior Officials Group on Social Inclusion
Analysis of Obstacles to Employment for Lone Parents

February 2006
Report of the Working Group of the Senior Officials Group on Social Inclusion

“The ever increasing cost of the (OFP) scheme, changing attitudes to parents working outside the home and the fact that a scheme of this nature is, increasingly, out of step with other EU/International social welfare systems makes it almost inevitable that a more fundamental change to the arrangements, which may introduce some conditionality on claiming, will take place at some stage. The pressure for such change will increase as the cost of the scheme rises and the infrastructure to support working parents improves.”

Review of the One Parent Family Payment, Department of Social, Community & Family Affairs, 2000

“Despite the buoyant economy, employment rates among single parents in Ireland are only just over half of those in Austria and Japan where over 80% of single parents are in work.”

“The Irish social policy model provides long term benefits to single parent families with no requirement to be available for and seeking employment. This appears to be a significant contributory factor to the relatively low employment rate among single parents.”

“Reducing the expectation of long-term benefit recipiency among new clients of One Parent Family Payment and a more forceful assistance in employment support policy are needed to help more lone parents in Ireland into work. The long periods of leave that lone parents can spend on benefit result in some children growing up in poor, workless and even socially excluded conditions. It is not in anybody’s interest to accept passive benefit receipt over many years. There is a need for earlier and more active interventions to support work by clients with very young children, including childcare support, while for the existing long-term clientele, comprehensive measures upgrading skills are likely to be necessary. For this to work effectively, there would need to be a requirement for lone parents to take advantage of the opportunities open to them and made available through the increased resources provided by society to help them in this way. A system of mutual obligations should be embraced and enforced.”

Babies and Bosses; Reconciling Work and Family Life, Volume II, OECD, 2003

“Children do not experience disadvantage on their own but in the context of their family.”

“A more proactive approach is now needed to integrate social welfare, access to services and training and education programmes, so that employment with progression prospects becomes a genuine option for the significant number of people who continue to have low skills.”

The Developmental Welfare State, NESC, 2005
1. INTRODUCTION

Tackling child poverty is a key objective under Sustaining Progress, the National Action Plan against Poverty and Social Exclusion and the National Children's Strategy. Research shows that children of lone parents are one of the major groups at risk of child poverty.

It is important to note in this context that lone parents are not a homogeneous group. Lone parents encompass a wide range of families, ranging from a widow with an older child to a young unmarried mother with infant children. They may live in a variety of different households, e.g. independently, with parents, or in hostels. There may also be great variations in the level of joint parenting and support systems; many lone parent families may have both parents 'actively' involved.

One of the key actions under the Ending Child Poverty Special Initiative of Sustaining Progress is to examine obstacles to employment for lone parents. The Cabinet Committee on Social Inclusion established a Working Group, comprising Department of the Taoiseach, Department of Finance and the Office for Social Inclusion in the Department of Social and Family Affairs, to consider the obstacles to employment for lone parents, particularly those lone parents in receipt of the One-Parent Family Payment (OFP). Details of the membership of this Working Group are at Appendix 1.

The views of the Group were informed by a number of reports including the Developmental Welfare State (NESC, 2005), Babies and Bosses; Reconciling Work and Family Life (OECD, 2003) and Jobs, Jobs, Jobs: Creating more Employment in Europe; Report of the Employment Taskforce (Kok W, 2003). The main issues raised in these and other key reports in this area are summarised at Appendix 2.

In parallel with the Group’s work, and in recognition of the importance of income supports for lone parents, the Department of Social and Family Affairs undertook a review of the OFP. The outcome of this review is summarised in Section 7. That report ‘Reform of Income Support Arrangements for Lone Parents and Parents on Low Incomes: Proposals for Discussion’ is also published in full herewith to facilitate consultation.

In approaching its work, the Group recognised that an over-arching theme was how cross-cutting initiatives and co-ordination of activity can be promoted and developed between Departments and Agencies. In this regard, all Departments and Agencies were asked to identify how they might contribute to and facilitate such actions in the future. A full list of the Departments and Agencies who participated in the process is attached at Appendix 3.

The Group were also conscious that developments being undertaken elsewhere complement the proposals in this report. These areas include the work of the High Level Group on Early Childhood Education and Care and the study being carried out by the National Economic and Social Council examining the possibility of amalgamating social welfare Child Dependant Allowances with Family Income Supplement payments, to create a second tier of child income supports aimed specifically at families in greatest need.

A consultation process with social partners and other interested parties was also undertaken to inform the work of the Group. The submissions received suggested that:

• Employment represents a positive means by which those without adequate resources can improve their economic circumstances;

• There should be no compulsion on a lone parent to engage in employment, with the individual circumstances of lone parents taken into account;

• Any form of activation requires that education, training, childcare and eldercare issues are comprehensively addressed in advance;

• Education and training supports need to be available and incentivised;

• Social welfare payments should be individualised.

It was against this background that the Group considered the development of an integrated package of measures.

2. LONE PARENTS TRENDS AND PROFILES

Table 2.1: One-Parent Family Payment – Recipients and Expenditure 1997-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Number in receipt</th>
<th>Expenditure (€m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>58,960</td>
<td>338.5</td>
</tr>
<tr>
<td>1999</td>
<td>70,387</td>
<td>435.2</td>
</tr>
<tr>
<td>2000</td>
<td>74,119</td>
<td>480.1</td>
</tr>
<tr>
<td>2002</td>
<td>79,195</td>
<td>619.0</td>
</tr>
<tr>
<td>2003</td>
<td>79,296</td>
<td>660.6</td>
</tr>
<tr>
<td>2004</td>
<td>80,103</td>
<td>694.7</td>
</tr>
</tbody>
</table>

Source: Department of Social and Family Affairs, 2005

Following a review of the available data the Group noted the following relevant trends and profiles:

• According to Census 2002 returns there were 154,000 lone parent families in 2002, comprising one in six of all families, with 83% headed by females;

• There were 80,000 unmarried, separated and prisoners spouse recipients of OFP at the end of 2004. This number of recipients has grown substantially, up from 59,000 in 1997;

• Expenditure on the OFP scheme in 2005 amounted to some €770 million compared to €338 million in 1997;

• Some 1 in 3 births are outside of marriage and some 70% of these result in a claim for OFP. In certain areas, e.g. Limerick, 1 in 2 births are outside marriage;

• The percentage of OFP recipients aged under 20 was halved from 4.4% (3,066) in 1997 to 2.2% (1,705) in 2004;

• The percentage of claimants in the under age 30 category is also declining slightly with the age groups over 30 showing a slight increase;

• 61% of OFP recipients have one child and 25% have 2 children;

• It is currently estimated that some 60% (48,000) of OFP recipients are working. Of this number, some 6,500 are engaged in Community Employment, Jobs Initiative and Social Economy Programmes. OFP recipients can earn €146.50 per week without affecting payment, and earnings above this limit are assessed at 50%, to a maximum of €293.00 (this upper limit will increase to €375 in July 2006);

• The counties with the greatest number of OFP recipients are Dublin, Cork, Limerick, Galway and Donegal (in that order). Within these counties, certain areas have high concentrations, e.g. NESF estimated that some 25% of households in Clondalkin are headed by lone parents (2001);
There are no statistics available on the level of cohabitation among OFP recipients. However, social welfare inspectors have indicated that cohabitation is a significant issue, although one very difficult to prove. Estimates have put the figure at 30 to 40 per cent. If 30% of OFP recipients are cohabiting this means that a very significant amount of expenditure, €230 million, is being paid to claimants who do not have an entitlement.

3. LONE PARENTS IN POVERTY.

Lone parents have been identified in the National Action Plan against Poverty and Social Exclusion (NAP/inclusion) to be one of the groups at greatest risk of poverty, as shown in Table 3.1 below. In tackling poverty for this group, it is inevitable that child poverty will also be addressed, as it is inextricably linked with parental household income.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Population %</th>
<th>Lone Parents %</th>
<th>Child Poverty %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistent Poverty Rate</td>
<td>6.8</td>
<td>31.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Risk of Poverty Rate (60% median income)</td>
<td>19.4</td>
<td>48.3</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Source: CSO: EU Survey on Income and Living Conditions, December 2005

Both at an individual level and in comparison to other households, lone parents have extremely high rates of poverty. This is set out in Figure 1 below:

Figure 1: Household composition of individuals in poverty 2004

The number of lone parent families (with children under age 15), is increasing rapidly and now constitutes almost 17 per cent of families in Ireland. The number of children under the age of 15 living in one parent families is 121,394. The vast majority of lone parents – 90.7 per cent – are female.

Table 3.2: Family composition (children under age 15) 1991-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Two Parent Family</th>
<th>Lone Parent Family</th>
<th>Lone Parent as % of all families</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>411,884</td>
<td>44,671</td>
<td>10.7</td>
</tr>
<tr>
<td>1996</td>
<td>453,699</td>
<td>56,112</td>
<td>13.8</td>
</tr>
<tr>
<td>2002</td>
<td>342,455</td>
<td>68,635</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Source: CSO Census of Population

This rise in the number of lone parents is also obvious in the increasing numbers claiming OFP from the Department of Social and Family Affairs (Table 2.1 above).

The findings of the EU Survey on Income and Living Conditions (EU SILC, 2005) bear out the findings of previous surveys, and of experience in other developed countries also, that poverty rates tend to be higher among larger families and one parent families. This is mainly due both to the direct costs of rearing children, including child care costs, and the opportunity costs related to the reduced earning capacity of parents, arising from their care responsibilities. This applies particularly to lone parent families as the lone parent has to be the main breadwinner and carer at the same time.

4. LONE PARENTS AND EMPLOYMENT

A number of factors contribute to the low rate of employment and poor quality of jobs for lone parents. Census data (2002) indicates that almost 23 per cent of lone parents under age 65 years have either no formal education or primary level only. Age is a key factor in the highest level of education completed, with older age groups tending to have completed education at a lower level. However, even focusing on lone parents aged under 35, census data show that approximately 10 per cent have primary level education only (including those with no formal education) and a further 37 per cent have intermediate level. Therefore approximately 47 per cent have a level of education which would bring them to the minimum school leaving age but not beyond.

The Group believes that employment has proven to be a major factor for people exiting out of poverty and also influences quality of life and social well-being. This is clear from figures showing that:

- households with two adults employed have a 4 per cent risk of poverty;
- households with one adult employed have a 10 per cent risk of poverty and;
- households with no adult employed have a 74 per cent risk of poverty.

Despite significant numbers of lone parents taking up employment in recent years, there are still a large number of lone parents who do not work outside the home, and 40 per cent have been without work for three or more years. These figures are particularly high when compared with families with children, as shown in Table 4.1 below. It is also the case that a large number of those who do work are in low quality and unsustainable employment, leaving these households prone to recurrent joblessness and low income levels.

ESRI 2004 – Year 2000 figures derived using the 50 per cent median income poverty line.
In light of this reality, the Group concluded that raising the employment rate of lone parents, and increasing the quality of employment, and number of hours worked, can make a decisive contribution to reducing poverty amongst lone parents and their children.

5. CURRENT SUPPORTS FOR LONE PARENTS, INCLUDING EXPENDITURE

The Group met with the main Departments and Agencies concerned to establish the supports currently available to lone parents and the connected level of expenditure (see table 5.1 below). Further detail of the meetings is provided at Appendix 3. It is important to note that the detail set out below reflects funding on programmes delivered directly by those Departments and Agencies only. The Group is aware that the Government is also spending significant amounts of additional expenditure on a wide variety of programmes which can be availed of by lone parents and others, delivered by other national and local organisations.

In Budget 2006, a new Early Childcare Supplement to assist with the costs of caring for children in Ireland was announced. The supplement of €250 per quarter (€1,000 in a full year) will be exempt from income tax and levies and will be available for all children under the age of 6, regardless of the labour force status of parents, including lone parents.

As part of the overall Childcare Strategy, a new National Childcare Investment Programme was also announced, which will run from 2006-2010 and support the creation of an extra 50,000 childcare places. The Programme will contain specific strands for areas of disadvantage, including provision for lone parents.

### Table 4.1: Families classified by economic status, June - August 2005

<table>
<thead>
<tr>
<th>Family Unit</th>
<th>% employed</th>
<th>% unemployed</th>
<th>% inactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple with children (under age 15)</td>
<td>76</td>
<td>2.2</td>
<td>22.0</td>
</tr>
<tr>
<td>Lone Parent with children (under age 15)</td>
<td>53</td>
<td>5.4</td>
<td>43.3</td>
</tr>
</tbody>
</table>

Source: CSO Quarterly National Household Survey – Third Quarter 2005

### Table 5.1: Current provision for lone parents

<table>
<thead>
<tr>
<th>Benefit/Scheme</th>
<th>Details</th>
<th>Expenditure (end 2005) € million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One Parent Family Payment and Child Dependent Allowance</td>
<td>Benefits 80,000 lone parents, with over 129,000 children (estimated). This includes Child Dependent Allowance, an additional payment made to social welfare recipients in respect of eligible child dependents.</td>
<td>730</td>
</tr>
<tr>
<td>Family Income Supplement</td>
<td>Tax-free payment to married and unmarried employees with children, working a minimum of 19 hours per week. 9,000 lone parents are in receipt (end 2004).</td>
<td>39</td>
</tr>
<tr>
<td>Child Benefit</td>
<td>As CB is a standard payment regardless of parental status, there are no special arrangements for one-parent families.</td>
<td>220</td>
</tr>
<tr>
<td><strong>Secondary Benefits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent Supplement/ Rental Assistance</td>
<td>13,088 OFP recipients are in receipt of Rent Supplement (April 2005). New rental assistance arrangements are being implemented to assist those who have been ill months or more on Rent Supplement. Lone parents account for 27% of the 30,000 currently in the target group for this initiative.</td>
<td>110</td>
</tr>
<tr>
<td>Taxation</td>
<td>A one-parent family tax credit can be claimed (€1,1801 in addition to the personal tax credit. Also, lone parents benefit from a higher standard cut-off point (€33,400 per annum)2.</td>
<td>100</td>
</tr>
<tr>
<td><strong>Schemes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Employment (CE) Scheme</td>
<td>Designed to help people who are long-term unemployed and other disadvantaged people get back to work. 26% of the almost 22,000 currently participating are lone parents.</td>
<td>76</td>
</tr>
<tr>
<td>Jobs Initiative</td>
<td>Full-time employment is provided in the social economy for those over 35 years who fulfil certain criteria. 23% of the 1,897 participants at the end of June 2005 were lone parents.</td>
<td>9</td>
</tr>
<tr>
<td>Social Economy Programme</td>
<td>Supports the development of social economy enterprises and provides sustainable jobs for the long-term unemployed. €35 million overall. Lone parents account for 22% of the 1,992 participants.</td>
<td>8</td>
</tr>
<tr>
<td>Back to Work Allowance</td>
<td>Assists long-term unemployed and lone parents to return to the labour force. There are 1,254 OFP recipients participating in this scheme (January 2005)</td>
<td>8</td>
</tr>
<tr>
<td>Back to Education Allowance</td>
<td>The numbers of lone parents on this allowance has increased from 626 in the 2002/03 academic year to 1,309 in 2005/06.</td>
<td>9</td>
</tr>
<tr>
<td>Teen Parent Support Programme</td>
<td>Tackles the vulnerability of families headed by teen parents. To date 1,125 teen parents have been referred to the Programme.</td>
<td>0.75</td>
</tr>
<tr>
<td><strong>Total Expenditure (approximate)</strong></td>
<td></td>
<td>1.35 billion</td>
</tr>
</tbody>
</table>

1 Increased to €1,630 for 2006
2 Increased to €36,000 for 2006
6. SCHEMES/BENEFITS FOR WHICH SEPARATE COSTINGS ARE NOT AVAILABLE

- Medical Card – Lone parents getting the maximum OFP qualify for a medical card. Those receiving OFP for at least 12 months may retain their medical card for at least three years if they take up insurable employment, regardless of income.

- Childcare in the Equal Opportunities Childcare Programme (EOCP) – This programme provides for capital grants, assistance with staffing grants and quality initiatives in childcare facilities, mainly located in disadvantaged areas. Almost €350m has been provided for the EOCP under the lifetime of the NDP (2000-2006). Almost 20% of children attending childcare facilities funded under the EOCP are in lone parent households. However, there are strong variations to be found between private and community based providers and also within rural and urban areas.

- VEC Childcare Funding – This funding contributes towards the childcare expenses of lone parents participating on certain VEC programmes (e.g. VTOS, Youthreach), €6 million overall.

- School Completion Programme – There is a specific strand targeting pregnant/teen parents under 20 years of age, supporting them to remain in or return to education/training, €24 million overall.

The table above provides a very brief summary of the Group's findings. It is recognised that a more detailed analysis will now be required to inform the proposed next phase of work which will include the need to fill any data gaps. However, despite its brevity, the table highlights a number of key points:

- The Exchequer is spending very significant resources in direct supports for lone parents (€1.35 billion), but achieving poor outcomes in terms of tackling poverty and social exclusion for lone parents and their children;

- There is an absence of systematic engagement with recipients of OFP; it is possible to receive OFP in respect of a child from birth until the child becomes 18 (or 22 if in full-time education) with little engagement by the State with the parent;

- Significant barriers exist to lone parents entering full-time employment and there are disincentives to gaining access to good quality employment;

- There are a multiplicity of programmes availed of by lone parents in relation to training, education, childcare, support and advice; these are delivered by a wide range of different organisations and the Group believes that there is scope for design and delivery to take place in a more integrated and effective manner;

- Contrary to some perceptions, the vast majority of lone parents are not teenage mothers. However, the Group believes that young lone parents do represent a particularly vulnerable group and may be linked to a concentration of intergenerational disadvantage in certain ways.

7. RECOMMENDATIONS

Despite the positive and targeted action taken by the Government and the record levels of spending on social welfare, unacceptable numbers of children remain in poverty. Aspects of the present approaches combine to effectively lock lone parents into a system which pays them a `social exclusionary' wage, in which there are a number of poverty traps and which is patently anti-family. The lack of engagement with this group of (predominantly) women has been the source of comment by voluntary, national and international organisations. Such an approach is increasingly out of step with tried and tested policies implemented abroad.

One of the central planks of policy aimed at reducing child poverty is to improve quality employment opportunities for lone parents. The aim is to continue to maintain high levels of employment and to remove obstacles to taking up employment, especially for lone parents as they and their children are in one of the most vulnerable categories despite an investment in the region of €1.3 billion in existing income supports and services.

Therefore, the Group recommends the implementation of an integrated programme to support the movement by lone parents into more full-time and quality employment, thereby enhancing their incomes and reducing the risk of poverty to them and their children. It proposes that a comprehensive package be developed with the following components:

- Reform of income support;
- Expanded availability and range of education and training opportunities for lone parents;
- Extension of the National Employment Action Plan to also include lone parents;
- Focused provision of childcare;
- A targeted Teen Parent Support initiative;
- Improved information and advice services for lone parents.

Taken together, an integrated programme of actions would, the Group believe, make a significant contribution to tackling child poverty. In the following paragraphs it outlines the key elements of the proposed programme of action. Part I refers to income support and Part II addresses other areas of policy interventions.

I: Reform of Income Support

A separate exercise has been done in the Department of Social and Family Affairs on the Reform of Income Supports for Lone Parents and Parents on Low Income. The main conclusions from this consultation document, which is being published in parallel, are summarised below.

Rationale for reform – problems with the one parent family payment (OFP)

- The payment no longer reflects the role of women and current norms in society, both nationally and internationally;
- The unlimited duration of payment encourages long term dependence which is not in the best interests of the parent, their child/ren nor society;
- Families and stable relationships are not encouraged due to cohabitation rules;
- The lack of employment supports or systematic activation inhibits the take up of employment;
- While earnings disregards have facilitated the take up of employment, they also can trap lone parents in part-time and low paid employment.

Objectives of the reform

The aim of this new model of social welfare income support is to:

- Tackle high levels of inter-generational poverty;
- Prevent long term dependence and facilitate financial independence;
The purpose of this reform is to provide income support; facilitate choice in parenting and living arrangements; while also encouraging and supporting progression into employment. It will ensure equity and consistency in the social welfare assistance system by ensuring that all low income parents with young children receive the same incomes and the same supports and requirements for engagement. It moves away from the 'male breadwinner' model to one in which people receive payment in their own right. Ultimately, this far-reaching reform is aimed at making a decisive impact on tackling poverty and social inclusion.

Parental Allowance – Proposed new system of income support

The proposal is to make a radical change by introducing a new Parental Allowance (PA) for low income families with young children. This will replace the current One-Parent Family Payment (OFP) and Qualified Adult Allowance (QAA).

The proposal ends the contingency of lone parenthood and hence the OFP, putting in place a new Parental Allowance for all low income families with young children, including current qualified adults (where the main claimant is in receipt of a means tested payment). The payment would be based on a household means test and payable at the current Unemployment Assistance (UA)/OFP rate (€165.80). One such allowance would be payable, in addition to another social welfare payment and/or earnings subject to income thresholds to one and two parent families.

The intention would be that the Parental Allowance would be time limited in respect of the age of the youngest child. The Group put forward a range of ages at which this could apply and this is a matter for decision following a consultation process. An example of how the scheme might operate on the basis of an age limit of 7 (for illustrative purposes) is as follows:

- There would be no conditions until the youngest child is 5. When a client makes a claim, they will be informed of the time limitation on receipt of payment and the various options available to them in terms of income support, education and training etc.;
- When the youngest child is between age 5 and 7, more active and compulsory engagement would take place – this would involve attending meetings with the Job Facilitator/Departmental representative who would provide information and advice on various options and ways of proceeding;
- In the detailed report, ‘Reform of Income Supports for Lone Parents and Parents on Low Income’, a range of ages are put forward which act as the basis for the detailed consultation process. However, in order to inform the debate we set out in this report an example of how the Parental Allowance could operate.

When the child reaches the end of their 7th year, payment of PA will cease. If the parent is not in employment, education or training, they would then apply for Unemployment Assistance, Back to Work Allowance, Back to Education Allowance or another appropriate payment if still in need of income support.

### Earnings disregard

Those in receipt of PA would be allowed to earn up to €120 per week without affecting their payment. For those with earnings over this amount, 40% will be assessed as means up to a maximum of €450.

This would ensure that an incentive exists to enter and increase hours of employment without facing a poverty trap (i.e. a € for € withdrawal of payment would not occur). Once the parent reaches 19 hours of employment they would be eligible for Family Income Supplement (FIS) in addition to PA, as is currently the case, with OFP and FIS both payable.

The table below sets out the way in which PA will be paid:

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in employment</td>
<td>Parental Allowance</td>
</tr>
<tr>
<td></td>
<td>+ Child Dependent Allowance</td>
</tr>
<tr>
<td>In employment with earnings less</td>
<td>Earnings up to €120.00 per week</td>
</tr>
<tr>
<td>than €400 per week</td>
<td>+ Parental Allowance</td>
</tr>
<tr>
<td></td>
<td>+ Child Dependent Allowance</td>
</tr>
<tr>
<td>In employment with earnings over</td>
<td>Earnings</td>
</tr>
<tr>
<td>€400 per week, but hours of</td>
<td>+ reduced Parental Allowance</td>
</tr>
<tr>
<td>employment less than 19 hours</td>
<td>+ Child Dependent Allowance</td>
</tr>
<tr>
<td>per week</td>
<td></td>
</tr>
<tr>
<td>In employment over 19 hours per</td>
<td>Earnings</td>
</tr>
<tr>
<td>week, with earnings less than</td>
<td>+ Family Income Supplement</td>
</tr>
<tr>
<td>€400</td>
<td>+ reduced Parental Allowance</td>
</tr>
<tr>
<td></td>
<td>+ Child Dependent Allowance</td>
</tr>
<tr>
<td>In employment with earnings over</td>
<td>Earnings</td>
</tr>
<tr>
<td>€400</td>
<td>+ Family Income Supplement</td>
</tr>
<tr>
<td></td>
<td>+ reduced Parental Allowance</td>
</tr>
<tr>
<td></td>
<td>+ Child Dependent Allowance</td>
</tr>
</tbody>
</table>

### Individualisation

In this reform, individualisation would be introduced whereby all low income households dependent on social welfare would have the full PA paid in addition to another social welfare payment. Limitation would not apply:

- Qualified adults (QAs) on assistance payments with children under the specified age would move to the new PA payment. Hence the former QA would now be entitled to a full payment in their own right, no longer derived from the ‘main claimant’. This would result in an increase in income to the household (rising from 1.7 payments – or .85 each, to 2 payments), with two independent, separate payments being made. This payment of two full payments would recognise the higher costs associated with care of younger children, facilitate parental choice in their care arrangements and, most importantly, assist in addressing the problem of poverty among children in low income families.

Those whose youngest child is over the specified age and those without children would apply for UA or another appropriate payment. Receipt of UA would then ensure that employment supports would be available to the individual. For those who qualify for PA, when the child reaches the specified age the parent would either already be in employment, education or training or move to another income support payment such as UA. At this point limitation would reapply and the income of the couple would decrease from 2 payments to 1.7 payments.

---

1 Back to Work Allowance participants can retain secondary benefits (including medical card, Rent Allowance, Back to School Clothing and Footwear Allowance) for three years.

2 The current OFP payment allows for a disregard of €146.50 and an upper earnings limit of €293. This upper earnings limit will increase to €335, from 29 June 2006.

3 It is assumed that economies of scale exist for a two adult household, whereby couples share income and expenditure. Therefore, a two adult household does not receive 2 full social welfare payments but share approximately 1.7. This is referred to as limitation.

4 A qualified adult (QA) is deemed to be a ‘dependent’ of another social welfare claimant. The social welfare system allows for adult claimants to have financial responsibility for ‘dependents’ both adult and children.
Impact on cohabitation

As this new reform is aimed at all parents of young children, it abolishes the current cohabitation rules for receipt of OFP. Where a PA recipient cohabits there are a number of possible outcomes. If they cohabit with someone in receipt of UA, or a similar means tested payment, they would continue to receive their PA payment (full or tapered, depending on their earnings). As the payment would be paid to the partner who cares for the children, they would receive it in their own right, ensuring financial independence. This is especially important for lone parents moving into a relationship. In this scenario, PA would increase household income and encourage family formation and stability. Ultimately, this will have a significant impact on the well-being of children.

If a lone parent cohabits with someone whose income brings the household above the means test, payment would cease. This would ensure equity and consistency of treatment with other married and co-habiting couples. While there may still be a disincentive to declare living arrangements, the control aspects would be solely concentrated on household income and not on the relationship.

Child Dependent Allowances

In order to ensure no loss of income for lone parents moving from PA to UA and to ensure equity and consistency, it is considered that the Child Dependent Allowance (CDA) rate of UA (€16.80) should be increased to the current OFP/new PA rate (€19.30). This would increase all lower CDA rate payments up to the standard (middle) rate\(^6\). It is estimated that this would cost in the region of €21.5 million in 2005 terms.\(^7\) All increases in CDA have a direct impact on child poverty.

Second tier payment

The Group considered that the introduction of a second tier payment to support low income families is potentially another important element of an overall package to tackle child poverty. The current work by the NESCC is aimed at examining how the CDA and FIS could be merged to provide a seamless source of child income support to low income families. Such a payment would be an important instrument which Government can use to target child income support at low income families in a way that avoids the employment disincentives associated with CDAs and the low take-up of FIS. Work should continue on this issue led by the Department of Social and Family Affairs.

CONCLUSIONS IN RELATION TO INCOME SUPPORT

It is the Group’s view that this is a far reaching reform which has the potential to deliver a major impact on inter-generational and child poverty but accepts that a reform of this significance requires careful consideration and consultation. The details of the proposal are elaborated in the report from the Department of Social and Family Affairs which is the subject of a detailed consultation process. The Group also emphasised that this is a very important element of the proposed new approach the other elements of which are outlined below.

\(^6\) There are currently 3 CDA rates: €21.60, €19.30 and €16.80. Under the proposal all of the lower rates will be brought up to €19.30.

\(^7\) The costing maintains the current number of half rate payments – raising them to the higher amount.

[2] Other Policy Interventions

2.1 Rent Supplement

It has been suggested in many reports that recipients of secondary benefits including Rent Supplement have a very real disincentive to taking up paid employment. Some 13,000 OFP recipients are in receipt of Rent Supplement. The Group noted a review of the SWA scheme, under the Department of Social and Family Affairs’s Programme of Expenditure Reviews is taking place with a view to completing a report by the first quarter 2006. Amongst other issues, the review group will consider the ‘welfare to work’ effects of the SWA scheme including rent supplements.

The Group also noted that the new Rental Assistance Scheme (RAS) will see local authorities assume responsibility for meeting long-term housing assistance needs, including the needs of certain people in receipt of rent supplements for 12 months or longer. As lone parents account for 27% of the 30,000 currently in the target group for this initiative, the Group consider that this should remove a significant barrier to participation in employment by lone parents.

2.2 Medical Card

It is difficult to cost the value of the Medical Card to recipients. However, it is a valuable secondary benefit enjoyed by many lone parents. A lone parent who has been in receipt of OFP for at least 12 months may retain their medical card for at least three years if they take up insurable employment, regardless of income.

The Group noted that the recently introduced Doctor Visit medical card, the significantly higher income guidelines, and the ability to include childcare, housing and other costs in the means test, will be of particular benefit to those lone parents whose income exceeds the threshold for the full medical card and should reduce disincentives to taking-up employment.

In the next phase of this work, the Group will examine in greater detail the interaction of these and other secondary benefits.

2.3 Education and training opportunities

In view of the poor levels of education for some lone parents, the Group considered that it was vital that the level and extent of education and training provision tailored to the needs of lone parents should be strengthened to support their transition to work. The existing range of programmes will need to be enhanced to support the engagement process proposed at (2.4) below.

While there has been little change in the number of children born to teenage parents over the years, the Group are concerned that they receive particular supports at an early stage. Targeted proposals in this regard are suggested at (2.6) below.

2.4 The extension of the National Action Plan

An essential part of the proposed set of actions is intensive engagement with lone parents to assist them in moving into employment. The Group believes that the most effective approach is to include lone parents under the National Employment Action Plan (NEAP) whereby they would benefit from targeted activation measures. Assuming for illustrative purposes the age thresholds referred to in section (1) above, the NEAP would apply on the following basis:

- When the child is between the ages of 4 and 7, payment of the PA would be conditional on participation in the engagement process;
- The engagement process would involve meeting(s) with a Jobs Facilitator who would provide information and advice on the various options open to the lone parent. Non-engagement would result in deferral of payment;
- These options would include strengthened education and training provision tailored to the needs of lone parents and supporting their transition to work;
When the child reaches the age of 7 (or other age threshold specified), the PA would expire and the parent would be free to apply for UA or other appropriate income support. This would also trigger automatic access to employment supports under the NEAP and otherwise.

2.5 Focused provision of childcare

The Group notes the five year strategy announced in Budget 2006 to address the supply and cost of childcare at a cumulative cost of €2.65bn. Progress in this regard is an essential complement to this initiative, especially after-school and holiday care. The Group believes the following options would be of benefit in the context of the roll-out of new childcare measures:

- That the Jobs Facilitators under the NEAP should provide advice and assistance in accessing childcare;
- That lone parents should receive priority in accessing childcare places supported through the County Childcare Committee and the EOCP as appropriate;
- That consideration is given to targeted support which could be made available through the Jobs Facilitator to offset childcare costs for lone parents returning to full-time employment or training/education.

2.6 Targeted Teen Parent Support

The Teen Parent Support Programme seeks to identify the needs of teen parents and any gaps in services for them, to provide services to enhance and support the wellbeing of families headed by teen parents and to ensure that they have equality of opportunity. The Group believes that there would be merit in expanding this programme as a source of intensive support for lone parents. Given the benefits from participation, consideration should be given to encouraging lone parents in receipt of social welfare, up to the age of 22 to engage, subject to the nationwide availability of the programme. Such participation could be a qualifying condition for the receipt of income support.

The School Completion Programme and other education programmes such as Youth Reach which aim to support pupils from disadvantaged backgrounds to remain in school up until Leaving Certificate should be encompassed as part of an integrated range of services within this initiative.

The Group noted that Family Resource Centres (FRCs), administered by the Family Support Agency, generally provide a number of supports to lone parents. Many FRCs organise Lone Parent Groups where lone parents can discuss the issues that affect them. FRCs can often provide child care facilities for lone parents who wish to seek employment or wish to become involved in adult education or training courses. FRCs also provide information on the different services and supports to lone parents.

The Group concluded from its discussions with relevant Departments/Agencies that there are a multiplicity of services and delivery agencies involved in running programmes and services for lone parents at both national and local level. In the next phase of their work, the Group will consider the potential for more effective and efficient delivery of services and mechanisms for achieving this.

2.7 Information Services and Communications Strategy

In view of the fundamental reforms proposed in this approach, and the sensitivity of this social policy area, it will also be necessary to develop a strong communications strategy to ensure that the reform and its positive and developmental aspects are properly explained and disseminated to those affected.

For example, there are a range of existing information sources for lone parents funded and delivered both at central government level and also through a wide range of agencies and organisations in the community and voluntary sector. These would need to ensure that timely and clear information on the changes introduced is conveyed to lone parents and other affected parties.

CONCLUSIONS AND NEXT STEPS

The Group believes that the current system of support for lone parents requires reform. Failure to act will result in continued poor outcomes for lone parents and their children. The Group accepts that employment is the key route out of poverty and believes that the proposals in this report will have a significant impact on child poverty. Achieving Government policy and targets in this area will require a fundamental change in direction. However, the Group recognises that the proposals in this report represent a fundamental reform of existing welfare and services provision for lone parents, with potential implications for many different client groups and organisations.

The Group presented these proposals to the Cabinet Committee on Social Inclusion. The Cabinet Committee approved the broad thrust of the work of both the Group and the Department of Social and Family Affairs. Accordingly, the Group believes that work should now commence on an Implementation Plan for the above. In parallel, a consultation process on the income support proposals should take place on the report led by the Department of Social and Family Affairs.
APPENDIX 1

Membership of the SOGSI Steering Group on Lone Parents

› Ms. Mary Doyle (Chair) Department of the Taoiseach
› Mr. John Shaw* Department of the Taoiseach
› Mr. Gerry Mangan Office for Social Inclusion
› Ms. Orlaigh Quinn Office for Social Inclusion
› Mr. Michael Scanlon** Department of Finance
› Mr. Dermot Quigley Department of Finance
› Mr. John Fitzpatrick Department of Finance

Secretariat

› Mr. Heber McMahon Department of Social and Family Affairs
› Mr. Andrew Nugent Department of the Taoiseach
› Mr. Colin Menton Department of the Taoiseach

* Replaced Ms. Eileen Keogh
** Member of the Group until April 2005
**APPENDIX 2**

**MAIN ISSUES IN RECENT REPORTS**

The ESRI report *Child Poverty in Ireland*, (2000), identified three major ways of addressing child poverty focusing on:

- Child Income Support – resources must be increased, with priority for those on low incomes;
- Access to jobs – non-earning parents should be assisted in a number of ways such as income disregards, accessible and affordable childcare and other issues such as public transport and retention of benefits;
- Opportunities for educational and social development – this refers to early education and other measures to address educational disadvantage.

The Department of Social, Community and Family Affairs report *Review of the One-Parent Family Payment*, (2000) noted that long-term welfare dependency in respect of a person of working age and ability is not in the interests of the lone parent or society in general. It proposed that other supports such as training should be tailored to the needs of lone parents and that a more pro-active approach be taken. While accepting that it is almost inevitable that some conditionality be introduced, it noted that balance must be struck between economic and social considerations and personal choice.

The NESF report *Lone Parents*, (2001), recommended that there be:

- Enhanced delivery and quality of public social services, especially those dealing with housing and accommodation; income supports; and health and personal services;
- Improved access for lone parents to education, training and employment.

The Report also highlighted the need to tackle other barriers such as the need for more family-friendly arrangements, more childcare facilities and greater integration between the income tax and social welfare systems, if lone parents are to participate more fully in education, training and employment.

The Sweeney report *Ending Child Poverty in Rich Countries*, (2002), identifies four complementary policy dimensions as central in the aim to eradicate child poverty in rich countries:

- Increasing parental earnings;
- Subsidisation of parenting;
- Specific supports to lone parent households;
- Ensuring adequate income support for work poor households.

This report notes that in order to achieve success in these areas a much greater coordination and alignment of policies across Government Departments and Agencies is required. Whereas the delivery of services is under the aegis of varying Government Departments, very often it is the same families who are availing of the services.

The Kok report, *Jobs, Jobs, Jobs*, (2003), noted that “single parents, who are most often women, find it particularly difficult to reconcile work and family life and find adequate and affordable care services. Low-skilled lone parents are especially prone to the risk of poverty”. In order to attract single parents into the labour market, the report recommends that:

- The balance between taxes and benefits needs to be adjusted, focusing on the low paid;
- Effective job search assistance is required which facilitates access to advice, training and work;
- ‘Obstacles’ to participation by women should be removed by the provision of good quality childcare and eldercare that is affordable and easily accessible, including after school care.

The report also proposes that future EU funding should be closely targeted at addressing the Lisbon agenda and the employment guidelines and targets in particular. In this regard, Ireland has set a target to reach a 60 per cent employment rate for women.

The OECD report, *Babies and Bosses*, (2003), noted that the employment rates of lone parents in Ireland are low despite ten years of unprecedented employment growth. It proposes that the ‘One Parent Family Payment’ (OFP) should be developed to promote a return to the labour market. Other areas which the OECD focus on include:

- Reducing the expectation of lone parents to OFP;
- A more forceful assistance and employment support policy;
- Earlier intervention of a more active nature, including childcare for those with young children;
- Comprehensive measures to upgrade skills for existing long-term clients;
- Encourage employers and unions to develop family friendly policies;
- Explore options to use existing education facilities to cater for after school care;
- Increase public investment in childcare provision, focussing on parents rather than providers;
- Development of a system of mutual obligations between State and lone parents;
- Better State co-ordinated services.

The OPEN report *One Size Fits All*? (2004), stresses the need to provide supports, particularly childcare and retention of secondary benefits. They stress the need to provide educational opportunities particularly for young lone parents and resolve issues relating to the complexity of the current system. They highlight the lack of specific schemes targeted at lone parents. They also call for an independent review of the OFP and an increase in the earnings disregards. They emphasise the positive elements of Community Employment for lone parents.

**NESC Developmental Welfare State**

The NESC report *The Developmental Welfare State*, 2005) examines the evolution of the Irish welfare state, considers the serious social deficits that remain despite Ireland’s economic progress and proposes a framework in which these deficits might be addressed, necessarily over an extended period.

NESC argues that Ireland should aspire to create an effective and world-class set of institutions and policies in the social sphere, which it terms a ‘developmental welfare state’, in order to be as successful in social development, and specifically in social cohesion, as we have been in economic development.
The NESC make the point that the current contingency based programmes do not embody sufficiently positive expectations of recipients or ensure access to the services which would enable people to realise new ambitions. Remaining covered by the contingency becomes the basis of the persons financial security thus presenting an incentive to people to remain attached to their qualifying condition.

NESC suggests the welfare system should be seen as consisting of three overlapping elements: tax and welfare transfers, the provision of services and activist initiatives.

A key message is the degree of inter-dependence in such approaches i.e. it is not a case of ‘either/or’ but of getting an appropriate mix of all three. The NESC suggest that a more pro-active approach is now needed to integrate social welfare, access to services, and training and education programmes so that employment with progression prospects becomes a genuine option for the significant number of people who continue to have low skills. The focus, the council suggest should be on identifying and meeting the needs of people of working age and less emphasis on the particular contingencies in which they are categorised. With this in mind the NESC point out that, increasingly, one public body needs to assume a lead role and to innovate new ways of working across the public sector that are interdepartmental, cross agency and multidisciplinary.

APPENDIX 3

DETAILED TOPICS AND MEETINGS HELD

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Report of the Working Group on Lone Parents, Department of Social and Family Affairs

Reform of Income Supports for Lone Parents and Parents on Low Income: Proposals for discussion

February 2006
EXECUTIVE SUMMARY

Introduction (Chapter 1)

Chapter 1 presents the background to the review of the One-Parent Family Payment (OFP). It is identified as one of two strands of work being undertaken with regard to lone parent families, the other being a ‘Review of Barriers to Employment for Lone Parents’, being carried out by the Senior Officials Group on Social Inclusion.

Overall this work forms a broad review of the issues facing lone parents, the supports available to lone parents and the barriers faced in achieving economic independence. The focus of the work is on tackling the relatively high risk of poverty and social exclusion faced by such families and their children.

Having outlined the context of the review of the OFP, the chapter goes on to present the terms of reference. The Review focuses on the effectiveness of income support arrangements with regard to:

- the needs of lone parents and parents on low income and their children,
- the desire to avoid long term dependency on social welfare income support and
- the appropriateness of the current scheme in light of the changing external environmental in which it is operating.

The Review examines the scope for alternative policy approaches to achieving these objectives, with a particular focus on how the current arrangements support lone parent into employment. In doing this the review builds on the conclusions of the Review of the OFP published by the Department of Social and Family Affairs in 2000. As with the previous review, it is acknowledged that in carrying out such an examination, wider issues relating to family structure, the role of fathers, women and work, caring issues and support services arise.

In putting forward proposals for reform the Group examines the following specific issues: the contingency nature of lone parenthood, co-habitation, individualisation, maintenance, links with other income supports and impact on secondary benefits.

The principles which inform the work of the Group and the proposals for reform of the system of income support for lone parents and parents on low income are outlined: adequacy, equity, choice, financial independence, simplicity, consistency, activation, with cost considerations also taken into account.

In carrying out the review, account is taken of a range of reports and studies relating to child poverty and specifically to lone parents, while at a broader level consideration is given to the proposals made by the National Economic and Social Council (NESC) in their recently published report entitled *The Developmental Welfare State (2005)*. Consultation with relevant groups was undertaken by way of invited submission, with the issues raised in the submissions received taken into account in the deliberations of the Working Group.

Current Scheme (Chapter 2)

Social welfare support for lone parents has changed dramatically over time. Early schemes were structured on the basis that women with children should remain in the home full-time. The Lone Parents Allowance (LPA), introduced in 1990, formed the basis of the current scheme and introduced a number of new features. These included equality in the treatment of lone parents, both men and women, and the removal of the need to prove desertion in the case of separated spouses. This was also the beginning of a more formal employment led approach with regard to lone parents, with a limited earnings disregard introduced to the means test in 1994. The OFP, introduced in January 1997, in addition to providing adequate income support, aims to ‘support and encourage lone parents to consider employment as an
alternative to long term dependency while at the same time supporting them to remain in the home if that is their wish. In terms of incentives to employment a number of measures are in place, the principle one being the earnings disregard.

In addition to supporting the lone parent via the OFP, legislation now provides for the recovery of some or all of the cost of supporting the OFP recipient from the other parent of the child/ren. Under ‘Liable Relative’ provisions, if lone parents require support through a social welfare payment because of inadequate maintenance, then the State is entitled to recover an appropriate amount from liable relatives.

In terms of the trends and profile of lone parent families and specifically recipients of the OFP, the chapter firstly places the increase in numbers of OFP recipients, rising by 244 per cent between 1990 and 2004, in the context of the increase in Ireland and internationally of lone parent families. This is occurring due to increased marital breakdown and breakdown following cohabitation and the rise in the number of births outside of marriage.

Focusing specifically on OFP recipients the chapter outlines how:

- Women account for 97.7 per cent of OFP recipients;
- The average claim length is between 6 and 7 years;
- The proportion of claimants in the under 20 age category has fallen while those aged over 30 have increased. This could be due to the increasing numbers coming to the scheme from separated situations (married and cohabiting) and the numbers of claimants who are remaining on the scheme for a longer period of time;
- The majority of OFP recipients have one child (60 per cent), with a quarter having two children;
- Half of all children of OFP recipients are 7 years or under, with 74 per cent 12 years and under;
- Approximately 60 per cent of all OFP recipients are currently in employment. Of these 43 per cent are earning less than €146.50 per week.

Issues (Chapter 3)

This chapter outlines various issues taken into consideration by the Group in examining the effectiveness of the current income support arrangements for lone parents and in putting forward proposals for reform. Before examining these issues specific features of the social welfare payment structure are referred to:

- The contingency based nature of the social welfare system, with potential claimants being categorised according to a specifically defined number of contingencies and payment dependent on meeting the criteria for those contingencies.
- Conditionality i.e. the placing of conditions on receipt of payment (outside of being in a defined contingency and/or satisfying a means test). The extent and nature of ‘conditionality’ currently varies between different payments. Neither contingency nor labour force conditions attach to payment of the qualified adult allowance.

The Male Breadwinner aspects of the system, as shown by features such as the limitation rule and the use of the concept of ‘qualified adult’. While ostensibly gender neutral, these features have a greater negative impact on women than men, particularly with regard to their economic independence and incentives to activation. This has led to calls for greater individualisation of the system of social welfare, particularly social assistance, to address women’s poverty and equality for women.

In placing the OFP scheme in this broad context it becomes clear that income support schemes cannot be examined in isolation and equally that any proposals for reform must be co-ordinated to ensure consistency across the welfare system.

Issues specific to the OFP are then examined. These include:

a) Child poverty: Research from the EU Survey on Living Conditions for 2003 and 2004 (EU-SILC) provides information on the prevalence and characteristics of children experiencing poverty in Irish households. The survey highlights the influence of employment on experience of poverty, with parental employment rather than family type being the single most important factor associated with a high risk of child poverty (NESC 2005).

b) Family Formation/Cohabitation: Under the terms of the OFP a person must be parenting alone, therefore those who cohabit or marry no longer ‘fit’ the contingency of lone parenthood and are not entitled to claim the payment. Reductions in income are an inevitable result when a person changes status from being a lone parent to being married or cohabiting with someone in employment, or where two people on means tested payments cohabit/marry. This in turn acts as a disincentive to OFP recipients to form and/or declare long term relationships and has become a major control issue for scheme administrators.

c) Joint Custody: Payment of OFP is based on the contingency of a person parenting alone without the support of a partner. The current system has been criticised for failing to recognise that both parents have equal rights and obligations in so far as children are concerned, with some regarding the OFP as actively discouraging the involvement of both parents in the care of children because the basis of the existing scheme is to support someone parenting alone.

d) Effectiveness of the Scheme with regard to activation: One of the main objectives of the OFP is to ‘support and encourage lone parents to consider employment as an alternative to long term dependency’. While there is no employment condition attached to the payment, those in receipt of OFP can qualify for a range of employment and educational supports and in-work income support via Family Income Supplement. Unlike those classified as unemployed, these supports are not provided in a structured or systematic manner and take-up is left to the discretion of the OFP recipient.

The main incentive to enter employment is by way of the OFP earnings disregard. Evidence suggests that the disregard has been successful in encouraging people to enter employment. At the same time however, it may also have had the effect of contributing to trapping lone parents in part-time, low paid employment in order to keep their earnings below the disregard. The result is that despite the fact that many lone parents are in employment, relatively small numbers are moving off the scheme because their earnings exceed the upper limit. These disincentive effects are compounded by the difficulties involved in assessing the impact of take-up or extension of employment, and other important factors such as lack of accessible childcare, educational disadvantage and the security of social welfare income.

The chapter moves on to outline the other activation supports, income supports and secondary benefits provided by the Department of Social and Family Affairs and their take-up by OFP recipients. Continued receipt of these benefits, particularly rent supplement and the medical card, can be a major factor in deciding whether to take up/extend employment.
Finally the chapter examines the issue of maintenance. Where social welfare support is being provided to the one-parent family, the other parent is legally liable to contribute to the cost of this payment. Overall, the Group considered that:

- the rationale that a liable relative should contribute towards the cost of a welfare payment to the other parent of their child remains a valid objective.
- a more defined sanction needs to be put in place, such as attachment of earnings, in order to strengthen the process.
- a review is required of the current situation whereby a single parent tax credit is given to parents with minimal contact with their child and who may not be complying with maintenance requirements.

It is in the context of the features of the system described above and the issues identified with regard to the OFP that proposals for a reformed income support system for all low income families with children are presented in Chapter 4 of the report.

Proposals for Reform [Chapter 4]

Chapter 4 presents proposals for a new system of income support for lone parents and other parents on low income. Before doing so, the various options for reform which were considered by the Group are outlined.

The chapter highlights the points of consensus as to the direction of a reformed model, leading to a rationale for change. Overall the Group considered that:

- the OFP, with its strictly defined contingency of lone parenthood, long term duration and passive employment supports no longer reflects the more fluid society in which it operates and changing expectations regarding family and working life,
- a needs based income support payment should be provided initially for those parenting alone,
- a time limit for receipt of the payment should be put in place, with a payment of virtual unlimited duration not in the best interests of the recipient nor society,
- recipients of the payment should be engaged with in a systematic manner in terms of advice and supports, recognising differences in need and facilitating movement to education/training/employment,
- intervention should occur in the early stages of benefit receipt,
- enforcement of the cohabitation rule is extremely difficult and resource intensive and does not facilitate the forming of stable relationships.

The aims of the proposed model of income support for lone parents are presented. These are predicated on availability of and access to support services, particularly childcare.

A new model of income support for lone parents is then described. In summary the proposal is for a new Parental Allowance (PA) for all low income families with young children. A range of options relating to the age of the youngest child are set out. The new PA will replace the current OFP and Qualified Adult Allowance (QAA) in social assistance. Limitation will be lifted in cases where a PA recipient and a social assistance recipient cohabit, thereby significantly increasing the household income. There will be active engagement with the PA recipient, with the expectation that they will move into education, training or employment when the children reach a certain age. When payment of PA ceases i.e. when the youngest child reaches a specified age, but where an income need continues to exist the person can then apply for an appropriate social welfare payment. While conditions are being placed on receipt of PA, so too are supports being offered in a structured and systematic manner to the persons concerned, including the availability of accessible and affordable childcare. Hence the relationship between the client and the State is one of mutual obligation. While the age (of the child) up to which PA is payable is not specified, the Review group considers that payment should be made to families with children 7 years and under, with engagement commencing when the child is age 5. The rationale for this is outlined in Chapter 4. Clearly, however, this is a matter for political decision.

The purpose of the reform is to provide income support, facilitate choice in parenting and living arrangements, while also encouraging and supporting progression into employment. The proposal aims to ensure equity and consistency in the social welfare assistance system by ensuring that all low income parents with young children receive the same income and supports and face similar requirements for engagement. It moves away from the ‘male breadwinner’ model to one in which people receive a payment in their own right. Ultimately this reform is aimed at making a decisive impact on tackling poverty and social inclusion.

Payment details of the proposed new payment are outlined, specifically with regard to conditions attached to payment and the structure of payment.

The Chapter then outlines how the reforms would be introduced. A transitional period of 5 years is proposed, at which point those currently in receipt of lone parent means tested schemes would move to the new arrangement. New applicants would apply for PA. Income support would continue to be offered to persons who have become separated or widowed with care of children in the short-term, payable for a period of 1 year. The Group considers that this should be a temporary provision only, lasting for a period of 5 years from the introduction of this reformed model.

Tables are presented outlining the costs of the proposed reform, with information provided on costings where different age cut-offs are used i.e. 5, 7 and 12 years. It is important to note that the costings are based on a series of assumptions which are crucial in assessing overall costs. While it appears that the proposal results in significant savings it is important to note these will be partially offset by childcare and activation support costs. At the same time any analysis of costs and benefits must take into account the long term benefits of the proposal including; the growth in the labour force, reduced dependence on social welfare income support and the positive poverty and social inclusion impact.

The various impacts of the proposal are then outlined:

- on poverty, cohabitation and family formation issues and qualified adults,
- on aspects of other social welfare schemes i.e. child dependent allowances, FIS, Back to Work Allowance, Widows non-Contributory Pension, limitation, rent supplement, the making of double payments to social welfare recipients, and
- on broader issues including recognition of parenting, maintenance recovery and impact on the Live Register.

Implementation issues for the Department of Social and Family Affairs and other departments/agencies are then outlined including structural and resource implications. For the model to be fully effective a whole of government approach will be required with agreed objectives consistently reflected in policies across departments and resources made available to implement policy where necessary. The model proposed is also dependent on co-operation and co-ordination between a range of government departments and agencies.

1 Payment of the PA until the child is age 6 may also be considered as this would be in line with the Early Childcare Supplement announced in Budget 2006 payable for each child up to their sixth birthday.
2 These include the year in which the child is age 5, 7 and 12.
The Group acknowledges the fundamental change being proposed but considers that the benefits of moving away from the current system of income support to lone parents and ending the concept of QAs in social assistance are significant in terms of: moving the system away from the breadwinner model to one where individuals are guaranteed an independent income; reducing long-term welfare dependency and in the longer term, reducing poverty, facilitating financial independence and facilitating choice in family formation and living arrangements. Overall the reform proposed recognises the changing societal and labour market conditions in which the income support system is operating.
Background

1.1 This review of income support arrangements for lone parents and parents on low income is one of two strands of work being undertaken with regard to lone parent families. In addition to this review, the Senior Officials Group on Social Inclusion is carrying out ‘An Analysis of Obstacles to Employment for Lone Parents’.

1.2 Overall these two strands of work form a broad review of the issues facing lone parents; the supports, income and otherwise in place; and the barriers in achieving economic independence. The focus of both strands of work is on tackling the relatively high risk of poverty and social exclusion faced by such families and their children. The objective is that the proposed reforms and recommendations in each report will form part of a co-ordinated strategy in addressing this problem. Before moving on to outline the terms of reference and the focus of the Reform of Income Support Arrangements for Lone Parents and Parents on low income, other relevant work and information on the work of the Senior Officials Group is briefly outlined.

1.3 Two other studies in relation to income supports and childcare may have a significant impact on lone parent families and those on low income. These are:

- A study being undertaken by the National Economic and Social Council (NESC) on the feasibility and impact of a second tier child income support payment. This involves the possibility of amalgamating social welfare child dependant allowances (CDAs) with the Family Income Supplement (FIS) payment to create a second tier of child income support aimed specifically at low income families. Such a payment could provide an instrument through which child income support is targeted at low income families in a way that avoids the disincentives associated with CDAs and the low take-up of FIS. This study will directly impact on income support available to those parenting alone.

- An Interdepartmental Working Group on Early Child Care and Education, chaired by the National Children’s Office, which is examining the provision of affordable and flexible childcare as a key factor in facilitating employment participation for families with children. The work of this Group has informed budgetary policy in this area.

Senior Officials Group on Social Inclusion – Analysis of Obstacles to Employment for Lone Parents

1.4 One of the key actions under the Child Poverty Initiative of Sustaining Progress is to examine barriers to employment for lone parents. The Cabinet Committee on Social Inclusion provides a strategic focus for tackling the problems of social inclusion, disadvantage and alienation. The Committee is supported by a Senior Officials Group on Social Inclusion, which is chaired by the Department of the Taoiseach and is representative of all relevant Departments and the Central Statistics Office (CSO). Following a decision by the Cabinet Committee, the Senior Officials Group was tasked with examining the obstacles to employment for lone parents. This led to the establishment of a tri-partite steering group, chaired by the Department of An Taoiseach, together with the Department of Finance and the Office for Social Inclusion in the Department of Social and Family Affairs to consider the obstacles to employment for lone parents.

Footnote:
1 Its agenda ranges across the responsibility of a number of Ministers. The work of the Committee is guided by the provisions of ‘An Agreed Programme for Government’, social partnership agreements and the National Development Plan. The Committee also has a specific remit in relation to the National Anti-Poverty Strategy and the National Drugs Strategy. The Committee is chaired by the Taoiseach and comprises Ministers and Ministers of State across the main social policy departments.
Initial Findings of the Working Group of Senior Officials on Social Inclusion

1.5 Five specific topics were examined by the Steering Group to assess how they impact on the employment opportunities and family circumstances of lone parents. These were: income supports, employment supports, education, childcare and support programmes and information.

This report is set in the context of tackling child poverty, a key objective under Sustaining Progress, the National Action Plan against Poverty and Social Inclusion and the National Children’s Strategy.

1.6 The Group’s main findings are as follows:

- The Exchequer is spending significant resources in direct supports for lone parents, but achieving poor outcomes in terms of tackling poverty and social exclusion for lone parents and their children.
- There is an absence of systematic engagement with recipients of OFP; it is possible to receive the payment in respect of a child from birth until the child becomes 18 (or 22 if in full-time education) with little engagement by the State with the parent.
- Significant barriers exist to lone parents entering full-time employment and there is little incentive or support to gain access to good quality employment.
- There are a multiplicity of programmes availed of by lone parents in relation to training, education, childcare, support and advice; these are delivered by a wide range of organisations and there is scope for design and delivery to take place in a more integrated and effective manner.

1.7 One of the key strategies to reduce child poverty is to reduce the numbers of lone parents who are unemployed. The Group no longer considers it possible to continue to lock lone parents into a system which pays them an exclusionary wage. It recommends the implementation of an integrated programme to support the movement by lone parents into more full-time and quality employment thereby enhancing their income and reducing the risk of poverty to them and their children. It proposes that a comprehensive package be developed with the following components:

i) Reform of income support, as developed by the Department of Social and Family Affairs;
ii) Expanded availability and range of education and training opportunities for lone parents;
iii) Extension of the National Employment Action Plan to focus on lone parents;
iv) Focused provision of childcare;
v) Improved information services for lone parents.

1.8 The Cabinet Committee approved the broad thrust of the work of both the Senior Officials Group and the Department of Social and Family Affairs. They noted the need for progress to be made across the full range of proposed reforms, in particular with regard to childcare and employment supports. The Senior Officials Group were requested to commence work on an implementation plan, other than the income support reforms. Finally, the Cabinet Committee approved the initiation of a public consultation process.

Department of Social and Family Affairs Review of the One-Parent Family Payment

1.9 In the context of the Senior Officials Review (outlined above) and in the light of actions identified in the Department’s Statement of Strategy 2005-2007 (Appendix 2), the Department of Social and Family Affairs established a working group to review the income support arrangements for lone parents. Consultation with lone parent representative organisations and other interested parties was carried out by way of invited submissions. Thirteen submissions were received. A broad overview of the content of these submissions is set out in Appendix 3, which have informed the deliberations of the Group.

1.10 The members of the Review Group were:

- Orlaigh Quinn (Chair) Office for Social Inclusion, D/SFA
- Benny Swinburne One-Parent Family Payment Section, D/SFA
- Sinead Coughlan Control/Projects Section, D/SFA
- Des Henry One-Parent Family Payment Section, D/SFA
- Denis O’Brien Regional Office, Tallaght, D/SFA
- Heber McMahon Social Affairs Unit, D/SFA
- Finbarr Hickey Planning Unit, D/SFA
- Ann Marie O’Connor (Secretary) Planning Unit, D/SFA
- Helen Johnston Combat Poverty Agency

Technical assistance was made available to the group by:

- Paul Morrin Statistician, D/SFA
- Denis Moynihan Planning Unit, D/SFA
- Colm McDermott Planning Unit, D/SFA

1.11 The Working Group on the Review of the One-Parent Family Payment held its first meeting in April 2005. A preliminary report outlining proposals for reform of income support to lone parents was presented to the Senior Officials Group in June and formed a central part of their report, outlined above, presented to Cabinet in July 2005.

Review of the One-Parent Family Payment – Terms of Reference

1.12 The Review examines the One-Parent Family Payment scheme with a view to:

ii. Identifying programme objectives.

iii. Examining the current validity of the objectives and their compatibility with the overall strategy of the Department.

iv. Identifying the context and background of the programme.

v. Identifying the level and trend of costs associated with the programme.

vi. Examining the extent to which the programme’s objectives have been achieved, commenting on the effectiveness with which they have been achieved with a particular focus on how the programme supports lone parent into employment.

vii. Examining the scope for alternative policy approaches to achieving these objectives on a more effective basis.

viii. Formulating conclusions and making recommendations on the future of the programme.
Focus of the review of income supports for lone parents

1.13 The focus of the Review is the effectiveness of income support arrangements with regard to:

- the needs of lone parents and their children,
- the desire to avoid long term dependency on social welfare income support and
- the appropriateness of the current scheme in light of the changing external environmental in which it is operating.

1.14 Many of the issues arising were previously examined by the Review of the One-parent Family Payment published by the Department of Social and Family Affairs in 2000 (see Appendix 4 for a summary of the issues arising in that report). This current review builds on the conclusions of that report and attempts to address the issues arising. As with the previous review, it is acknowledged that in carrying out such an examination, wider issues relating to family structure, women and work, caring issues and support services arise. That Review (2000) refers to the complex issues involved in examining the OFP deriving from the nature of the scheme and the fact that the development of income supports in this area relates closely to society’s changing attitudes and views. This current Review focuses its attention on income support arrangements for lone parents and ensuring that these arrangements facilitate meeting the needs of income recipients and their children and the objectives of combating poverty and social exclusion, in line with Departmental and wider government objectives. In putting forward proposals for reform the Group examines the following specific issues:

- the contingency nature of lone parenthood,
- co-habitation
- individualisation
- maintenance
- links with other income supports
- impact on secondary benefits.

1.15 The Review takes into account a range of reports and studies relating to child poverty and specifically to lone parents. These include: Combat Poverty Agency (2000), Child Poverty in Ireland, National Economic and Social Forum (2001), Lone Parents, OECD (2003) Babies and Bosses. The main findings of these and other relevant reports are outlined in Appendix 5. At a broader level consideration is also given to the proposals made by the National Economic and Social Council (NESC) in their recently published report entitled The Developmental Welfare State (2005). In the report NESC argues that Ireland should aspire to create an effective and world-class set of institutions and policies in the social sphere, which it terms a ‘developmental welfare state’, in order to be as successful in social development, and specifically in social cohesion, as we have been in economic development. They make the point that the current contingency based programmes do not embody sufficiently positive expectations of recipients or ensure access to the services which would enable people to realise new ambitions. Remaining covered by the social welfare contingency becomes the basis of the persons financial security thus presenting an incentive to people to remain attached to their qualifying condition.

1.16 NESC suggests that the welfare system should be seen as consisting of three overlapping elements: tax and welfare transfers, the provision of services and activist initiatives. A key message is the degree of inter-dependence in such approaches i.e. it is not a case of ‘either/or’ but of getting an appropriate mix of all three. The NESC suggest that a more pro-active approach is now needed to integrate social welfare, access to services, and training and education programmes so that employment with progression prospects becomes a genuine option for the significant number of people who continue to have low skills. The focus, the Council suggests, should be on identifying and meeting the needs of people of working age and less emphasis on the particular contingencies in which they are categorised.

Context – Provision of Services

1.17 Income support is just one form of intervention by government, although a fundamental one, ensuring that people have sufficient income to be able to participate in society. Income alone however cannot address the needs which arise for those parenting alone and others on low incomes. It is only in the context of provision of services such as child care and appropriate educational and training provisions that comprehensive reform of the income support arrangements for lone parents can be implemented. It is also only in this context that the aim of activation can be pursued. Hence any change to the system of income support for those parenting alone needs to be accompanied by provision of other supports, specifically:

- accessible and affordable childcare services, pre school education and after-school care,
- in-work family friendly supports,
- appropriate education, training and development supports and
- available and suitable employment.

As these issues are being considered by the Senior Officials Group they are not examined in great detail in this report.

Principles

1.18 The following principles informed the work of the Group and the proposals for reform of the system of income support for lone parents.

- **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 with young children should be supported in their choice of caring, engaging in the labour force and/or combining a caring and employment role.
- **Financial independence** – people should be encouraged to be financially independent.
- **Simplicity** – the social welfare system should be as simple as possible from the point of view of both claimants and administrators. Complexity adds to administrative costs, makes delays and errors more likely and can have disincentive effects.
- **Consistency** – there should be co-ordination and consistency in policies and supports to all parents, both within the social welfare system and across tax and employment codes and other relevant areas of public policy.
- **Activation** – the system should facilitate participation according to people’s capabilities and potential in a positive and systematic way.
- **Cost** – the costs of any proposals for reform must be taken into consideration.
Research Methodology

1.19 In carrying out the Review documentary research was undertaken with a literature review of academic works, empirical research carried out nationally and internationally, reports produced by the European Union and international organisations and a range of national governmental and other statutory and non-statutory reports. Secondary analysis of this qualitative and quantitative data was then undertaken. Primary quantitative data required in the analysis was obtained from the Department of Social and Family Affairs, the Revenue Commissioners and the Central Statistics Office. This was supplemented with and informed by discussions within the working group and with key personnel in the Department of Social and Family Affairs and by the submissions made by various lone parent representative organisations and other relevant groups.

Structure of Review

1.20 Chapter 1 presents the background to the study. The terms of reference and principles underlying the work of the group are outlined. Chapter 2 provides a description of the current One-Parent Family Payment scheme and the objectives of the scheme. Trends in recipient numbers and expenditure and a profile of those in receipt of the OFP are presented. Chapter 3 examines the various issues and features of the income support system which are relevant to the effectiveness of the OFP scheme. In Chapter 4 proposals for reform are outlined, the issues which these would address and their impact on various schemes. These proposals take into account the range of options for change which were considered by the Group (outlined in Appendix 6). Various scenarios are presented highlighting the impact of the proposals on different family types. Finally, the costs of the reform proposals are presented. A poverty impact assessment of the proposed reform is carried out under the revised Poverty Impact Assessment Guidelines (2005). This is presented in Appendix 1 of the report.
Introduction

2.1 This chapter outlines the background and structure of the current system of income support to lone parents. The conditions for receipt of the current OFP and the objectives of the scheme are presented. Trends in recipient numbers and expenditure and a profile of those in receipt of OFP are described.

Background

2.2 Until the early 1970s the only type of lone parent families catered for under the social welfare system were widows, with contributory and non-contributory schemes introduced in 1935. Schemes for other types of lone parent families began to come on stream in 1970 when the first scheme for deserted wives was introduced followed by provision in 1973 for unmarried mothers (Appendix 7).

2.3 These assistance schemes reflected the ethos at the time which held that women with children should work full time in the home. Accordingly, only very limited income disregards (£6/€7.62 per week) were allowed under the means tests and any income in excess of the disregard resulted in a £1 for £1 withdrawal of allowances.

Lone Parent’s Allowance [LPA]

2.4 In 1986 the Report of the Commission on Social Welfare recommended a restructuring of social assistance on the basis of the income needs of claimants rather than on the existing categorical basis. The Commission considered that its proposals for change would result in "entitlement of all one-parent families – regardless of the cause of lone parenthood or sex of the parent – to a social assistance payment, where they experience an income need" (1986:360). While the new general social assistance scheme recommended by the Commission was not proceeded with, a unified social assistance scheme for lone parents with dependent children did result. The scheme, known as the Lone Parent’s Allowance (LPA), was introduced in 1990.

2.5 Lone parents with dependent children who had previously been in receipt of Unmarried Mother’s Allowance, Deserted Wife’s Allowance, Widow’s Non-Contributory Pension, and Prisoners Wife’s Allowance were transferred to the new allowance. The contributory schemes, Deserted Wife’s Benefit and Widow’s Contributory Pension remained available for those, with or without children, who qualified.

2.6 In general, the various qualifying conditions which existed under the previous schemes were carried forward to the new allowance but with some modifications.

- the scheme was open to both male and female applicants,
- lone parents who had separated from their spouse did not have to ‘prove’ desertion,
- the term ‘unmarried mother’ was dropped from social welfare terminology.

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* Allowances for childcare costs were taken into account in the means test after 1983. It was not until 1989 that moves were made to include men in schemes of this nature.
In 1994, an earnings disregard of £24 per week (€30.47), with 50 per cent of earnings in excess of this amount assessed, was introduced to the means test. Allowances for childcare costs had been taken into account in the means test since 1983. This introduction of a significant earnings disregard was the first formal move to encourage and facilitate lone parents to take up employment and arose out of a concern that there was no financial incentive for them to do so.

One-Parent Family Payment (OPF)

The OFP was introduced in January 1997. It is a means-tested payment which is made to men or women who are caring for a child/ren without the support of a partner. The schemes existing at that time; Lone Parent’s Allowance, Deserted Wife’s Benefit, Deserted Wife’s Allowance and Prisoner’s Wife’s Allowance were closed to new applicants.²

The current qualifying conditions for receipt of the OFP require that a claimant must be widowed, separated or divorced, unmarried or a prisoner’s spouse. The person must also:

- have main care and charge of at least one child who is residing with them,
- not be cohabiting,
- not have gross earnings exceeding €293.00 per week (to be increased to €375 per week from June 2006),
- satisfy a means test,
- be habitually resident in the State,
- make efforts to seek maintenance,
- have been separated for at least 12 months (in the case of a person who is divorced or separated).

Means Test

The main items which count as means in the OFP means test are:

2.10 Earnings

All earnings are assessed as gross earnings.³ Earnings of less than €146.50 a week are excluded from the assessment of means, with claimants entitled to the full rate of payment. Half of the earnings between €146.50 and €293 per week are counted for the purposes of the means test and a reduced rate of OFP is payable. A recipient of OFP for 52 consecutive weeks, whose earnings increase above €293.00 per week, is entitled to half the rate of payment at that time for 26 weeks and payment will then cease completely. A lone parent who is earning in excess of €293.00 per week at the time of application cannot qualify for OFP. From June 2006, the upper earnings limit will be increased to €375 per week, with the same transitional arrangements when earnings increase above this amount.

2.11 Maintenance

On the introduction of the OFP the requirement for lone parents to make efforts to obtain maintenance from their spouses was extended to unmarried cases. Prior to that, the provision only applied to separated spouses. In the case of separated OFP claimants the ‘efforts’ requirement is a condition which must be satisfied at the time of application. Unmarried claimants are not required to make efforts to seek maintenance until their claim has been awarded. Since 2001, OFP claimants are allowed to retain 50 per cent of any maintenance received without a reduction in their social welfare entitlements as an incentive to seek support. Vouched housing costs of up to €95.23 per week (rent or mortgage) may be offset against maintenance payments with half the balance of maintenance being assessed as means in establishing the rate of OFP due.

2.12 Capital and Property

Capital (savings and investments) and the value of property owned by the claimant (other than the family home) are assessed as means. Where capital or property is assessed on this basis, any income, received from its use e.g. interest on savings, dividends on shares, rents from property let is not assessed as cash income. Instead the current weekly value of capital is assessed as follows:

First €20,000 – nil means
Next €10,000 – weekly means €1 per each €1,000
Next €10,000 – weekly means €2 per each €1,000
Excess – weekly means €4 per each €1,000

Rates structure

2.13 OFP is made up of a personal rate and increases for dependent child/ren. The personal rate is dependent on a person’s income. The basic (maximum) personal rate is €165.80 (€182 if over age 66) per week (2006 rates). An increase in payment of €19.30 is made in respect of child dependant/s up to age 18, or up to the end of the academic year (June) of the year in which the qualified child reaches age 22, if s/he is in full-time education. A recipient of the OFP may also be entitled to a number of extra benefits/allowances.

2.14 One of the objectives of OFP is to support and encourage lone parents to consider employment as an alternative to long term dependency while at the same time supporting them to remain in the home if that is their wish (Department of Social and Family Affairs, 2000). A number of measures are in place to support this approach. Two of the main supports are:

a) The earnings disregard

2.15 The earnings disregard is the main component of the employment support policy for lone parents in receipt of OFP. The disregard means that a lone parent can earn up to €146.50 per week without loss of payment, with income between that and €293.00 (€375 from June 2006) assessed at 50 per cent. Transitional arrangements allow retention of a portion of a

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1. Travel related to employment, PRSI at 5.5% and union fees were also taken into account in the means test, with 50% of the balance assessed as means.
2. Existing recipients of the schemes continued to be entitled to payment as long as they continued to satisfy the conditions of the schemes.
3. Includes a person divorced from spouse prior to the spouse’s death and not remarried.
4. Excess – weekly means €4 per each €1,000
5. It is considered impracticable to expect an unmarried parent to take the necessary action to secure maintenance in the weeks immediately after their child is born. However, they are advised when claiming OFP that they will be required to seek maintenance from the other parent and that follow-up action will commence soon afterwards to examine what efforts have been made.
These include lone parent families with children, where other persons are also living in the household (Census 2002:34, 35).

This figure masks geographical differences, for example a study by the Dublin South Central Social Inclusion Task Force (2005).

The number of children under the age of 15 living in one parent families is 121,394 (Census, 2002:34).

However, it must be seen in the context of increasing numbers of lone parent families in Ireland. The number of lone parent families in 2002 was 246,500, of which 146,500 were OFP recipients. This represents almost 17% of families in Ireland, having grown from 11% in 1991 (Census 2002).

The scheme thus focused on lone parenthood as a contingency requiring social welfare support and made the reason for becoming a lone parent irrelevant in the context of deciding eligibility for a payment. This was also the beginning of a more formal employment led approach with regard to lone parents. This was continued with the introduction of the OFP in 1997 and the accompanying earnings disregard of €46.50, designed to contribute to the costs of employment. On the introduction of the OFP the Minister for Social Welfare stated that replacing...
At the same time there were 153,863 lone parent families ‘with children of any age’, comprising one in six of all families, with 85 per cent headed by females. In terms of marital status, 34 per cent were headed by a widowed person, 30 per cent headed by a separated or divorced person, and 31 per cent headed by a single person (Census 2002:42).

Reason for growth in numbers of one parent families

1) Growth in Non-marital Births

There has been a dramatic rise in Ireland and other western countries in the number of births outside of marriage. In Ireland in 1987, non-marital births accounted for 1 out of every 10 births in Ireland. By 1994, this ratio had dropped to 1 in 5. Figures for 1999 showed non-marital births approaching 1 out of every 3 births. In recent years the proportion of births outside marriage has not increased significantly and appears to have stabilised at approximately 31-32 per cent of all births. This overall figure, however, masks geographical differences.

Table 2.2 outlines non-marital births as a percentage of all births between 1986 and 2004. It also shows the number of claims by unmarried lone parents for OFP over the same period as a percentage of all non-marital births. While all non-marital births do not result in a new claim for an OFP, the table shows that there is a correlation between non-marital births and claims by unmarried parents for OFP (although this has stabilised and reduced since 2001).

Marital Breakdown

Over the past three decades there has been a marked rise in marital breakdown. The number of separated and divorced persons per 1,000 married persons increased from 28 in 1986 to 41.5 in 1991, 64.7 in 1996 and 92 in 2002 (CSO Census data).

According to the Census of Population 1986, there were 4,400 divorced persons in the State, a figure which more than doubled to 9,800 in 1996. Census 2002 shows that there were 35,059 divorced persons and 98,770 separated persons in the State.

In addition to marriage breakdown, lone parent families are formed when cohabiting couples with children separate. In the Department of Social and Family Affairs' survey of 1,000 new OFP awards in 1999, 3 per cent of people described their marital background as cohabiting.

Profile of OFP Recipients

Trends in numbers of OFP recipients

The rise in the number of lone parents is reflected in the increasing numbers claiming OFP from the Department of Social and Family Affairs with an increase of 244 per cent between 1990 and 2004. Table 2.3 below shows the numbers of unmarried, separated and prisoners spouses recipients of OFP (formerly Lone Parent Allowance) for selected years between 1990 and 2004.

Table 2.1: Family Composition 1991-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Two Parent Family</th>
<th>Lone Parent Family</th>
<th>Lone Parent as % of all families</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>411,884</td>
<td>44,071</td>
<td>10.7</td>
</tr>
<tr>
<td>1996</td>
<td>406,699</td>
<td>56,112</td>
<td>13.8</td>
</tr>
<tr>
<td>2002</td>
<td>342,435</td>
<td>68,625</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Source: CSO Census of Population 2002: Principle Demographic Results – only families where at least 1 child is age 15 or under are included in this table.

Table 2.2: Number of Non Marital Births 1986-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Non Marital Births</th>
<th>All Births</th>
<th>Non marital as a % of all births</th>
<th>Unmarried OFP claims</th>
<th>Unmarried OFP claims as a % of all non marital births</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>5,877</td>
<td>61,425</td>
<td>9.6</td>
<td>3,693</td>
<td>62.8</td>
</tr>
<tr>
<td>1990</td>
<td>7,660</td>
<td>52,952</td>
<td>14.5</td>
<td>5,859</td>
<td>76.5</td>
</tr>
<tr>
<td>1995</td>
<td>10,188</td>
<td>48,530</td>
<td>22.2</td>
<td>8,193</td>
<td>76.9</td>
</tr>
<tr>
<td>1997</td>
<td>11,892</td>
<td>52,311</td>
<td>26.6</td>
<td>13,823*</td>
<td>79.0</td>
</tr>
<tr>
<td>2000</td>
<td>13,235</td>
<td>56,339</td>
<td>31.8</td>
<td>12,705</td>
<td>73.7</td>
</tr>
<tr>
<td>2001</td>
<td>18,049</td>
<td>57,882</td>
<td>31.2</td>
<td>13,473</td>
<td>74.6</td>
</tr>
<tr>
<td>2002</td>
<td>18,815</td>
<td>60,521</td>
<td>31.1</td>
<td>13,699</td>
<td>72.8</td>
</tr>
<tr>
<td>2003</td>
<td>19,313</td>
<td>61,517</td>
<td>31.4</td>
<td>13,068</td>
<td>67.7</td>
</tr>
<tr>
<td>2004</td>
<td>19,938</td>
<td>61,684</td>
<td>31.2</td>
<td>10,891**</td>
<td>54.6</td>
</tr>
</tbody>
</table>

* The Unmarried OFP claims for 1997 are distorted due to the transfer of former Lone Parent (Unmarried Parent’s) Allowance recipients on to the OFP.

** This is an approximate figure only.

Source: Central Statistics Office, Department of Social and Family Affairs.

* These refer to lone parent families with children ‘of any age’ (Census 2002: 15).

** A further 5 per cent described themselves as ‘married’.

*** In certain urban areas of Dublin and Limerick the number of non-marital births is around 40 per cent of all births.
2.31 The number of OFP recipients has risen from 23,014 in 1990, to 44,035 in 1995, and to 80,103 in 2004. However, in recent years, the average rate of increase has shown a decline. The total number of qualified children16 living in one parent families (receiving OFP) was 131,014 in 2004. Women account for 97.7 per cent of OFP recipients.

### Duration of OFP Claims

2.32 There is no definitive average for the length of time that a lone parent remains on OFP. Estimates in the past have been to the effect that a claim remains in payment for 5-6 years. A survey of unmarried lone parents carried out in 1998 indicated that average duration was 7.5 years (over a ten year sample period). A similar survey of 110 separated lone parents who had been awarded payment in 1991 was carried out in 1999 (equal to 5 per cent of all separated Lone Parent Allowance awards in 1991). This survey showed that the average duration of separated claims over the 8 year sample period was 5.6 years. Table 2.4 below shows claim duration as of September 2005.

### Age Profile of OFP Recipients

2.33 Table 2.5 below shows the age profile of OFP recipients (unmarried, separated and prisoner’s spouses) for the years 1999 to 2004. While the absolute number of lone parents increased by 15 per cent from 68,836 to 79,083 over the period, the portion in the under 20 category fell steadily from 4.4 per cent in 1997 to 2.2 per cent in 2004. The percentage of recipients in the under-30 year categories is declining, while age groups over 30 have increased.

2.34 There are a number of reasons for this ageing client base. Claimants coming to the OFP scheme in separated cases are generally in the 30 – 40 age group. In unmarried cases, many new claimants are now coming to the under-30 category. This may also reflect the numbers of claimants who are remaining on the scheme for a longer period of time.
Table 2.5: Age Profile of One Parent Family Payment Recipients (excluding widows) 1999-2004

<table>
<thead>
<tr>
<th>Age group</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>3,006</td>
<td>2,905</td>
<td>2,203</td>
<td>2,442</td>
<td>2,699</td>
<td>1,765</td>
</tr>
<tr>
<td>20-24</td>
<td>16,359</td>
<td>13,092</td>
<td>16,680</td>
<td>16,282</td>
<td>15,995</td>
<td>14,421</td>
</tr>
<tr>
<td>25-29</td>
<td>17,444</td>
<td>17,921</td>
<td>18,321</td>
<td>18,133</td>
<td>18,111</td>
<td>18,403</td>
</tr>
<tr>
<td>30-39</td>
<td>20,677</td>
<td>22,531</td>
<td>24,919</td>
<td>23,635</td>
<td>27,027</td>
<td>28,037</td>
</tr>
<tr>
<td>40-49</td>
<td>9,215</td>
<td>9,980</td>
<td>11,064</td>
<td>11,540</td>
<td>11,977</td>
<td>12,033</td>
</tr>
<tr>
<td>Over 50</td>
<td>2,115</td>
<td>3,235</td>
<td>2,791</td>
<td>2,950</td>
<td>3,045</td>
<td>3,214</td>
</tr>
<tr>
<td>Total</td>
<td>68,836</td>
<td>72,804</td>
<td>75,892</td>
<td>77,050</td>
<td>78,214</td>
<td>79,083</td>
</tr>
</tbody>
</table>

Source: Department of Social and Family Affairs.

Numbers of Children of OFP Claimants

2.35 Table 2.6 sets out the number of children of OFP recipients between 1999 and 2004. The table highlights the fact that the majority of OFP recipients have one child (59 per cent), with over a quarter having two children. While the trends are not as marked as those for the age profile, a shift is noticeable in relation to the numbers of children of OFP recipients. The proportion of OFP recipients with one child has decreased slightly as a percentage of all OFP recipients, while the proportion of OFP recipients with two and three children is showing a small increase since 1999. As with the age profile, there may be a number of reasons for the increasing proportion of OFP recipients with more than 1 child. One reason may be the increased level of marriage and cohabitation break-up with the resultant OFP claimants coming to the scheme with a more than one child. There are also instances of OFP recipients having a second or more children while in receipt of OFP.

Table 2.6: OFP Recipients by number of children 1999-2004

<table>
<thead>
<tr>
<th>No. of children</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 child</td>
<td>24,920</td>
<td>24,920</td>
<td>24,920</td>
<td>24,920</td>
<td>24,920</td>
<td>24,920</td>
</tr>
<tr>
<td>2 children</td>
<td>4,470</td>
<td>4,470</td>
<td>4,470</td>
<td>4,470</td>
<td>4,470</td>
<td>4,470</td>
</tr>
<tr>
<td>3 children</td>
<td>1,994</td>
<td>1,994</td>
<td>1,994</td>
<td>1,994</td>
<td>1,994</td>
<td>1,994</td>
</tr>
<tr>
<td>4 children</td>
<td>2,951</td>
<td>2,951</td>
<td>2,951</td>
<td>2,951</td>
<td>2,951</td>
<td>2,951</td>
</tr>
<tr>
<td>5 children</td>
<td>818</td>
<td>818</td>
<td>818</td>
<td>818</td>
<td>818</td>
<td>818</td>
</tr>
<tr>
<td>6 or more</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
</tr>
<tr>
<td>Total</td>
<td>33,850</td>
<td>33,850</td>
<td>33,850</td>
<td>33,850</td>
<td>33,850</td>
<td>33,850</td>
</tr>
</tbody>
</table>

* There are 220 recipients of OFP who are not in receipt of a qualified child increase. This occurs where their child now qualifies for a social welfare payment in their own right.
Source: Department of Social and Family Affairs

Age of Children of OFP Claimants

2.36 Table 2.7 below provides an age breakdown of the children of OFP recipients. Half of all children of OFP recipients are 7 years or under. 34 per cent are 12 years and under.

Table 2.7: Age of children of OFP recipients, March 2005

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of children</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 and under</td>
<td>43,792</td>
<td>31</td>
</tr>
<tr>
<td>5-7</td>
<td>26,564</td>
<td>19</td>
</tr>
<tr>
<td>8-12</td>
<td>31,686</td>
<td>24</td>
</tr>
<tr>
<td>13-18</td>
<td>30,260</td>
<td>21</td>
</tr>
<tr>
<td>19-22</td>
<td>6,824</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>141,217</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Department of Social and Family Affairs: Age Breakdown of CDAs
Geographical Location of OFP Claimants

2.37 Tables 2.8 below, outlines the number of OFP recipients in selected counties between 1999 and 2004. The counties with the greatest number of OFP recipients were Dublin, Cork, Limerick, Galway and Donegal (in that order) for the 4 year period 1999 to 2004. Counties Kildare, Wexford, Louth and Wicklow have the next highest concentrations of OFP recipients over the period.

Table 2.8: Geographical Location of OFP Recipients

<table>
<thead>
<tr>
<th>County</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dublin</td>
<td>26,983</td>
<td>27,774</td>
<td>28,056</td>
<td>27,820</td>
<td>27,374</td>
<td>27,741</td>
<td>+2.8%</td>
</tr>
<tr>
<td>Cork</td>
<td>7,109</td>
<td>7,502</td>
<td>7,686</td>
<td>8,079</td>
<td>8,130</td>
<td>8,201</td>
<td>+15.4%</td>
</tr>
<tr>
<td>Limerick</td>
<td>3,285</td>
<td>3,445</td>
<td>3,562</td>
<td>3,681</td>
<td>3,687</td>
<td>3,648</td>
<td>+11.0%</td>
</tr>
<tr>
<td>Galway</td>
<td>2,727</td>
<td>2,907</td>
<td>3,149</td>
<td>3,324</td>
<td>3,286</td>
<td>3,153</td>
<td>+15.6%</td>
</tr>
<tr>
<td>Donegal</td>
<td>2,470</td>
<td>2,642</td>
<td>2,773</td>
<td>2,985</td>
<td>3,098</td>
<td>3,209</td>
<td>+29.9%</td>
</tr>
<tr>
<td>Kildare</td>
<td>2,468</td>
<td>2,649</td>
<td>2,741</td>
<td>2,884</td>
<td>3,026</td>
<td>3,067</td>
<td>+22.6%</td>
</tr>
<tr>
<td>Wexford</td>
<td>2,471</td>
<td>2,648</td>
<td>2,845</td>
<td>2,984</td>
<td>3,032</td>
<td>3,129</td>
<td>+26.6%</td>
</tr>
<tr>
<td>Louth</td>
<td>2,348</td>
<td>2,526</td>
<td>2,694</td>
<td>2,816</td>
<td>2,487</td>
<td>2,953</td>
<td>+35.8%</td>
</tr>
<tr>
<td>Wicklow</td>
<td>2,289</td>
<td>2,466</td>
<td>2,522</td>
<td>2,584</td>
<td>2,575</td>
<td>2,575</td>
<td>+12.5%</td>
</tr>
</tbody>
</table>

Source: Department of Social Welfare

OFP Claimants in employment

2.38 Table 2.9 below provides a weekly income breakdown for OFP recipients in employment for 2003. It shows that 59 per cent (46,725) of OFP recipients had earnings. Of these, 43 per cent (or 25 per cent of the total number of OFP claimants) were earning less than €146.50 per week.

Table 2.9: OFP Recipients in employment– weekly income breakdown for 2003 (from P35s)

<table>
<thead>
<tr>
<th>Total</th>
<th>&lt; 88.88</th>
<th>88.88-120.00</th>
<th>120.00-146.50</th>
<th>146.50-298</th>
<th>298+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>46,725</td>
<td>10,054</td>
<td>4,951</td>
<td>5,604</td>
<td>22,263</td>
</tr>
<tr>
<td>Total working</td>
<td>32,884</td>
<td>10,054</td>
<td>4,951</td>
<td>5,604</td>
<td>22,263</td>
</tr>
<tr>
<td>Total OFP recipients</td>
<td>79,969</td>
<td>10,054</td>
<td>4,951</td>
<td>5,604</td>
<td>22,263</td>
</tr>
</tbody>
</table>

Reasons for OFP claim terminations

2.40 There were a total of 10,822 OFP cases terminated in 2003. In 2004 this figure was 11,781. Table 2.11 below provides a summary of the reasons for terminations.

Table 2.10: Summary of 2004 OFP Terminations

<table>
<thead>
<tr>
<th>Reason for termination of payment</th>
<th>Numbers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohabitation</td>
<td>2,055</td>
<td>18</td>
</tr>
<tr>
<td>Marriage</td>
<td>1,222</td>
<td>10</td>
</tr>
<tr>
<td>Work (over income limit)</td>
<td>4,119</td>
<td>35</td>
</tr>
<tr>
<td>Other (1)</td>
<td>4,385</td>
<td>37</td>
</tr>
<tr>
<td>Total Terminations</td>
<td>11,781</td>
<td>100</td>
</tr>
</tbody>
</table>

(1) Relates to terminations due to increased means/maintenance, child no longer qualifying on age grounds, claimant leaving state or moving to another social welfare payment etc.

Source: Department of Social and Family Affairs.

2.41 Based on a sample analysis, the following is the age breakdown for those payments terminated on work related issues. It highlights how work related terminations peak in the 25-40 age category and are lowest in the youngest and oldest age categories.

Table 2.11: Age Breakdown of work related payment terminations 2003

<table>
<thead>
<tr>
<th>Age</th>
<th>Total terminated</th>
<th>Work related terminations</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20</td>
<td>108</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>20-25</td>
<td>1,548</td>
<td>604</td>
<td>31</td>
</tr>
<tr>
<td>25-30</td>
<td>2,813</td>
<td>900</td>
<td>32</td>
</tr>
<tr>
<td>30-40</td>
<td>3,355</td>
<td>919</td>
<td>28</td>
</tr>
<tr>
<td>40-50</td>
<td>1,949</td>
<td>507</td>
<td>26</td>
</tr>
<tr>
<td>50-65</td>
<td>649</td>
<td>104</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>11,822</td>
<td>3,065</td>
<td>28</td>
</tr>
</tbody>
</table>

The above figures comprise 75% unmarried and 25% separated cases.

1 The Community Employment scheme is managed by FÁS, Ireland’s training and employment authority. It is designed to help those who are long-term unemployed and other disadvantaged people to get back to work by offering part-time and temporary placements in jobs based within local communities. It is possible for participants to seek other part-time work during their placement.

2 The Job Initiative is a programme providing full-time employment for persons who are 35 and over, have been unemployed for 5 years or more, and are in receipt of an appropriate social welfare payment. The primary purpose of the programme is to assist persons to prepare for work opportunities in the open labour market. The programme achieves this by providing participants with work experience, training and development opportunities. From November 2004 there will be no further recruitment onto the scheme.
Expenditure

2.42 Expenditure on the OFP has continually increased since its introduction in January 1997. Expenditure stood at €338.5m in 1997, grew to €435m in 1999 and reached over €694m in 2004. In addition to expenditure on the actual OFP scheme, it is estimated that expenditure on SWA Rent Allowance in respect of OFP recipients is approximately €109m (2005). In addition, lone parents may also qualify for other social welfare supports such as Family Income Supplement (FIS). The table also does not include income paid to lone parent families with children in receipt of Deserted Wife’s Benefit, Widow’s Contributory Pension or the cost of secondary benefits paid to OFP recipients.

Table 2.12: Total LPA/OFP Expenditure 1993 to 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Number in payment</th>
<th>Expenditure (£000)</th>
<th>Expenditure as % of total social welfare expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>34,434</td>
<td>191,760</td>
<td>4.2</td>
</tr>
<tr>
<td>1995</td>
<td>44,035</td>
<td>255,166</td>
<td>4.8</td>
</tr>
<tr>
<td>1996</td>
<td>50,557</td>
<td>285,938</td>
<td>5.1</td>
</tr>
<tr>
<td>1997</td>
<td>57,200</td>
<td>338,529</td>
<td>5.9</td>
</tr>
<tr>
<td>1998</td>
<td>63,885</td>
<td>389,859</td>
<td>6.4</td>
</tr>
<tr>
<td>1999</td>
<td>68,835</td>
<td>435,777</td>
<td>6.9</td>
</tr>
<tr>
<td>2000</td>
<td>72,774</td>
<td>480,113</td>
<td>7.1</td>
</tr>
<tr>
<td>2001</td>
<td>75,891</td>
<td>532,336</td>
<td>6.8</td>
</tr>
<tr>
<td>2002</td>
<td>78,350</td>
<td>612,035</td>
<td>6.4</td>
</tr>
<tr>
<td>2003</td>
<td>79,296</td>
<td>660,586</td>
<td>6.3</td>
</tr>
<tr>
<td>2004</td>
<td>80,103</td>
<td>694,835</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Includes expenditure on Deserted Wife’s Allowance and Prisoner’s Wife’s Allowance.
Source: Statistics Section, Department of Social, Community and Family Affairs.

Conclusion

2.43 Social Welfare support for lone parents has changed dramatically over time. Early schemes were structured on the basis that women with children should remain in the home full-time. The LPA, introduced in 1990, laid the basis for the current OFP scheme. It represented a shift of emphasis towards encouraging and facilitating recipients to take up employment, thus reflecting societal change. The scheme introduced equality between fathers and mothers and removed the necessity for separated people to prove desertion. The term ‘unmarried mother’ was removed from the social welfare code. These measures recognised lone parenthood as a contingency requiring social welfare support regardless of the circumstances leading to becoming a lone parent.

2.44 The aim of simplifying the system and recognition that employment can provide a route out of poverty is reflected in the current OFP. The objective of the earnings disregard is to simplify the system so that the lone parent can more easily assess the implications of taking up employment and to facilitate them in doing so by contributing to the costs of employment. In terms of incentives to employment a number of measures are in place, including the earnings disregard and a range of other schemes. Importantly however, supports to OFP recipients remain passive in nature. There is no requirement under the payment to seek employment/education or training opportunities nor is there active or systematic support for the person to do so.

2.45 In terms of the trends and profile of lone parent families and specifically recipients of the OFP, the chapter firstly places the increase in numbers of OFP recipients in the context of the increase in Ireland and internationally of lone parent families. This is occurring due to increased marital breakdown and breakdown following cohabitation and the rise in the number of births outside of marriage. Focusing specifically on OFP recipients:

- This general increase is reflected in the growth in numbers of OFP recipients increasing by over 40 per cent since the OFP was introduced in 1997. However, it is noted that in recent years the average rate of increase has declined.
- In terms of age profile, numbers in the under 20 age category have declined, while those aged over 30 years have increased.
- An assessment of claim duration shows that the average claim length for those who are unmarried is 7.5 years, while for those who are separated it is 5.6 years.
- Over 30 per cent of the children of recipients are 4 years or under, with 50 per cent aged 7 years or under.
- In terms of geographical location the counties with the greatest number of lone parents and with the highest number of OFP recipients are Dublin, Cork, Limerick, Galway and Donegal.
- The proportion of OFP recipients in employment has remained at approximately 60 per cent. While a growing number have earnings in excess of the minimum disregard of €146.50 per week, 43 per cent continue to have annual earnings below this threshold.
- This outline of the current scheme and the trends and profile of OFP recipients provides a background to the analysis of the issues surrounding the payment presented in the following chapter, leading to proposals for reform.
Chapter Three

Issues
Introduction

3.1 This chapter outlines various issues taken into consideration by the Group in examining the effectiveness of the current income support arrangements for lone parents and in putting forward proposals for reform. Issues outlined include: child poverty, family formation/ cohabitation; the role of fathers, joint custody, activation, secondary benefits and maintenance. The examination of these issues is carried out in the context of the objectives of the current scheme, the changing environment in which it is operating and the principles underpinning the work of the Group. Before examining these issues specific features of the social welfare payment structure are outlined – the contingency based nature of the system, conditionality and its male breadwinner focus. Any review of the OFP must take into account these features, as issues and problems identified with regard to the OFP scheme may relate as much to these wider features of the income support system as to the scheme itself. Chapter 4 addresses many of these issues in the reform proposed.

Features of the income support system

3.2 Contingency based – Both social insurance and social assistance are contingency based, with potential claimants being categorised according to a defined number of contingencies. Experience of a defined contingency is the first trigger for payment, with contribution conditions then having to be satisfied in the case of social insurance and a test of means in the case of social assistance. While contingencies originally tended to be related to loss of employment e.g. unemployment, old age, sickness, other contingencies included later such as lone parenthood and caring reflect the changing nature of society and changing societal expectations with regard to the welfare system.

3.3 While the contingencies as stated may seem straightforward e.g. old age, widowhood etc. contingencies are defined in very specific terms. Lone parenthood refers to bringing up a child alone until they are age 18 years (22 if in full-time education), with payment going to the parent with ‘main care and charge’ of the child. Hence claimants must meet specifically defined criteria in order to qualify for payment and must continue to meet those criteria in order to continue receiving that payment.

3.4 Variation in terms of need within the contingency is not reflected in the schemes, with supports aimed at the contingency itself and not distinguishing between the needs of those within it. This is particularly important for OFP recipients who may have experienced different routes into lone parenthood and have varying levels of education and employment experience. This tailoring of supports to contingencies rather than need is particularly obvious with regard to activation measures and supports:

> Whereas for those on the Live Register and classified as unemployed, structures and resources are in place in terms of referral and support through the National Employment Action Plan, this is not the case for those of working age in other contingencies, although these now form the largest group of social assistance recipients. There is no systematic referral of recipients of these payments to the social welfare or other employment supports that exist, with activation measures tending to be mainly passive in nature. Also, there is little ongoing support to people once they have moved on to, for example a Back to Work programme, nor evaluation of progression.

> The key parameter in determining the need for activation has been duration in receipt of payment rather than other indicators of labour market disadvantage. This is no longer appropriate with increased recognition of the need for early intervention especially for those in younger age categories in receipt of payments such as OFP.

22 There were a total of 277,068 claimants of assistance (including UA, OFP, Disability Allowance) of working age in 2004 (excluding SWA, PPS and other Back to Work schemes and PRETA). Of these, 80,103 were OFP recipients and 72,976 were DA recipients.
This tailoring of supports to contingencies rather than needs is not in the best interests of the claimants themselves, who, if given the appropriate supports, may be able to achieve a greater degree of economic independence. Nor is it in the interests of the Department of Social and Family Affairs and ultimately the tax payer, who may be supporting over reliance on social welfare payments.

**Conditionality** – Conditionality refers to the placing of conditions on receipt of payment (outside of being in a defined contingency and/or satisfying a means test). The extent and nature of ‘conditionality’ currently varies between different payments. This sometimes reflects the differing circumstances of those experiencing different contingencies in terms of age and ability etc. but on other occasions the rationale is less obvious or based on assumptions or expectations which may no longer be relevant. Unemployment Assistance (UA) is the only means tested payment where there is a requirement regarding attachment to the labour force, with claimants having to be available for and genuinely seeking work to receive payment. Nor is employment/labour market condition attached to the other payments made to people of working age (with the exception of Farm Assist). Neither contingency nor labour force conditions attach to payment of the qualified adult allowance.

**The Male Breadwinner aspect of the system** – The ‘male breadwinner model’ is a theoretical model through which to understand welfare systems. Welfare systems within this model are based on the tradition of the male as family breadwinner, and the female as homemaker or carer. Within this, women have had derived rights through their husbands’ social insurance records, with payments to women defined in relation to their husbands, even when not present e.g. Deserted Wife’s allowance. This model was at the heart of the Beveridgean model of social welfare. Numerous reports have described the Irish welfare system in these terms (Curry 2003, Department of Social and Family Affairs, 1999, National Women’s Council of Ireland, 2003). These reports point to some of the features of the system e.g. the limitation rule, the use of the concept of ‘qualified adult’ as examples of how the system continues to base itself on this model. While ostensibly gender neutral, these features have a greater negative impact on women than men, particularly with regard to their economic independence and incentives to activation. These features are outlined below:

**Qualified Adults/Equivalence rates/Limitation** – the income support payment structure ‘enables’ adult claimants to have financial responsibility for ‘dependents’ both adult and children. An adult ‘depending’ on a claimant is referred to as a ‘qualified adult’ (QA) previously ‘adult dependent’. A claimant is eligible to claim for a QA allowance if that adult has no social welfare payment in their own right and has means of less than €88.88 (to be increased to €100 per week from May 2006) from employment or elsewhere. A tapered reduced rate payment can be claimed when a QA earns more than this amount up to a maximum amount per week. The QA rate is generally around 0.7 (equivalence rate) of the main claimant rate of payment, the rationale for which is presented as the economies of scale of a couple living together. A spouse can apply to the Department of Social and Family Affairs to have this payment administered and paid directly to the QA. This is done in a limited number of cases, usually as a response to problems relating to the sharing of income in the household. Critics of the concept of ‘qualified adult’ point to the fact that receipt of payment is a ‘derived right’ i.e. derived from the main claimant’s entitlement, with the QA not having an individual entitlement to a social welfare income in their own right (see section on limitation below). However, the QA does not have to satisfy any contingency requirement, nor do they have to be seeking employment (regardless of their age or whether or not there are children in the household).

Even where the adult does have an entitlement to payment in their own right, based on a household means test, the operation of the limitation rule means that there is no financial incentive for them to apply separately for payment.

**Individualisation**

There are a number of possible definitions of and dimensions to individualisation. Generally, it refers to conferring rights on all individuals as individuals without reference to any personal, familial, household or marital status (McCashin, 1997). McLoughlin (1997) describes it as "a reform agenda in which systems of social security move further towards a basis of individual entitlements".

A more individualised system of assessment and payment would mean reform of the current social welfare system. Features of the Irish welfare model which highlight its male breadwinner focus are outlined above: equivalence rates, qualified adults payments, limitation. These features, which can be seen particularly in social assistance schemes, result in a loss of income to the lone parent if they decide to marry or cohabit. In such schemes the household basis of the means test implies that if one person in the household is in employment, this will impact on the eligibility of the other to receive income support (even when they ‘fit’ a defined contingency).

Through individualisation each individual would have an individual relationship with the social welfare system and not one mediated through a current or previous relationship with another adult. There would be a move away from derived entitlement to entitlement based on the individual. Complete individualisation would mean that each person would be assessed for entitlement to a benefit regardless of their household arrangements with payment made on that basis (i.e. an individual rather than a household means test). Complete individualisation, however, raises issues relating to the redistribution of income to households with relatively high incomes.

The anomaly of the limitation rule being applied only to married couples was appealed to the Supreme Court as being in breach of Article 41 of the Constitution which obliges the State to uphold the family. The appeal was upheld and what became known as the Hyland Case resulted in limitation being extended to cohabiting couples.

*Spousal swap*’s appeal is for on some schemes, whereby the qualified adult whose spouse/partner is eligible may exchange places with the main claimant on labour market programmes/schemes e.g. BTWA.

Social insurance is individualised by its nature. In social insurance, the right to payment is determined by contributions paid (or credited), with a full individual payment made to the insured person, regardless of household situation or family status, once insurable contributions are met and a contingence is experienced. There are still QASs in social insurance, payable to the main claimant for their ‘dependent’, where that person does not meet the contribution conditions in their own right. The difference between social insurance and social assistance however, is that in insurance schemes, where both meet the conditions in their own right a full and individual payment is made to both of the couple – no limitation applies and there is no household means test.
Various approaches to individualisation are presented in a number of reports (see 3.20). These range from full individualisation, with individual means testing, to full, individual payments to persons where a household means test is satisfied, to individualisation within the present system (i.e. 0.7 or half of total payment paid to the QA directly). These options are considered more fully in the options for reform in Appendix 6, with positive and negative aspects outlined.

Individualisation and the Social Welfare system

Government policy in this area has for a number of years focused on the accumulation of individual rights through employment and therefore wider social insurance cover. This has seen significant groups of workers being brought into the social insurance system including the self-employed (1988), part-time workers (1991) leading to more women qualifying for insurance based benefits in their own right, and public servants (1993). At the same time the qualifying conditions, particularly for pensions, have been eased to facilitate those with incomplete insurance records (due to caring work) to receive payment. Alongside these changes the expansion of the labour market and changing attitudes towards women's roles have led to increasing numbers of women entering employment. In 1997, 659,300 women were in the labour force, with a participation rate of 45.8 per cent. By the end of 2004, this had increased to 840,700 with a participation rate of 50.9 per cent. These external changes and efforts to make the social insurance system more comprehensive have resulted in greater numbers of people being eligible for social insurance payments. The numbers of insured persons grew from almost 1.44 million in 1990 to nearly 2.56 million in 2003 (40.7 per cent to 64.5 per cent of the population). The extent to which people are accumulating entitlements in their own right can also be seen in decreases in payment of QAs e.g. since 1990 the percentage of claims of Old Age Contributory and Retirement Pensions attracting QAs is down from 42 per cent to 35 per cent; the number of qualified adults of those in receipt of unemployment support payments has decreased by over 40 per cent since 1991.

The need to further individualise the social welfare system is seen as a key issue in addressing women’s poverty and achieving equality for women. Individualisation has been on the policy agenda for a number of years and has been referred to in various reports; Department of Social and Family Affairs (1999) ‘Report of the Working Group Examining the Treatment of Married, Cohabiting and One Parent Families under the Tax and Social Welfare Codes’, the Combat Poverty Agency study of ‘Women and Poverty in Ireland’ (1999), the Department of Social and Family Affairs (2000) ‘Report of the Review of One-Parent Family Payments’ and the NESF report No.20 (2001) ‘Lone Parents’.

Issues specific to the One-Parent Family Payment

A. Child Poverty

Strategies to address child poverty and the measures to give effect to them are set out in the National Action Plan against Poverty and Social Exclusion (NAP/inclusion) and in the National Children’s Strategy. The importance of tackling child poverty is reflected in the fact that ‘Ending Child Poverty’ is one of the ten special initiatives set out in the National Partnership Agreement, ‘Sustaining Progress 2003-2005’.

Children in lone parent and larger families have been identified in the NAP/inclusion to be at greatest risk of poverty (Table 3.1 below).

Research from the EU Survey on Living Conditions for 2003 and 2004 (EU-SILC) provides significant information on the prevalence and characteristics of children in Irish households. Various measures of poverty are used in the survey; consistent poverty, relative poverty, depth of poverty and persistent poverty. These show that:
- 9.5 per cent of all children were in households experiencing consistent poverty*
- 31.0 per cent of one-parent families live in consistent poverty in comparison with 6.8 per cent of the population overall.
- Since 1994 about one quarter of all children are estimated at any one time to be in households with equivalent household income below 60 per cent of the median (relative poverty), equivalent to approximately 200,000 children.
- 48.3 per cent of one-parent families are at risk of poverty (below 60% of median income) in comparison with 19.4 per cent of the overall population.
- Social transfers were estimated to be lifting 16.7 per cent of children (0-14) above the 60 per cent relative income poverty line in 2004.
- Over the period 1994-2001, 18.7 per cent of all children experienced ‘persistent poverty’ i.e. they were in households below the 60 per cent of median income line for a consecutive period of at least three years.
- The depth of poverty is greater for children than for older people. 26 per cent of children below the 60 per cent line were also below the 40 per cent line.

Table 3.1: Percentage of Persons experiencing consistent poverty 1998-2003* (using 60% of median income threshold)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Children</th>
<th>Lone Parents</th>
<th>Unemployed</th>
<th>by Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>8.2</td>
<td>11.7</td>
<td>30.9</td>
<td>32.7</td>
<td>Total</td>
</tr>
<tr>
<td>2000</td>
<td>6.2</td>
<td>7.7</td>
<td>23.0</td>
<td>24.1</td>
<td>By Category</td>
</tr>
<tr>
<td>2001</td>
<td>5.2</td>
<td>6.5</td>
<td>23.7</td>
<td>17.8</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>8.8</td>
<td>12.2</td>
<td>33.6</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>6.8</td>
<td>9.5</td>
<td>31.1</td>
<td>19.2</td>
<td></td>
</tr>
</tbody>
</table>

* Methodological differences between the EU-SILC and the Living in Ireland Survey (LIIS) mean that there is discontinuity between the two surveys in the measurement of poverty. Consequently, it is not possible to draw conclusions from the EU findings regarding the direction or scale of change in consistent poverty between 2001 and 2003 (CSO, 2005).

** Children from 1998-2001 i.e. in the LIIS are classified as 0-17. In the EU-SILC they are classified as 0-14 inclusive. Adults in the LIIS classification are defined as 18-64, while in the EU SILC they are 15-64.

3.19 In terms of the characteristics of the households of children who are experiencing these types of poverty:

- Almost 60 per cent of the households in which children experienced persistent poverty were reliant on social welfare for more than 75 per cent of their total income,
- Over half of children where the household reference person was unemployed experienced poverty and 46 per cent where the reference person was of working age but outside the labour force,
- Having an unemployed man and woman in the house constituted the highest risk of all experiencing persistent poverty.

3.20 It is notable that children in lone parent households where the parent was employed escaped persistent poverty altogether. Similarly with consistent poverty, parental employment rather than family type was the single most important factor associated with a high risk of child poverty in 2000. For example, children of couples neither of whom were working ran a poverty risk four times as high as that of children of lone parents in work. These findings clearly indicate a need to develop policy responses to child poverty in a way which both encourages parents to cross from non-employment to work, and which provides in-work supports to parents with low earnings and improves the educational and skill levels of lone parents to ensure that they do not become trapped in low paid employment.

B. Incentive effects – Family Formation/Cohabitation

The Cohabitation Rule

3.21 The legislation which introduced the OFP (Section 17 of the 1996 Social Welfare Act) states the following: “A qualified parent shall not, if and so long as that parent and any person are cohabiting as husband and wife, be entitled to and shall be disqualified from receiving payment of one-parent family payment.”

3.22 As there is no definition in law of cohabitation, it must be shown that the relationship of an unmarried couple is the same as that of a husband and wife. Even with married couples, relationships and domestic and financial arrangements vary considerably. In the circumstances, establishing that a couple is cohabiting is not straightforward and each individual case must be considered on its own particular facts. The social welfare guidelines on cohabitation outline five criteria for assessing cohabitation. The elements may be subdivided as follows:

1. Co-Residence (shared house or flat, no separate accommodation).
2. Household Relationship:
   - Duties Shared (meals, shopping, cleaning, laundry, sharing baby-sitting)
3. Stability (duration of relationship, joint bank accounts or mortgage)
4. Social (couple known locally as man and wife, regarded as couple for tenancy/mortgage, holidays together)
5. Sexual (Child or children in the relationship).

Moving to a Cohabiting relationship

Under the terms of the OFP a person must be parenting alone, therefore those who cohabit or marry no longer fit the contingency of lone parenthood and are not entitled to claim the payment. Reductions in income are an inevitable result when a person changes status from being a lone parent to being married or cohabiting with someone in employment, or where two people on means tested payments cohabit/marry. This is due to the features of the system such as household means tests and limitation, outlined above. Marriage or cohabitation can therefore lead to significant reductions in income for social welfare recipients particularly lone parents. This in turn acts as a disincentive to OFP recipients to form and/or declare long term relationships and has become a major control issue for scheme administrators.

A range of reports have stressed the financial security that OFP offers to lone parents and the financial losses which can result when an OFP recipient decides to marry or cohabit (Department of Social and Family Affairs 2000, Report of the Working Group Examining the Treatment of Married Cohabiting and One-Parent Families 1999, Report of the Commission on the Family 1998 – Appendix 8). An example of how the interplay of these different features of the payment structure can cause disincentive effects is the case of a female OFP recipient considering living with or marrying an unemployed man. In doing so she would no longer receive OFP, as she would no longer be deemed to be a lone parent. She could then either declare herself to be unemployed (she would have to be available for work) or be a qualified adult ‘on’ her partner’s UA. The following highlights the losses which can occur:

a) Lone parent in a relationship with someone in receipt of Unemployment Assistance, living separately

<table>
<thead>
<tr>
<th></th>
<th>Lone parent</th>
<th>Partner in receipt of UA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child Dependent Addition</td>
<td>€165.80</td>
<td>€165.80</td>
</tr>
<tr>
<td>Total income when living separately</td>
<td>€292.60</td>
<td>€350.90</td>
</tr>
</tbody>
</table>

(There is a loss of €58.30 per week. Also the lone parent no longer has payment made directly to them. They also lose the earnings disregard of €146.50 per week which is attached to the OFP and the contingency of lone parenthood)

b) Lone parent cohabits with partner (or declares cohabitation) and becomes a Qualified Adult:

<table>
<thead>
<tr>
<th></th>
<th>UA = €165.80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified Adult Allowance</td>
<td>€110.00</td>
</tr>
<tr>
<td>Child Dependent Addition</td>
<td>€16.80 (UA rate)</td>
</tr>
<tr>
<td>Total income:</td>
<td>€292.60</td>
</tr>
</tbody>
</table>

Even where the lone parent applies for UA in his/her own right the income loss remains the same, as the limitation rule would apply.

Table 3.2: Percentage of Persons Below 60% Median Income Poverty Line by Age 1994-2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
<td>24.5</td>
<td>23.5</td>
<td>23.7</td>
<td>21.0</td>
<td>21.2</td>
</tr>
<tr>
<td>18-64</td>
<td>12.1</td>
<td>14.7</td>
<td>16.4</td>
<td>17.6</td>
<td>17.6</td>
</tr>
<tr>
<td>65+</td>
<td>5.9</td>
<td>24.2</td>
<td>38.4</td>
<td>29.8</td>
<td>27.1</td>
</tr>
</tbody>
</table>


Note: Children from 1998-2001 i.e. in the LIIS are classified as 0-17. In the EU-SILC they are classified as 0-14 inclusive. Adults in the LIIS classification are defined as 18-64, while in the EU-SILC they are 15-64.
As outlined earlier there is no financial incentive for the lone parent, now cohabiting, to register as unemployed (because of the ‘limitation rule’), although in doing so they may access education and training programmes which are Live Register linked. Overall, in forming a couple household, she/he would lose out financially (the total income for the couple would fall from 2 payments to 1.7 payments and the lone parent would also lose the earnings disregard which is part of the OFP payment). She/he would forgo the independence that the OFP gives them in their own right and face into a relationship which may or may not last, with someone who may have no legal responsibility to support their children and where there may or may not be financial support.

Statistical Data on Cohabitation

There are no statistics available on the level of cohabitation among OFP recipients. However, indications on the extent of cohabitation arise from a number of sources. In 2004, there were approx 2,000 terminations of OFP as a result of cohabitation. This represents less than 3 per cent of the number of OFP claims in payment, suggesting that the incidence of cohabitation is quite small. The consensus among social welfare inspectors, however, is that cohabitation as it relates to OFP is a significant issue, although one very difficult to prove. Even where ‘proof’ is established, the lone parent may declare that circumstances have changed and the process of establishing cohabitation recommences. The previous Review of the One Parent Family Payment (2000) quotes social welfare inspectors estimating cohabitation at 30 to 40 per cent. Further indications of undeclared cohabitation are the incidence of claims for additional children after an initial claim is made (Review of the One Parent Family Payment 2000:99). In 2004, approx 2,000 recipients (3 per cent of the total number receiving OFP) made claims for additional children. This represents to per cent of non-marital births for 2004.

Cost of Cohabitation

The estimated scheme expenditure on OFP is €769m in 2005. A rate of cohabitation as low as 3 per cent per annum represents over €23m being paid to claimants who do not have an entitlement to payment. If the proportion of OFP recipients cohabiting is much higher, the cost per annum is significant: 10% = €76m; 20% = €153m; 30% = €230m; 40% = €308m.

C. Changing family roles: the role of fathers

A central component of the social change that has taken place in Irish society over the past three decades is the change in traditional family roles. Alongside the increasing labour force participation of women has been a change in expectations regarding fatherhood. This has involved a greater emphasis being placed on the sharing of household tasks, traditionally carried out by women and an increased caring role for fathers. Hence the traditional stereotyping of mothers as carers and fathers as sole breadwinners no longer applies, with an expectation now of a sharing of roles within the family.

A recent report, Young Men on the Margins (Cleary, 2004) suggests that family changes, including an increase in female lone parenting, have further challenged traditional values around marital and sexual relationships. The report considers that people have, generally, adjusted to these developments, with some men welcoming the opportunity to refocus on fatherhood and home issues. However, the report warns that increased societal pressures could have a detrimental effect on some men. A history of economic disadvantage, when taken with limited educational achievement and the strong adherence by some men to those traditional work areas now in decline has led to a group of vulnerable men who are more likely to lack the benefits found by most men in marriage and through parenting. Another report, Strengthening Families Through Fathers (Ferguson, Hogan, 2004), further suggests that some vulnerable fathers are excluded from the bulk of child care and family support work in Ireland today. Overall these reports conclude that there is a need for policy makers to adopt a more father inclusive approach to family policy and design and provision of services.

These conclusions are in line with those of the Commission on the Family (1998), which put forward the following perspectives for promoting the greater involvement of fathers in the lives of their children:

(i) benefits to children’s development as a result of being emotionally close to both parents,
(ii) benefits to families in supporting the interdependent relationships – economic, social and emotional – which holds its members together, including members of the extended family,
(iii) benefits to women in the form of greater equality in the labour market and in the domestic division of labour,
(iv) benefits to men in the form of greater involvement as fathers with their children which can lead to their own and their children’s personal development and growth.

D. Incentive Effects – Joint Custody

Payment of OFP is based on the contingency of a person parenting alone without the support of a partner. In order to qualify for payment a person must have ‘main care and charge’ of the child. OFP can only be paid to one person in respect of the same child. In cases of joint custody the OFP is paid to the person who is deemed to have main care and charge of the child i.e. for more than half of the time. Where there is more than one child in a family and each parent has main care and charge of at least one child then both can receive OFP. Where there is a joint equal custody arrangement in place i.e. the child/ren spend equal amounts of time with the father and mother then theoretically, neither parent can receive the OFP as no one person can be considered to have main care and charge of the child/ren.

The current system has been criticised for failing to recognise that both parents have equal rights and obligations in so far as children are concerned, with some regarding the OFP as actively discouraging the involvement of both parents in the care of children because the basis of the existing scheme is to support someone parenting alone (Review of the One-Parent Family Payment 2000:102).

E. Effectiveness of the Scheme with regard to activation

Activation i.e. support to work, training and education has become a central objective of EU and national social, labour market and economic policy. Social assistance and the structure and delivery of payment has a key role to play in terms of incentive and disincentive effects with regard to commencing/returning to work, education or training and increasing income from employment.

One of the main objectives of OFP is to ‘support and encourage lone parents to consider employment as an alternative to long term dependency while at the same time supporting them to remain in the home if that is their wish’ (Department of Social and Family Affairs, 2000). While there is no employment conditionality attached to the payment, those in receipt of OFP can qualify for a range of employment and educational supports such as the Back to Work Allowance (BTWA), Back to Education Allowance (BTEA), VTOS and FAS training and in-work income support via Family Income Supplement (FIS) (see below). Information and advice on these schemes and other options are provided to lone parents, however, unlike those classified as unemployed this is not structured or systematic in nature and take-up is left to the discretion of the OFP recipient. Financial supports available include a one-parent family taxation credit, which essentially gives a lone parent the same tax credits as a single-earner married couple, and an earnings disregard on the OFP. Secondary benefits such as the medical card and rent supplement can also be retained subject to certain conditions.
The main component of the employment support policy for lone parents in receipt of OFP is the earnings disregard. The disregard means that a lone parent can earn up to €1,465.50 per week without the receipt of income being reduced. The disregard was set at €1,465.50 per week in 2006, but this was assessed at 50% per cent. Transitional arrangements allow retention of a portion of a person's payment for 6 months after they exceed the upper earnings limit. The intention of the earnings disregard is to 'cover employment related expenses including childcare and to encourage lone parents to participate in education/training' (Review of One-Parent Family Payment, 2000:4). Significantly no such earnings disregard exists for recipients of UA, while lower disregards are in place for QAs and recipients of Disability Allowance.

Effectiveness of the OFP disregard

Evidence suggests that the disregard has been successful in encouraging people to enter employment. As indicated in Chapter 2, almost 60 per cent of OFP recipients are in employment. The current economic situation and growth in on-site employment may also be opening up employment opportunities more suited to the needs of lone parents. The numbers of lone parents in Community Employment (CE) also highlights the desire of lone parents to participate in flexible employment. At the end of October 2004 there were 20,872 participants on CE schemes, almost 28 per cent of whom were recipients of OFP: CE has a number of specific attractions for lone parents; it is part-time, flexible, the place of work is local and importantly, there is often onsite childcare. While this is positive in that lone parents are moving into employment their progression rates into the open labour market are less than for all those participating on CE, with a review of CE in 1998 showing that only 15 per cent of lone parents moved into employment after participating on a scheme (Deloitte and Touche, 1998).

While the earnings disregard does seem to have played a role in facilitating lone parents to enter the workforce it may also have had the effect of trapping lone parents in part-time low paid employment in order to keep their earnings below the disregard. The assessment of earnings for the income tax year 1997/98 showed that of the 60 per cent who had earnings in the tax year 97/98, 76 per cent had less than €2,618 (€6,000). Similar results are shown for the year 98/99 with 72 per cent of those with earnings receiving less than €2,618 per annum (€6,000). By 2003, however, this had dropped to 43 per cent of those with earnings having less than the threshold of €1,465.50 per week (25 per cent of all OFP recipients). It is likely that this drop is partly explained by the impact of the minimum wage and the fact that the disregard has not increased since the schemes introduction. While this is a positive development, the continued high proportion of those OFP recipients with earnings less than the income disregard (€1,465.50) may indicate that the cut-off point leads to recipients limiting their earnings thereby creating a poverty trap. Also the earnings levels of those in employment suggest an employment trap may also exist at the current upper earnings thresholds (€293) — see Table 2.9.

The result is that despite the fact that many lone parents are in employment, relatively small numbers are moving off the scheme because their earnings exceed the upper limit (5 per cent of claim terminations in 2004 were due to income from employment exceeding the disregard). These disincentive affects are not however, only caused by the OFP itself. They are compounded by the complexity of the system and the difficulties involved in assessing the impact of take up or extension of employment, and as indicated by the Review carried out in 2000, other important factors such as lack of accessible childcare, educational disadvantage and the security of social welfare income (outlined below).

Wider issues affecting the decision to enter employment/education/training

These include the following:

i) Many lone parents suffer significant educational disadvantage from an early stage even prior to becoming pregnant. Census data (2002) indicates that almost 23 per cent of lone parents under age 65 years have either no formal education or primary level only. Age is a key factor in the highest level of education completed, with older age groups tending to have completed education at an earlier stage. However, even focusing on younger lone parents (aged 15-24); census data show that approximately 9 per cent have primary level education only (including those with no formal education) and a further 37 per cent have intermediate level. Approximately 46 per cent, therefore, have a level of education which would barely bring them to the minimum school leaving age but not beyond. The educational disadvantage of this group is an obstacle to labour market participation and it also dictates the requirement for and the financing of training. Considering the low levels of educational attainment also indicates that many lone parents are not labour force ready and require specific supports before taking up employment.

ii) The unavailability and cost of quality childcare acts as a major barrier to participation by women generally in the paid labour force and for lone parents in particular. Lack of affordable and suitable childcare also negatively impacts on participation in education and training. Childcare is a vital component of any action aimed at increasing the employment rate of lone parents in addition to achieving goals relating to child poverty, child development and gender equity. While substantial investment has been made under the National Development Programme/Community Support Framework, problems still exist with regard to both the supply and affordability of childcare, particularly for baby care and after school care. The Combat Poverty Agency has noted that Ireland's policy on child income support is unique in the EU, with a far greater emphasis on income support for families with children than any other country, but at the expense of adequate investment in subsidised quality services for children. It notes that current policy contributes to considerable employment losses for the families which can be most acutely seen through the very high replacement rates and marginal tax levels in households with children. This is particularly evident in lone parent families who are caught in a poverty trap due to the lack of incentives to gain employment because of the potential loss of benefits (perceived or otherwise) and lack of affordable childcare.

A new Early Childcare Supplement to assist with the costs of caring for children was announced in Budget 2006. The supplement of €250 per quarter (€6,000 in a full year) will be exempt from income tax and levies and will be available for all children under the age of 6, regardless of the labour force status of parents, including lone parents.

As part of the overall Childcare Strategy, a new National Childcare Investment Programme was also announced, which will run from 2006-2010 and support the creation of an extra 50,000 childcare places. The Programme will contain specific strands for areas of disadvantage, including provision for lone parents.

iii) Research suggests that decisions by lone parents with regard to employment are influenced as much by the amount of their combined welfare/work income as the stability and security of welfare income. While substantial evidence points to the importance of an employment/training incentive and policies which focus simply on the financial aspects of returning to employment may be misplaced (1997:46).

While a high proportion of lone parents are in employment, this should not be interpreted as indicating that the disregard is not working to the benefit of lone parents and their children. The disregard has been successful in encouraging lone parents to enter employment and to retain their employment, thereby improving their chances of remaining in employment and increasing their earnings, thereby increasing their chances of becoming self-sufficient and reducing their chances of remaining in social welfare dependency. This can have a positive effect on their children's educational attainment and future employment opportunities. A recent study of the impact of the OFP disregard found that the large majority of the recipients of the disregard had increased their earnings since the introduction of the disregard. While there is evidence that the disregard is effective in encouraging lone parents to enter employment, the effectiveness of the disregard is conditioned by a number of factors, including the level of the dismissal, the amount of support available to lone parents, and the need for quality childcare.
Other activation supports/links with other income supports provided by the Department of Social and Family Affairs

Back to Education Allowance (BTEA)

3.40 BTEA is designed to assist those who have not worked for some time to improve their employability and job-readiness by enabling them to improve their education level/qualifications. To qualify for payment a lone parent must either be over 21 years and receiving OFP for at least 6 months (for the second level option) or 12 months (for the third level option) or aged between 18 and 20 years and out of formal education for 2 years and receiving OFP for at least 6 months (for second level options) or 12 months (for third level option).

3.41 Importantly, the payment is not a means tested payment. Participants receive a weekly allowance equivalent to the maximum standard rate of their OFP payment (hence lone parents previously on reduced rate of OFP get the equivalent of the maximum rate OFP if they participate on the scheme). In addition participants on the BTEA are paid an annual cost of education allowance of €400.00 at the beginning of each academic year. Participants may continue to receive any secondary benefits to which they would otherwise have an entitlement. These may include Christmas bonus, rent allowance/mortgage interest supplement.

OFP and Back to Education Allowance

3.42 The numbers of lone parents accessing the BTEA has increased from 626 in 2002/03 to 1,514 in 2004/05 (Table 3.3 below). The increase can be attributed to increased awareness locally about the scheme and the work of Job Facilitators. It may also be attributed to the capping of numbers on the VTOS programme.

3.43 Table 3.3, while showing the significant increase in numbers of OFP recipients on the scheme also highlights the low participation rate in the second level education option. Findings from the Expenditure Review of the BTEA (2005) provide some explanation for this. In examining a socio-economic profile of BTEA participants, an imbalance in the representation across socio-economic groups is identified, with a lower level of participation among lower socio-economic groups. The Review has found that those engaging on the scheme are more likely to be young, female, on a qualifying payment for less than twelve months and from a higher socio-economic group. This highlights the need for more systematic and targeted engagement with lone parents who could benefit from participation on the scheme.

Back to Work Allowance (BTWA)

3.45 The objective of the scheme is to encourage the long-term unemployed and lone parents to return to the active labour force in either paid employment or self-employment. In order to receive the allowance the lone parent must either be working 19 hours a week, have been unemployed for at least 2 years, and receive OFP for at least 6 months.

3.46 Former OFP recipients made up 15.5 per cent of employees and 4.3 per cent of self-employed persons participating on BTWA in 2005 (overall total of 8.9 per cent). As with BTEA, BTWA is an important element in the package of supports provided by the Department of Social and Family Affairs to OFP recipients. The scheme is activation focused, encouraging participation in the labour force, with a tapered withdrawal of payment. The payment is not means tested and therefore those on the scheme do not experience a loss of income on cohabitation. The scheme also allows for retention of secondary benefits, which can be particularly important for OFP recipients in deciding to move off that payment.

Family Income Supplement (FIS)

3.47 This is a subsidy to the weekly net wage of employees with children where family net income falls below a specified threshold. Employees must be working at least 19 hours per week, though this can be in conjunction with hours worked by their spouse or partner. A lone parent who is working 19 hours or more per week can qualify for FIS in addition to OFP. The amount of FIS is calculated as 60 per cent of the difference between the clients net income from earnings, plus income from the OFP and the FIS income limit for the family size. This is currently €465 per week for a family with one child. As the OFP scheme allows lone parents to earn between €146.50 and €293 (€375 from June 2006) and still qualify for a maximum or reduced rate OFP payment, the same family will also be eligible for FIS.

3.48 This situation has arisen because of the fact that the OFP earnings disregard had not changed since the scheme was introduced in 1997. The income limits for FIS, on the other hand, have increased each year with the Budget. While in 1997 very few recipients of OFP would have qualified for FIS this is no longer the case.

3.49 The availability of FIS to OFP recipients provides an incentive to increase hours of employment to over the 19 hour threshold, while at the same time retaining the OFP and increasing overall household income. FIS is therefore an important element of the employment support package, which lone parents can be advised of and directed towards where appropriate.

Table 3.3: BTEA – Lone Parent Participation 2001/02 – 2004/05

<table>
<thead>
<tr>
<th>Year</th>
<th>Second Level</th>
<th>Third Level</th>
<th>Total OFP Participants</th>
<th>Total Participants</th>
<th>OFP as a % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>66</td>
<td>580</td>
<td>626</td>
<td>5,314</td>
<td>11.8</td>
</tr>
<tr>
<td>2002/03</td>
<td>68</td>
<td>732</td>
<td>800</td>
<td>6,473</td>
<td>12.3</td>
</tr>
<tr>
<td>2003/04</td>
<td>159</td>
<td>1,123</td>
<td>1,282</td>
<td>7,648</td>
<td>16.8</td>
</tr>
<tr>
<td>2004/05</td>
<td>35</td>
<td>1,479</td>
<td>1,514</td>
<td>7,308</td>
<td>20.7</td>
</tr>
</tbody>
</table>


Notes:

32 If the person opts for self employment the BTWA programme runs over a period of 4 years, with the participant retaining 100% of OFP in year 1, 75% per cent in year 2, 50% in year 3 and 25% in year 4.

33 The work must also be expected to last at least 3 months. CE does not qualify, however, BTWA does.
A particular issue with regard to FIS is its low take up. This has been highlighted most recently by the NESC who estimate that take-up lies at approximately 45 per cent. This and other issues with regard to FIS are currently being examined by the NESC in their review of child income support payments. The review aims to study how Child Dependent Allowances and FIS could be merged into a single programme to provide a ‘seamless source of child income support to low income families’, in a way that avoids the employment disincentives of CDAs and the low take-up of FIS (see Chapter 1). Any developments in this regard in the future will have an important impact on income support arrangements and employment incentives for those low income families, particularly those parenting alone.

F. Secondary Benefits

OFP recipients are currently entitled to receive a range of ‘secondary benefits’ including:

- Rent and Mortgage interest supplement,
- Medical Card,
- Fuel Allowance,
- Back to School Clothing and Footwear Allowance

Rent Allowance

Rent supplements are provided for under the Supplementary Welfare Allowance (SWA) scheme which is administered on behalf of the Department of Social and Family Affairs by Community Welfare Officers of the Health Service Executive. The purpose of rent supplements is to provide short-term income support to eligible people living in private rented accommodation whose means are insufficient to meet their accommodation costs and who do not have accommodation available to them from any other source.

A major factor taken into account by lone parents in deciding whether to take up employment is the impact any earnings will have on their eligibility for rent supplement. McCashin (1997) points to the reliance of lone parents and other low income persons on the private rented sector and the consequent growth in the importance of the SWA rent supplement for lone parents. In 2003 there were 59,780 people in receipt of the rent supplement of which almost 22 per cent (12,956) were in receipt of OFP; 16 per cent of OFP recipients. In 1999 the figures were 20 and 12 percent. Potential loss of the rent supplement is a major disincentive to entering employment for OFP recipients, who would have to significantly increase their income through employment in order to make up for the loss. In a study carried out in the Dublin South Central area, lone parents who were consulted expressed a preference for a cut in wages so as not to affect their rent allowance (Dublin South Central Social Inclusion Task Force, 2005:29).

Longer term housing need

In March 2002 approximately 43 per cent (20,882) of those on the waiting list for local authority housing were lone parents (Department of Environment and Local Government, 2005).1 This is significantly higher in some areas e.g. in Dublin South Central lone parents make up 51.9% of those on the area Housing Waiting List, with an average waiting time of 4.4 years. The majority (57%) of the lone parents from the area on the waiting list have one child, 26% have two children and 10% have three children (Dublin South Central Social Inclusion Task Force, 2005:26).

A review of the SWA scheme, under the Department’s Programme of Expenditure Reviews is currently being undertaken, with a view to completing the report by mid 2006. Amongst other issues, the review group is considering the ‘welfare to work’ effects of the SWA scheme including rent supplements. For those who continue to receive the short term rent allowance (and until the RAS is fully in place), the disincentive effects of possible loss of the allowance on the decision of lone parents to take up or extend employment is recognised by the Group.

Medical Card

A medical card issued by the relevant Health Service Executive Area enables the recipient and their dependents to receive certain health care services free of charge: GP services, prescribed drugs and medicines, in-patient public hospital services, dental and aural services, medical appliances.

All lone parents with no income other than OFP receive a medical card. Currently an income limit of €266.50 per week applies to lone parents (i.e. the same income limit for married persons). A further €38.00 is allowed for the first 2 children under 16 years. This applies to net income (gross less tax and PRSI). ‘Reasonable’ expenses incurred in respect of childcare costs, rent/mortgage payments and travel expenses to work are also allowed. There is however no exact definition of what ‘reasonable’ expenses constitutes.

A second type of medical card was announced in Budget 2004, which entitles the bearer to GP services only (referred to as the GP Visit Card). In this instance an income limit for those parenting alone of €333.00 (i.e. the married rate) applies, with €47.50 allowed for the first two children under 16 years. Again this applies to net income, with ‘reasonable expenses’ (as above) allowed.

The disincentive effects of possible loss of the medical card on take up or extension of employment have been referred to in other report and submissions (Department of Social and Family Affairs 2000:22, OPEN submission, 2005). While OFP recipients can retain their medical card for a period of 3 years after entering employment, this only applies where the household income is below €317.43 per week gross. Importantly in terms of activation measures and incentives this income limit of €317.43 does not apply where the OFP recipient moves onto the BTWA.

Back to School Clothing and Footwear Allowance (BTSCFA)

The allowance is intended to assist towards the cost of children’s school uniforms and footwear at the start of the school year. It offers help to school-going children for whom a child dependant increase is payable. The scheme is funded by the Department of Social and Family Affairs and administered by the relevant Health Services Executive via the Community Welfare Officers, as part of the Supplementary Welfare Allowance (SWA) Scheme. OFP recipients including those in receipt of FIS qualify for payment, as do those taking part in approved employment schemes e.g. BTWA, CE, Job Initiative.

34 This is significantly higher in some areas e.g. in Dublin South Central lone parents make up 51.9% of those on the area Housing Waiting List, with an average waiting time of 4.4 years. The majority (57%) of the lone parents from the area on the waiting list have one child, 26% have two children and 10% have three children (Dublin South Central Social Inclusion Task Force, 2005:26).

1 Medical Card income guidelines with effect from 13 October 2005.

2 Medical Card income guidelines with effect from 13 October 2005.

3 €41 for third and subsequent children under 16 years

4 €51 for third and subsequent children under 16.
An income limit of €292.90 gross per week for a lone parent with one child applies, increasing according to number of children (by €21.60 for every additional child). There are two rates of payment under the scheme; one for children aged 2-11 (€80 per eligible child, increasing to €120 in June 2006), the other for children aged 12-22 (€150 for each eligible child, increasing to €190 in June 2006).47

For the purposes of this scheme, income from rent or mortgage interest supplement, blind welfare allowance, home help, domiciliary care allowance and mobility allowance is ignored.

There are two key factors with regard to the secondary benefits outlined above:

i) that there is co-ordination of policy across schemes to ensure that improvements made in one area/scheme do not result in a ‘claw-back’ in another,

ii) that comprehensive and easily accessible information is available to lone parents in deciding to take up or extend employment.

### G. Maintenance Recovery

All applicants for OFP are required to make ongoing efforts to seek adequate maintenance from the other parent of their child. This applies to separated OFP claimants before award and unmarried OFP claimants after award.48

Where social welfare support is being provided to the one-parent family, the other parent is legally liable to contribute to the cost of this payment. The maintenance recovery unit of the Department seeks to trace the liable relative involved in order to ascertain whether s/he is in a financial position to contribute. Since 2001, OFP claimants are allowed to retain 50 per cent of any maintenance received without reduction in their social welfare entitlements, as a further incentive to seek support themselves.

All liable relatives assessed with maintenance liability are notified by the Department and issued with a determination order setting out the amount of contribution assessed. The Department seeks weekly payment, from liable relatives, and monies are paid direct to the Department.

In 2003 and 2004, 39,441 cases were dealt with. Table 3.4 below provides a breakdown of the categories involved.

### Means of maintenance recovery

Each year, a number of liable relatives are identified as being in a position to contribute towards the cost of their spouse and/or children. In 2004, this was 2,968 with 14 per cent beginning to contribute. The main sanction against liable relatives who do not respond to requests to contribute is court action. This is a long and complicated process requiring significant time and staff resources. Even when court action is taken, it is no guarantee of compliance by the liable relative. The experience of maintenance recovery to date has been that there is no guarantee that a liable relative will respond to communications from the Department short of taking court action. For this reason, the Group considers that a more defined sanction needs to be put in place such as Attachment of Earnings in order to reinforce the process.

### Conclusion

This chapter has outlined the range of issues considered by the Group in examining the effectiveness of the income support system to lone parents. In doing so wider features of the welfare system have been taken into account, as issues and problems identified with the OFP scheme may be as much related to these wider features as to the scheme itself. In placing the OFP scheme in this broader context it is clear that income support schemes cannot be examined in a discrete manner and equally that any proposals for reform must be co-ordinated to ensure consistency across the system. It is in this context that proposals for a reformed income support system for low income families with children are presented in Chapter 4 of the report.

### Table 3.4: Follow-up in cases where inadequate/minimum maintenance is made

<table>
<thead>
<tr>
<th>Category</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Trace</td>
<td>2,285 (12%)</td>
<td>2,091 (11%)</td>
</tr>
<tr>
<td>In receipt of a social welfare payment</td>
<td>2,518 (15%)</td>
<td>2,564 (15%)</td>
</tr>
<tr>
<td>Other (unknown, violent)</td>
<td>2,899 (14%)</td>
<td>2,564 (15%)</td>
</tr>
<tr>
<td>Working:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- No contribution due</td>
<td>9,447 (47%)</td>
<td>9,516 (49%)</td>
</tr>
<tr>
<td>- Determination Orders Issued</td>
<td>2,749 (14%)</td>
<td>2,768 (14%)</td>
</tr>
<tr>
<td>Total</td>
<td>19,998</td>
<td>19,443</td>
</tr>
</tbody>
</table>

47 Persons entitled to the Allowance while getting a social welfare or HSE payment before starting an employment scheme may still be able to get the allowance as long as gross household income is €317.43 a week or less and they continue to satisfy the conditions of the scheme. Income from BTWA and BTWEA is not taken into account in this for the purposes of the €317.43 weekly limit.

48 Normally, such maintenance is obtained by way of negotiation or by court order, though separated couples are increasingly using the Department’s Family Mediation Service.
Chapter Four

Proposals for Reform
Introduction

4.1 This chapter presents proposals for a new system of income support for lone parents and parents on low income. The various options for reform considered by the Group, the points of consensus on the direction of a reformed model and a rationale for change are outlined. A new model of income support for lone parents is then presented. While the aim of the Review has been to focus on social welfare income support for lone parents, some of the proposals made do impact on other social welfare schemes and require the provision of other supports e.g. child care, education and training and in-work supports. The impact of the proposal is then outlined, on the groups involved i.e. lone parents and qualified adults; on aspects of other social welfare schemes; and on broader issues regarding the income support system referred to in Chapter 3. Implementation issues for the Department of Social and Family Affairs and other departments/agencies are then outlined. Finally, differing scenarios illustrating the impact of the proposals on households are presented and costings outlined.

Options for reform considered by the Group

4.2 Various options for reform were considered by the Group. These take into account the issues identified in the previous chapter, views from submissions received, proposals and analysis from a range of different reports and reviews, together with the experience of those dealing with both policy and practical aspects of the current system. The full detail of these options is presented in Appendix 6. While the various options are outlined separately they should not be viewed in isolation and can be combined in a proposed model for reform. They are briefly as follows:

i) Maintain the current system.
ii) Maintain the current system, but introduce an age/time limit i.e. after first or youngest child reaches a specific age or after a specific duration.
iii) Pay OFP only when the parent is unemployed and replace with Family Income Supplement (FIS) when they are in employment.
iv) Abolish OFP, thereby ending the contingency of lone parenthood, with the following options:
   a) Pay lone parents with an income need UA but with relaxed conditionality until the child reaches a certain age.
   b) Introduce a means tested Parental Allowance (PA), payable until the child reaches a specified age at which point the person could receive UA if required. This could be accompanied by a part-time PA or by a FIS type payment when the person moves into employment.
   c) Pay a Home Care Allowance regardless of income (McCashin, 2004).
   d) Abolish all contingencies in social assistance and replace with a single means tested income support payment for people of working age. Those with children could receive a PA (as referred to above) for a specified period or activation conditions for receipt of this general payment could be relaxed until children reach a specified age.

v) Individualisation (differing types of individualisation are considered).
vi) Tapered withdrawal of payment on formation of a relationship.

vii) Second tier FIS and CDA (see Chapter 1).
There was consensus amongst the group on the following points:

> A needs based income support payment should be provided initially for those parenting alone.

> The virtual unlimited duration of payment is not in the best interests of the client nor society. Some time limit should be in place. This could relate to: commencement of activation measures; commencement of conditions related to continued receipt of payment ranging from attendance at interview to participation in employment/education or training as appropriate; movement to another payment.

The point at which this time limit should come into effect could relate to:

- the age of the youngest child,
- the age of the first child,
- the period spent in receipt of payment (for those who are separated child age limits may not be appropriate),
- individual circumstances and need (necessitating a more case managed approach).

> Engagement with and supports in terms of advice and facilitation should be provided to OFP recipients in a systematic manner. The localisation of the current OFP scheme, which is underway, will support this.

> Enforcement of the cohabitation rule is extremely difficult and resource intensive. The rule does not facilitate the forming of stable relationships. It is in effect unworkable and is wasteful of resources, which could be used in a more effective manner.

Rationale for change

4.4 The following is considered as a rationale for change to the current system of income support for lone parents:

> The social welfare system operates in a changing and complex environment. One of the challenges to the system is to respond to these changes in meeting the needs of clients and societal expectations. The introduction of the Lone Parent Allowance in 1990 represented an acknowledgement that the cause of 'lone parenthood' should no longer be relevant in terms of provision of income support. The new payment resulted in the ending of a range of different contingency based lone parent payments, thereby rationalising and unifying the system. The OFP introduced in 1997 simplified the system further. In introducing a relatively generous earnings disregard it gave recognition to women's increasing participation in the labour market and the fact that employment can provide a route out of poverty and social exclusion. The environment in which the system operates has continued to change with greater fluidity in family formation, changes in the labour market and changing expectations regarding the role of women. It is now considered that the OFP, with its strictly defined contingency of lone parenthood, long term duration and passive employment supports no longer reflects the more fluid society in which it operates and changing expectations regarding family and working life.

> Research highlights the high rates of poverty, consistent and relative, for lone parent households (Chapter 2). The social welfare system has a major role to play in the financial security which OFP offers to lone parents, with adequacy of income support being a central objective of the system.

> The contingency of lone parenthood on which payment of OFP is based specifies that the recipient of the payment has main care and charge of a qualified child/ren and is parenting alone without the support of a spouse or partner. The scheme cannot therefore countenance cohabitation nor can it accommodate the concept of joint equal custody or joint equal parenting. As stated in the previous review of OFP (2000) 'the basic problem is the nature of the social welfare system itself which supports particular contingencies and makes assumptions in relation to sharing of resources where couples live together in cohabiting or married relationships'.

> The current OFP provides long term income support, until children are 18 or 23 if in full-time education, to those parenting alone, with no requirement to be available for or seeking employment. Such long term welfare dependency in respect of a person of working age is not considered to be in the best interests of the lone parent, their child/ren or society in general. The Group considers that there is a need to remove the expectation of long term benefit dependency among new clients of OFP.

> Both nationally and internationally there is a growing emphasis on active social policy. Social assistance and the structure and delivery of payments has a key role to play in terms of incentive and disincentive effects with regard to commencing/returning to work, education or training and extending employment. One of the objectives of the OFP is 'to support and encourage entry to employment as an alternative to long term welfare dependency'. However:

- While the earnings disregard component of the OFP has played a role in facilitating lone parents to enter the workforce it may also have had the effect of trapping lone parents in part-time, low paid employment.
- The earnings disregard which is relatively 'generous' in comparison to other social welfare schemes is attached to the contingency of lone parenthood. Hence, moving from the contingency can entail not only loss of an independent income (in the case of cohabitation) but also loss of the disregard.
- Currently 'active support' in the social welfare system is concentrated on those who are in receipt of unemployment payments. Although incentives are offered to OFP recipients to take up employment in the form of earnings disregard and other schemes and supports available, these tend to be passive, non-structured in nature. The current passive approach towards training/work is no longer adequate. Changing the long term nature of income support to lone parents will require a more active, systematic employment support approach, intervening at an early stage of benefit receipt and with supports of a more ongoing nature ranging from education and training to employment.

> There are currently inconsistencies in how the welfare system treats women with children. For example, maternity benefit is paid for 22 weeks after which time the mother must return to work in order to have an income, while the income tax system and parts of the social welfare system e.g. OFP and the payment of qualified adult

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40 Lone parents with dependent children who had previously been in receipt of Unmarried Mothers Allowance, Deserted Wife’s Allowance, Widow’s Non-Contributory Pension and Prisoners Wife’s Allowance were transferred to the new allowance.

41 This is highlighted at international (OECD, EU) and national level (FAS, Department of Social and Family Affairs), with the focus on the need for social security to facilitate activation of those not already in the labour market. The National Action Plan against Poverty and Social Inclusion (2003:24) refers to increasing employment participation and making work pay. The Strategy Statement of the Department of Social and Family Affairs (2005:2007) under its ‘high level goals’ identifies ‘those of working age’ as a target group and highlights the need for social welfare to facilitate activation, for those not already in the labour market (Appendix 2).
The social welfare system should be as simple as possible for both claimants and administrators. Complexity adds to administrative costs and makes delays and errors more likely. It also may deter take-up of employment or training due to difficulties in understanding the consequences involved in terms of impact on basic welfare payments and on secondary benefits.

4.5 Taking into account the rationale for change outlined above and the principles presented in Chapter 1, the proposed reform of social welfare income support for lone parents aims to put in place a model which:

- Prevents long term dependence on social welfare income support and facilitates financial independence.
- Facilitates participation in employment/education and training in a positive and systematic way.
- Removes poverty traps from the system of income support.
- Provides income support at a level sufficient to enable full participation in society.
- Recognises parental choice with regard to care of young children but with the expectation that parents will not remain outside of the labour force indefinitely.
- Changes the expectations surrounding receipt of OFP, introducing an expectation of participation but with supports provided in this regard.
- Is neutral in terms of influencing people’s basic choices regarding choice of living arrangements.
- Ensures consistency of treatment across means tested social welfare schemes.

4.6 A number of points arise with regard to the above aims. Firstly, in attempting to improve incentive effects, consistency/equity in treatment should be maintained both across the social welfare system and fiscal and wider government policy. Secondly, putting in place time limits or some element of conditionality on receipt of payment for those with children can only be done in the context of availability of and access to support services, particularly childcare (see Chapter 3).

Proposed new system of income support

A new Parental Allowance (PA) for low income families with young children. This will replace the current One-Parent Family Payment (OFP) and Qualified Adult Allowances (QAA) in social assistance.

4.7 The purpose of this reform is to provide income support; facilitate choice in parenting and living arrangements, while also encouraging and supporting progression into employment. It will ensure equity and consistency in the social welfare assistance system by ensuring that all low income parents with young children receive the same income and supports and face similar requirements for engagement. It moves away from the ‘male breadwinner’ model to one in which people receive payment in their own right. Ultimately this reform is aimed at making a decisive impact on tackling poverty and social inclusion.

Payment details

4.8 The proposal ends the contingency of lone parenthood and hence the OFP, putting in place a new PA for all low income families with children, including current qualified adults (QAs)\(^*\), with children of a certain age e.g. 5, 7 or 12 and under. The payment would be based on a household means test and payable at the current UA/OFP rate (€165.80). One such allowance would be payable to one and two parent families.

Conditions

4.9 The new payment would be time limited, payable to families where the youngest child is a specified age e.g. 7 years and under. Conditions on receipt of payment would be related to the age of the child, as follows:

- There would be no conditions until the youngest child reaches a certain age e.g. 5 years. However, when a client makes a claim, they would be informed of the time limitation on receipt of payment and the various options available to them in terms of income support, education and training etc.
- When the youngest child is between, for example, age 5 and 7, more active and compulsory engagement would take place. This would involve attending meetings with the Job Facilitator/Departmental representative who would provide information and advice on various options, be that to education, training or employment. During this period, payment of the allowance would be conditional on participation by the recipient in the engagement process. Non engagement would result in deferral of payment, until the engagement condition was complied with.
- When the child reaches a certain age payment of PA would cease. If the parent is not in employment, education or training, they could apply for UA, BTWA, BTEA or another appropriate payment if in need of income support.

4.10 The requirement to seek full-time work, usually considered to be forty hours, is inherent in the unemployment schemes of the Department of Social and Family Affairs. This no longer reflects the atypical working patterns of many people in Ireland today, particularly women. The Working Group considered that in order to meet the ‘genuinely seeking work’ condition attached to the payment of UA, seeking work of 19 hours and over should be sufficient; this is in line with the conditions applying to FIS. It is acknowledged that using a benchmark of 19 hours may have implications for other schemes and this will need to be explored further.

4.11 It is important to note that activation, as referred to in the proposal, is ‘positive’ in nature; it is not simply focused on moving people into employment or low paid jobs. It encompasses interview/advice meetings, education and training and providing people with the skills to enable them to achieve financial independence.

4.12 While conditions are being placed on receipt of payment, so too are supports being offered in a structured and systematic manner to the persons concerned, including the availability of accessible and affordable childcare (see 4.13). Hence the relationship between the client and the State is one of mutual obligation.

\(^*\) Where the main claimant is in receipt of a means tested payment. Social Insurance QAs with children 7 and under could opt to receive PA, although this would be dependent on a household means test. They would then be expected to comply with the conditions outlined at 4.9 above.
Introduction of an activation requirement is predicated on childcare supports being available. The Group notes that this issue is being dealt in other fora and notes the positive measures announced in Budget 2006 (see 3.39). Another option considered by the group was the provision of a direct child care allowance (to the PA recipient or childcare provider) as part of an activation package offered to the PA recipient. This could be part of a fund available to Job Facilitators.

Age to which Parental Allowance is payable

Considerable discussion took place in the Group regarding the age at which payment of PA would cease. It was considered that:

- **At Age 0:**
  - Ending OFP completely, with no PA being put in place i.e. the parent having to seek UA or another payment immediately after the child was born, would not facilitate parental choice with regard to care of young children.

- **At age 5:**
  - The child has commenced primary school,
  - There is scope for the parents to engage in education/training or employment.

- **At age 7:**
  - The junior cycle of primary school is complete.
  - There is more scope for the parent to work part-time (in some schools the hours are shorter for children in junior and senior infants classes, increasing at 1st class).
  - The average claim duration for OFP is 75 years. Hence based on current trends, many lone parents would already have moved off the payment.

- **At age 12:**
  - It was considered that this
    - Represented too long a time period for the parent to be out of the labour market.
    - It would not be feasible or effective to have activation continuing for a number of years.
    - The person would be dependent on social welfare income support for a significant period before any engagement took place.
    - It would encourage longer claim duration than currently exists.
  - Almost 74 per cent of the children of OFP recipients are under 12, hence a reform which uses age 12 as the cut off, will have little impact in terms of activation.

Overall the Group considered that payment of PA should cease when the youngest child reaches the end of their 7th year, for the reasons outlined above. This being the case, formal activation could commence when the child was age 5 years (see 4.9 above). This would give the parent the opportunity and supports required to engage in education or training for three years, before payment of PA would cease. The Group acknowledges, however, that the age to which PA should remain payable is a matter for decision by Government following a consultation process.

Earnings Disregard

Those in receipt of PA would be allowed to earn up to €120.00 per week without it affecting their payment. For those with earnings over this amount, once the disregard has been applied, 40 per cent of the remainder would be assessed as means. This would ensure that an incentive exists for the parent to enter and increase hours of employment without facing a poverty trap (i.e. a € for € withdrawal of payment will not occur). The Group is proposing that the upper limit on the earnings disregard be increased substantially to €400 per week.\footnote{The Group’s deliberations took place prior to the decision in Budget 2006 to increase the current earnings threshold from €293 to €375 (to be introduced in June 2006). Those deliberations informed that decision. Consideration was given to removing the upper earnings limit entirely to ensure that no poverty traps exist for those in receipt of PA. While this would provide an incentive to increase earnings, it would also result in those on relatively high income continuing to receive a social welfare payment.}

Under the proposal the current (OFP) earnings disregard is being reduced from €146.50 per week to €120.00, at the same time the proportion of means being assessed is being reduced from 50 per cent to 40 per cent. The earnings disregard for QAs is being increased from €88.88 (increasing to €100 in May 2006) to €120.00. The objective is to encourage lone parents to increase their earnings/hours of employment above the lower earnings limit (where currently a poverty trap exists). At the same time the upper earnings limit for receipt of PA will be increased substantially from its current level of €293 to €400 per week. Again this will encourage lone parents to increase their hours of employment, thereby strengthening their attachment to the labour market and removing the second poverty trap which currently exists at the upper income limit (an announcement was made in Budget 2006 to increase the income threshold to €375 – see footnote 43 below). Another positive effect of reducing the lower income disregard is that it introduces greater equity/consistency in the system of social welfare, in bringing it more in line with income disregards attached to other schemes\footnote{For example the earnings disregard for Disability Allowance is €120.00 per week.}

The disregard would apply to income on a gross basis. Level of PA payable will change as means change, as is currently the case with OFP i.e. it will not be assessed on a yearly basis as is the case with FIS.

Once the parent reaches 19 hours of employment they would be eligible for FIS in addition to Parental Allowance i.e. as is currently the case, with OFP and FIS both payable\footnote{The option of stopping payment of PA once 19 hours of work was reached, with the lone parent then moving onto FIS alone, was examined. However, the losses were considered to be too significant in the absence of another income support payment targeted at low-income families. The imposition of a 19 hour cut off also had the capacity to create a threshold beyond which a person would not wish to work as their PA payment would cease, hence creating a further poverty trap.}.

\begin{itemize}
  \item \textbf{Age to which Parental Allowance is payable}
  \item \textbf{Earnings Disregard}
\end{itemize}
The table below sets out the way in which PA would be paid:

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>Income*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in employment</td>
<td>Parental Allowance + Child dependent allowance</td>
</tr>
<tr>
<td>in employment with earnings less than €120.00 per week</td>
<td>Earnings up to €120.00 per week + Parental Allowance + Child dependent allowance</td>
</tr>
<tr>
<td>In employment with earnings over €120.00 per week, but hours of employment less than 19 hours per week</td>
<td>Earnings + reduced Parental Allowance + Child dependent allowance</td>
</tr>
<tr>
<td>In employment over 19 hours per week, with earnings less than €400</td>
<td>Earnings + Family Income Supplement + reduced Parental Allowance + Child dependent allowance</td>
</tr>
<tr>
<td>In employment with earnings over €400</td>
<td>Earnings and FIS/no FIS</td>
</tr>
</tbody>
</table>

* Child Benefit is an important element of child income support payable to all families.

Summary of the Proposal for Reform

<table>
<thead>
<tr>
<th>Income Support Not in employment</th>
<th>&gt; &gt; &gt;</th>
<th>Activation (after a period of time)</th>
<th>&gt; &gt; &gt;</th>
<th>Movement into employment /training/education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parental Allowance (means tested payment, for all parents with children aged 7 and under) – Conditionality after age 5 years</td>
<td>Parental Allowance (with income disregard)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Benefit</td>
<td>FIS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back to Education Allowance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Back to Work Allowance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAS/Department of Education schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment (full/part-time)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Introduction of the reforms

4.20 In introducing this new model of income support for lone parents it is proposed that there be a transitional period of 5 years, at which point those on lone parent means tested schemes would move to the new arrangement\(^6\). This period is considered appropriate as the current average duration of payment is 7.5 years for unmarried claimants and 5.5 for separated claimants. Hence a significant number of those already in payment would have moved off OFP\(^6\). New applicants for the current OFP will immediately be placed onto the PA scheme.

4.21 In view of the lower participation of older women in the labour force, income support should continue to be offered to persons who have become separated or widowed with care of children under 16 years, in the short-term. Hence in such cases PA will be payable for a period of 1 year. Recipients will be engaged with in terms of information and advice on options available to them during this period.

4.22 Given the changing nature of women’s labour force participation and the fact that it is increasingly the norm for women with children to remain in the labour force, and in the context of the principle of economic independence it is considered by the Group that the above provision for separated and widowed persons should not remain in the longer term. It is increasingly likely in the future that persons in such situations will already have an attachment to the labour force. For this reason the Group considers that this should be a temporary provision only, lasting for a period of 5 years, from the introduction of this reformed model.

Costing of the Proposal

4.23 The following table provides the overall costing of the proposal. It is important to note that the costings:

- Are based on assumptions which are crucial in assessing the overall costs:
  - It is assumed for all costings that the claimant does not have another child.
  - There is no experience of how OFP claimants are likely to respond to activation, hence half the current Live Register exist rates are assumed.
- They do not factor in the behavioural effects that may occur when new tapers and disregards are introduced. This applies to both existing and possible potential social welfare recipients.
- The cost of activation is not included.
- The cost of supports necessary to accompany the reform proposal e.g. childcare provision, educational and training supports are not included.

\(^6\) In the past existing schemes have continued to operate for certain recipients when a new scheme was introduced. This meant that different schemes, with different conditions continued side by side. (When the LPA was replaced by the OFP in January 1993, the legislation incorporated a ‘saver’ to the effect that an existing LPA claimant would not be worse off under the means test for the new scheme. While the majority of claimants were better off under the OFP scheme, a small number continued to be assessed with the means test for the LPA. The result is that 9 years after the LPA was abolished, some clients still have to be assessed under the LPA.) For this reason the preferred option of the Group in relation to any new scheme would be that OFP would be ‘saver’ for a finite period of 5 years. Having such a ‘saver’ period represents greater efficiency and simplification of the system from an administrative view point and facilitates equity of treatment for all parents in the system.

\(^7\) Social welfare records indicate that in May 2005, over 63 per cent of claims awarded were in the previous 5 years (records showing the number of claims awarded each year from 21/12/98 i.e. the start of computer records to May 2005).
Hence, the figures presented in Table 4.1 below are indicative only.

Table 4.1: Summary table – Gross savings (€ millions) after implementation of scheme in 2005/06 terms (based on PA payable until the youngest child is over 7 years)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Net savings</td>
<td>-19.3</td>
<td>-18.0</td>
<td>-16.6</td>
<td>-15.2</td>
<td>60.7</td>
<td>113.5</td>
<td>94.6</td>
<td>74.6</td>
</tr>
<tr>
<td>(2) QAA savings</td>
<td>7.4</td>
<td>12.5</td>
<td>12.0</td>
<td>10.0</td>
<td>28.9</td>
<td>48.7</td>
<td>59.0</td>
<td>70.5</td>
</tr>
<tr>
<td>(4) Limitation a</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
<td>-43.1</td>
</tr>
</tbody>
</table>

Savings

i) Net savings (item 1) – these savings arise from the different conditions that would apply to former OFP recipients under the PA scheme. The savings (negative from 2006 -2009) are due to:

- people moving off PA when their child is over 7 years and
- when they move into employment and are no longer eligible for payment

- less the increased expenditure on other schemes which people may move onto after PA
- less the cost of additional people who could come onto the scheme who are not currently in receipt of a social welfare payment (see below)

- savings from the decrease in the lower earnings limit and the ending of half rates of UB/DB.

Also included in net savings, thereby reducing them, is the cost of an additional 2,000 people not currently in receipt of a social welfare payment, who could come on to the PA payment. This could occur due to the increase in the upper earnings disregard to €4,000 per week or other changes in conditionality (e.g., no restriction on cohabitation). There is no way of ascertaining the exact numbers who this could affect, hence 2,000 is an estimated figure. It is important to note that while this refers to 2,000 full-rate payments, this would not be the case and would equate to approximately 4,000 partial rate payments.

ii) QAA savings (item 2) – as QAs in social assistance schemes would now be required to apply for payment in their own right, PA conditionality would also apply to this group (i.e., payment would be limited to the youngest child being 7 or under). QAA savings are realised after the 5 year saver clause on existing QAs ends. However, there will be some QAs affected from 2006 onwards due to the high turnover of customers on some schemes.

Costs

i) Child Dependent Allowance cost (item 3) – this is the cost of bringing the lower rate CDA (payable with UA – €16.80 to the middle rate payable with OFP – €19.30).

ii) Lifting limitation for QAs with children 7 and under in social assistance (item 4) – Under the new PA scheme former QAs in social assistance (who are eligible for PA) are entitled to a significantly higher payment in their own right, and this additional cost is reflected in this item. The cost is incurred from the year of implementation.

When the above exercise is carried out using a cut off point for receipt of PA at 5 years, the net savings are €142.4m.

When the above exercise is carried out using a cut off point for receipt of PA at 12 years, the net savings are €12.4m.

Impact of the Reform

4.25

While it appears that this proposal results in significant savings this is mainly due to the shorter duration of payment and the assumptions regarding live register exit rates resulting partly from activation measures. It is important to note that overall costs will be significant, particularly with regard to childcare and activation supports. These costs will be significant in the initial period. Any analysis of costs and benefits must, however, take into account the longer term benefits of the proposal:

- growth in the labour force,
- increased tax returns,
- reduced dependence on social welfare income support,
- positive poverty and social inclusion impact,
- breaking the cycle of intergenerational poverty and social exclusion.

Impact of the Reform

4.26

i) Poverty impact

Increases in household income which will accompany the payment of PA (approximately €58 for a couple household) and the increase in level of CDA will have a positive impact on levels of child income poverty. From a longer term perspective, the positive activation of those parenting alone, with the supports required to do this in place, will increase the income of such families. Numerous reports have indicated that employment is one of the most important routes out of poverty. Recent studies (NESC, CPA) have highlighted the fact that children in lone parent households where the parent was employed escaped persistent poverty completely. Similarly with regard to consistent poverty, parental unemployment rather than family type was the single most important factor associated with a high risk of child poverty in 2000. For example, children of couples neither of whom were working ran a poverty risk four times as high as that of children of lone parents in work. The proposals being put forward in this report will result in reduced dependence on passive income support, instead facilitating greater financial independence, provided adequate supports are put in place and suitable jobs are available (see Appendix 1 for Poverty Impact Assessment of reform proposal).

48 Persistent poverty: households below 60% of median income for a consecutive period of at least 3 years.
ii) Addressing cohabitation

4.27 The Review highlights the disincentives which exist to giving up a payment if a parent cohabits i.e. loss of income and financial independence. Under this proposal the contingency of lone parenthood would be abolished. Instead, a payment will be made all parents with young children on a low income. Payment will be made as of right, once a means test has been satisfied, thus ensuring financial independence. This removes the stigma sometimes attached to lone parenthood, recognises the changing nature of family formation, removes some of the disincentives for lone parents to form stable relationships, and facilitates a more neutral social welfare system with regard to people’s choice of life style or living arrangements.

4.28 Where the PA recipient cohabits with someone in employment, whose income brings the household above the means test, then PA will not be payable. This is due to the household basis of means tests in the social welfare system, which assumes sharing of income and costs in such relationships. It also recognises the fact that moving to individualised household means testing would have the effect of redistributing social welfare income support to higher income groups.

Various scenarios outlining the financial situation of households under the current and proposed system are presented below in Table 4.2.

iii) Individualisation/Qualified Adults

4.29 Under the proposal the concept of ‘qualified adult’ is abolished within the system of social assistance. This ensures consistency in treatment and equity across the social welfare system and recognises the changing role of women in society and the labour market. Under the reform, where a household means test is met all individuals will receive a payment in their own right.

4.30 Couple households with children under a specified age

QAs with children under a certain age e.g. 5, 7 or 12 years and under will move to PA. Where a PA recipient cohabits with someone in receipt of UA, or a similar means tested payment, she/he will continue to receive all PA payment in their own right, no longer derived from the ‘main claimant’. Limitation will not apply. This will result in an increase in income to the household of over €38 per week, with two independent, separate payments being made. This increase in income will recognise the higher costs associated with care of younger children and assist in addressing the problem of poverty among children in low income families.

4.31 Households with no children under a specified age

PA will not be payable to those whose youngest child is over a certain age e.g. 5, 7 or 12 years and those without children. In this instance the parent will either already be in employment, education or training or move to another income support payment such as UA. While limitation will then apply, separate individual UA payments will be made (0.85 of a payment) to each claimant. Although having the same effect as administrative individualisation, the fundamental difference is that under this proposal the parent has an entitlement to a separate payment. Receipt of UA will then ensure that structured and systematic employment supports will be available to the individual.

4.32 Ending the payment of QAs means that those concerned will receive a social welfare payment in their own right, moving the system away from the breadwinner model to one where individuals are guaranteed an independent income where conditions are met.

4.33 From an equity viewpoint, ending the concept of QA in social assistance ensures consistency in treatment. It would not be feasible to offer systematic supports and engagement to lone parents, while also limiting the duration of their payment and requiring engagement in terms of labour force participation or participation in education or training and not apply the same conditions to QAs for whom currently no supports, conditions nor contingency requirement exist. Nor do QAs have to have children in order to receive payment currently.

4.34 An issue which arises is the fact that QAs would continue to exist within the social insurance system. This inconsistency is recognised by the Group. It is accepted however that change tends to be incremental in nature and that this could be examined as a next stage of reform. It was also considered that in the light of the increasing participation in the labour market, more women will gain individual social insurance records and therefore individual entitlement to payment. In the meantime any perceived advantage to the former QA in social assistance, with the making of an individual payment, must be balanced by the fact that such a payment, be it Parental Allowance or UA has specific conditions attached, which is not the case with the current social insurance QA payment.

Table 4.2: Comparison between existing OFP and proposed Parental Allowance for different household types

<table>
<thead>
<tr>
<th>Household Type</th>
<th>Household income – Current OFP</th>
<th>Household income – Proposed Parental Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lone parent, child under specified age, not in employment</td>
<td>165.80 PA + CDA 185.10  Total = 350.90</td>
<td>165.80 PA + CDA 185.10 Total = 350.90</td>
</tr>
<tr>
<td>Lone parent, child under specified age, in employment; 12 hrs per week @ minimum wage</td>
<td>185.10 Earnings 19.80 Total = 204.90</td>
<td>185.10 Earnings 19.80 Total = 204.90</td>
</tr>
<tr>
<td>Lone parent, child under specified age, in employment; 20 hrs per week @ minimum wage</td>
<td>185.10 Earnings 71.00 Total = 256.10</td>
<td>185.10 Earnings 71.00 Total = 256.10</td>
</tr>
<tr>
<td>Lone parent, child under specified age, in employment; 30 hrs per week @ minimum wage</td>
<td>185.10 Earnings 30.00 Total = 215.10</td>
<td>185.10 Earnings 30.00 Total = 215.10</td>
</tr>
<tr>
<td>Lone parent, child under specified age, in employment; 45 hrs per week @ minimum wage</td>
<td>185.10 Earnings 153.00 Total = 338.10</td>
<td>185.10 Earnings 153.00 Total = 338.10</td>
</tr>
<tr>
<td>Lone parent, child under specified age, in employment; 60 hrs per week @ minimum wage</td>
<td>185.10 Earnings 153.00 Total = 338.10</td>
<td>185.10 Earnings 153.00 Total = 338.10</td>
</tr>
</tbody>
</table>

* Alternatively – increased hours at a lower rate of pay.

Note 3: FIS is rounded up in the table.

Note 4: The increase in the threshold for entitlement to full rate QAA from €88.88 to €100 per week, announced in Budget 2006, is included in the above table.

PA will be payable to one parent in a couple household.
There were 2,058 recipients of WNCP under 65 years in 2004.

19.30. €

lower rates would be brought up to

51

16.80. Under the proposal all of the €19.30 and €21.60 (for Widows Contributory Pension), €19.30 and €16.80 (for Widows Non-Contributory Pension), €19.30 and €16.80. For reasons of consistency this would mean €463.10 - €460.10 = €3.00. For reasons of consistency this would mean €463.10 - €460.10 = €3.00.

Note: (1) The scenarios above take into account Budget 2006 changes to the OFP earnings disregard i.e. increasing the upper limit from €293 to €375, although this will not be introduced until June 2006. (2) FIS is rounded up in the calculations.

4.35 It is important to note that the figures in Tables 4.2 and 4.3 are indicative only. In particular, it is emphasised that the reform proposed does not envisage loss of income. Figures shown above are purely illustrative, with the losses appearing in the table above, due to rounding differences. These would be evened out in future analysis and refinement of the proposal.

Impact on other social welfare schemes

Child Dependent Allowances (CDAs)

4.36 In order to ensure no loss of income for lone parents moving from PA to UA and in terms of equity, it is considered that the CDA rate of UA (€16.80) should be increased to the current OFP/new Parental Allowance rate (€19.30). For reasons of consistency this would mean bringing all of the lower CDA rate payments up to this standard (middle) rate*. This could be considered as part of a package of measures to address child poverty. Further reform of CDAs is possible, in line with other proposals which are under discussion (see Chapter 1).

Family Income Supplement (FIS)

4.37 The proposals have no impact on the current structure of FIS. Once the PA recipient is in employment of more than 19 hours per week/38 hours per fortnight they would be entitled to FIS as is currently the case. Payment would be 50% of the difference between weekly income (items currently counted as income would be included) and the income limit for the relevant family size.

Back to Work Allowance (BTWA)

4.38 Persons in receipt of OFP are currently eligible for BTWA where they are in receipt of payment for 15 months (in addition to other conditions relating to the employment concerned). This would continue to be the case for those in receipt of PA. BTWA would be an important part of the package of supports available from the Department of Social and Family Affairs in the activation process. Scheme participants can retain secondary benefits (including medical card, rent allowance and back to school clothing and footwear allowance) for three years while in receipt of the Allowance.

Table 4.3: Comparison between existing OFP and proposed Parental Allowance Scheme (working more than 19 hours per week – FIS payable)

<table>
<thead>
<tr>
<th>Earnings</th>
<th>OFP</th>
<th>CDA*</th>
<th>FIS</th>
<th>TOTAL</th>
<th>PA</th>
<th>CDA*</th>
<th>FIS</th>
<th>TOTAL</th>
<th>Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>€146.00</td>
<td>€165.80</td>
<td>€19.30</td>
<td>€91.00</td>
<td>€432.10</td>
<td>€155.40</td>
<td>€19.30</td>
<td>€87.00</td>
<td>€407.10</td>
<td>€-46.40</td>
</tr>
<tr>
<td>€160.00</td>
<td>€165.80</td>
<td>€19.30</td>
<td>€92.00</td>
<td>€437.10</td>
<td>€149.80</td>
<td>€19.30</td>
<td>€82.00</td>
<td>€411.10</td>
<td>€-6.00</td>
</tr>
<tr>
<td>€180.00</td>
<td>€180.00</td>
<td>€19.30</td>
<td>€66.00</td>
<td>€421.10</td>
<td>€141.80</td>
<td>€19.30</td>
<td>€75.00</td>
<td>€416.10</td>
<td>€-5.00</td>
</tr>
<tr>
<td>€200.00</td>
<td>€185.80</td>
<td>€19.30</td>
<td>€60.00</td>
<td>€425.10</td>
<td>€133.80</td>
<td>€19.30</td>
<td>€68.00</td>
<td>€421.10</td>
<td>€-6.00</td>
</tr>
<tr>
<td>€220.00</td>
<td>€195.80</td>
<td>€19.30</td>
<td>€50.00</td>
<td>€445.10</td>
<td>€99.80</td>
<td>€19.30</td>
<td>€32.00</td>
<td>€425.10</td>
<td>–</td>
</tr>
<tr>
<td>€250.00</td>
<td>€210.80</td>
<td>€19.30</td>
<td>€20.00</td>
<td>€460.10</td>
<td>€73.80</td>
<td>€19.30</td>
<td>€20.00</td>
<td>€463.10</td>
<td>€3.00</td>
</tr>
</tbody>
</table>

*CDA – Child Dependent Allowance

Widows Non Contributory Pension (WNCP)

4.39 Introduction of a PA payment and the ending of the QAA in social assistance implies the ending of the Widows Non-Contributory Pension (for those under age 66). Widows with children under the specified age (currently in receipt of OFP) would receive the PA. Those with no children or children over that age with an income need could apply for UA or another appropriate payment. Newly widowed persons without children or with older children, would be treated in the same way as separated persons and be entitled to payment of PA for a period of one year, with supports provided.

All those currently in receipt of the WNCP would retain their entitlements under that scheme, but with no new entrants being allowed onto the payment*. Data highlight the decreasing numbers in receipt of this payment due to the growth in participation of women in the labour force, with a corresponding increase in those eligible for social insurance based payments.

No change is proposed for those age 66 and over in receipt of the WNCP nor those in receipt of Widows Contributory Pension.

Limitation

4.40 As outlined above the proposal means the ending of limitation where there is a child/ren under a specified age in a couple household, where one person is in receipt of Parental Allowance and the other is in receipt of a social assistance payment. A household means test would still apply in this instance. This would mean that limitation would be lifted for a limited period of time. In doing so, however, it would give recognition to the additional costs associated with young children.

Rent Supplement

4.41 New rental assistance arrangements, described in Chapter 3, will see local authorities assume responsibility for meeting long-term housing assistance needs, removing this aspect of housing need from the Supplementary Welfare Allowance (SWA) scheme. The new Rental Accommodation Scheme (RAS) will include the needs of certain people in receipt of rent supplements for 18 months or longer. Lone parents account for 27 per cent of the 30,000 currently in the target group for this initiative. The RAS should be beneficial for lone parents for the following reasons:

- The fact that they will be actively engaged with after 18 months will prevent long term dependence on private rented accommodation.
- They will have a greater choice of accommodation. In the past, lone parents might have been offered local authority accommodation in an area that was remote from where their extended family was located. Under the new scheme they can opt for accommodation closer to their family supports.
- At present if a lone parent with rent allowance in private rented accommodation takes up employment they will lose their RA. Under the RAS they will retain rent support on a tapered basis.
- Lone parents will have better security of tenure under RAS.
For those in receipt of rent allowance under SWA (i.e. renting for up to 18 months), problems remain regarding the disincentive effect of taking up paid employment due to the withdrawal of rent supplement which occurs as income rises. A particular issue which arises from the proposed PA and lifting of limitation is that the rent supplement means test is currently based on the SWA+QAA rate i.e. €17. In the case of a claimant on UA with a spouse in receipt of PA the effect would be to have some €58 immediately clawed back. While it is recognised that couples would do no worse in these circumstances, it is problematic in that the Department would be increasing household income under the PA scheme and withdrawing it under SWA. One means of addressing this would be by means of an income disregard for those in receipt of a PA payment. However, this could introduce excessive disparities between families with children under and over the specified age (for receipt of PA).

A review of the SWA scheme, under the Department’s Programme of Expenditure Reviews is currently taking place with a view to completing a report by early 2006. These issues have been raised with the Group for consideration and will form part of that Group’s deliberations.

**Ending of Double payments**

Currently both recipients of WNC and OFP are entitled to receive a half rate of unemployment benefit and disability benefit if they have been in employment and meet the necessary eligibility requirements. The Group recommends such half rate payments not be payable with PA (they would continue for the 5 year transitory period for those who remain in payment and for the current cohort of WNC recipients) for the following reasons:

- It would ensure greater consistency across the social welfare system, where there is a general principle that two social welfare payments cannot be paid to the same individual.
- Such an arrangement is not conducive to the objectives of activation and encouraging financial independence from social welfare income support.
- It contributes to simplifying the system.
- The basic payment is considered to be adequate and the reform proposed allows for higher potential earnings.

**Broader impacts**

**i) Joint Custody**

The abolition of the OFP and the introduction of a PA ends the contingency of lone parenthood within the system of social welfare. At the same time ‘parenting’ is recognised within the system regardless of family type. The new payment therefore recognises the different types of families which exist in Irish society and the greater movement between different family forms.

With regard to cases of joint custody, the payment will continue to be made to the parent who has main care and charge of the child. Where parents are separated payment can be made to the two parents where there is more than one child and they are living with different parents. In instances where there is joint equal custody of a child, then one PA allowance will be payable (who it is payable to, to be decided upon by the parents themselves/through the courts/ or though family mediation). This would be the case in a couple household (living together) also, where one allowance will be paid.

**ii) Changing family roles**

The proposed payment of a Parental Allowance to all low income families recognises parenting within the social welfare system regardless of household type or which parent applies for the payment. The payment moves the social welfare system away from the ‘male breadwinner’ model, which has traditionally viewed the father as breadwinner and mother as carer to one which recognises the increasing participation of women in the labour market, the change in traditional family roles and the sharing of tasks within the household.

The Group recognises that income supports alone are not sufficient to support these changes. Key factors in supporting families in this changing labour market and social environment and in the sharing of roles within families are a family friendly approach to the provision of services and family friendly workplace practices e.g. with availability of flexible working arrangements. Such measures are in the interests not only of fathers, but of both parents and children, if more equal and balanced shared parenting is to be achieved.

The need for such measures is highlighted by the OECD (2003) in their report entitled ‘Babies & Bosses: Reconciling Work and Family Life’. That report recommends:

- Encouraging both unions and employers to make workplaces more family-friendly.
- An entitlement to work part-time for parents with very young children.
- Exploring options to address out-of-school-hours child care needs using school premises.

**iii) Maintenance**

Chapter 3 of the report outlines the ‘liable relatives’ provision of the Social Welfare Act 1989 (as amended by the Social Welfare Act of 1993). Under the legislation the state is entitled to recover from liable relatives some or all of the amount being paid to the lone parent. This work is done by the Maintenance Recovery Unit in the Department of Social and Family Affairs.

The Group considers that with regard to maintenance recovery:

- The Department should continue with the existing system (as recommended by the Review of OFP, 2000) and, subject to resource constraints, that activity should be increased.

**Ending of Double payments**

The Group did consider the payment of a part-time allowance in instances of joint equal custody and the splitting of payments. However, the Group noted the further difficulties and complexities which could be introduced to the system by taking this approach in terms of amounts to be allocated to respective parents and the aim of moving away from narrowly defined contingencies to focus on income support based on need. The Group was also in agreement with the conclusion of the Review of the OFP carried out in 2000, which considered that the social welfare system ought not to be expected to support two households for the purposes of joint parenting (2000:105).

Overall the Group was of the opinion that it is not the role of the social welfare income support system to involve itself in decisions regarding the amount of time a child spends with its parents and the splitting of payments accordingly, but is something that could be dealt with through other more appropriate fora, for example Family Mediation. Despite this, however, the Group acknowledges that particular cases where court orders are in place is an issue which warrants further attention.

"A similar disregard was introduced for pensioners who were given additional pension increases over and above the standard social welfare increases. To ensure this was not clawed back in their rent allowance payment, a special pensioner disregard was introduced."
Further consideration should be given to making a deduction, even if token, from those who are in receipt of social welfare income (15 per cent of the 19,443 cases examined by the Maintenance Recovery Unit in 2004). The Department does not have the legislative ability to deduct money from social welfare recipients. Importantly, however, the Group noted that making a deduction from persons in receipt of social welfare payments could bring them below the minimum income as defined by the rate of SWA. This in turn raises issues regarding how to deal with liable relatives who have a number of children, perhaps in different families.

The Department does not have the administrative or legislative ability to make attachment of earnings. This option should be pursued further, whereby the Department could have administrative powers to make an attachment of earnings on liable relatives without having to go through the court system.

A single parent tax credit is given to parents with minimal contact with their child and who may not be complying with maintenance requirements. While information on non-compliant liable relatives is passed on to Revenue Commissioners so that entitlement to the one parent tax credit can be reviewed, the Group considers that there is scope for considerable enhancement of procedures in this regard.

iv) Impact on the Live Register

While the proposal will impact on the Live Register, this impact is lessened by: trends in employment within the groups concerned, particularly women’s increasing labour market participation; conditions being placed on receipt of payment and the supports being provided with regard to entry/re-entry to the labour market. Being ‘registered’ as unemployed further facilitates the targeting of these supports on groups which previously lay ‘outside’ of the labour market. Such measures are in line with recommendations made in a range of reports which have identified the need to mobilise the potential workforce (FAS 2004, OECD 2003).

It is important to note that over 60 per cent of OFP recipients are estimated to be in employment. Under the proposed model active engagement with PA recipients needing support will take place from the early stages of payment, with more intensive and conditional activation when the youngest child reaches a specified age. Those who have not gained employment and move to UA after receipt of PA has expired will be engaged with under the Employment Action Plan. These measures, together with child care supports should ensure that more lone parents enter the work force or extend their labour force participation.

Ending QAs in social assistance, may also have implications as current QAs move onto an individual payment. However, it should be noted that the number of QAs has been consistently declining reflecting the fact that most QAs are women and as women’s labour force participation rates have risen significantly over the last two decades they have built individual entitlement to the social insurance system. Currently approximately 33,500 QAs on means tested payments are estimated to be of working age.

The transition period proposed will ease the impact on the Live Register.

Impact on the Department of Social and Family Affairs/Implementation issues.

Structure – Continued localisation: Systematic activation and the provision of services will require the further decentralisation of services, in order to take better account of variations in labour market conditions, skills required in different parts of the country and services and supports available.

Based on the fact that their partner i.e. the main claimant, is in receipt of a ‘working age’ payment i.e. not a old age pension.

Localisation of services is already underway within the Department of Social and Family Affairs.

Co-ordination/Responsibility with other Departments and Agencies

For the model to be fully effective a whole of government approach will be necessary. The objective of ‘positive activation’, and the related supports and services required, must be consistently reflected in policies across departments with resources made available where necessary.

The model proposed is dependent on co-operation and co-ordination between a range of government departments and agencies. Achieving the objective of participation/activation across a broad range of people of working age, with various needs, will involve a range of actors including employers, FAS, Department of Social and Family Affairs, Department of Education and Science, Department of Enterprise, Trade and Employment, Department of Justice, Equality and Law Reform and relevant service providers acting together to provide the supports necessary.

A number of accompanying measures and supports are required to implement the reform proposed. These include:

- Accessible and affordable childcare, in particular out-of-school childcare, with consideration given to prioritising of targeted support to lone parents returning to employment, education or training (see Chapter 3 – Budget 2006 announcements regarding childcare),
- Extension of the National Employment Action Plan,
- Co-ordination between D/SFA, FAS, and other relevant government departments,
Resources in place to ensure availability of appropriate employment, training and education supports,

Alignment of Rent Allowance and other secondary benefits to ensure that any increased income is not clawed back through their means tests,

Enhanced and co-ordinated information sources for lone parents,

A specific programme tailored to support teenage and younger lone parents.

These issues are being examined and progressed by the Senior Officials Group on Social Inclusion.

Conclusion

4.65 The Group acknowledges the fundamental change being proposed but considers that the benefits of moving away from the current system of income support for lone parents and ending the concept of QAs in social assistance are:

- People will receive a social welfare payment in their own right, moving the system away from the breadwinner model to one where individuals are guaranteed an independent income where conditions are met.
- Long-term welfare dependency will diminish, and in the longer term, poverty will be reduced.
- Choice in family formation and living arrangements will be facilitated.
- Parental choice is ensured for parenting of young children through the payment of a Parental Allowance, while at the same time facilitating people to work during that period if they wish.
- Support is provided in a more structured and co-ordinated manner thereby improving the efficiency and effectiveness of such supports.
- The social welfare system is changed from one that offers passive income support (unless classified as ‘unemployed’) to one where income needs are met, but with other supports provided to encourage activation in terms of education, training or unemployment. The overall aim of the system being to facilitate financial independence.
- The system will be more consistent and equitable in its treatment of different groups of claimants.
- The changing social and labour market environment in which the income support system is operating is recognised.
APPENDIX 1

REVIEW OF THE ONE-PARENT FAMILY PAYMENT:
POVERTY IMPACT ASSESSMENT

1. Consultation

Consultation was carried out by way of invited submission. Thirty-nine organisations were contacted, including organisations participating in social partnership, lone parent organisations, groups that made submissions to the family strategy and other relevant organisations. Submissions were received from thirteen of these. A summary of the main issues raised in the submissions is outlined in Appendix 3, together with some of the key recommendations made.

2. Policy Aims and Target Groups

2.1 What is the Primary objective of this policy proposal?

The reform of social welfare income support for lone parents, proposed by the Review group aims to put in place a model which:

- Prevents long term dependence on social welfare income support and facilitates financial independence.
- Facilitates participation in employment/education and training in a positive and systematic way.
- Removes poverty traps from the system of income support.
- Provides income support at a level sufficient to enable full participation in society.
- Recognises parental choice with regard to care of young children but with the expectation that parents will not remain outside of the labour force indefinitely.
- Changes the expectations surrounding receipt of OFP, introducing an expectation of participation but with supports provided in this regard.
- Is neutral in terms of influencing people's basic choices regarding choice of living arrangements.
- Ensures consistency of treatment across means tested social welfare schemes.

2.2 Who are the target groups and how would the proposal reach those groups?

The target group of the proposal are all low income families with children, including those parenting alone. Within this group the proposed changes would impact on:

- current and new recipients of the One-Parent Family Payment,
- qualified adults in the social assistance system,
- widows under age 66 years.

2.3 What are the differences within the target groups between the target groups which might lead to them benefiting from the policy in different ways and how could these be addressed?

Part of the rationale for moving away from a single contingency of lone parenthood to a more general and inclusive PA is due to the fact that the current OFP payment does not recognise the diversity of those in receipt of the payment, in terms of age, route to becoming a lone parent, education and employment background and experience. This in turn means that supports are aimed at the contingency, rather than the diversity of needs of those within it. Under the proposed PA, those in receipt of payment would be engaged with in an active and systematic manner by the Department of Social and Family Affairs and other relevant departments and agencies e.g. FAS. Such engagement aims to ensure that the needs of those concerned are identified and appropriate supports are offered with the aim of facilitating the person to move into education, training and/or employment as appropriate.

In putting forward the proposal the review group acknowledges that its implementation is predicated on the availability and accessibility of adequate services/provisions including childcare and education and training resources. It is only in this scenario that the target groups can receive the full benefit of the proposal in terms of the objectives outlined.

Co-ordination between departments and agencies will be important in this regard.

3. Consideration of data and research

The Review takes into account and builds on the conclusions of the Review of the One-Parent Family Payment (2000), carried out by the Department of Social and Family Affairs. It also takes into account a range of reports and studies relating to child poverty and specifically to lone parents. These include: Babies and Bosses; Reconciling Work and Family Life (OECD 2003), Jobs, Jobs, Jobs: Creating more Employment in Europe; Report of the Employment Taskforce (Kok W, 2003), Child Poverty in Ireland (Combat Poverty Agency, 2000) and Lone Parents (National Economic and Social Forum, 2001). At a broader level consideration is given to the proposals made by the National Economic and Social Council (NESC) in their recently published report entitled The Developmental Welfare State (2005).

Primary quantitative data required in the analysis was obtained from the Department of Social and Family Affairs, the Revenue Commissioners and the Central Statistics Office. This was supplemented with and informed by discussions within the working group and with key personnel in the Department of Social and Family Affairs and by the submissions made by various lone parent representative organisations and other relevant groups.

This Poverty Impact Assessment was carried out using the revised guidelines currently being developed by the Office for Social Inclusion.
4. Assessment of impacts and consideration of alternatives

4.1 Impact on poverty

What type of impact on poverty would the proposal have for each of the vulnerable groups listed in the table?

<table>
<thead>
<tr>
<th>Vulnerable group</th>
<th>Likely impact that the programme will have in terms of poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>None</td>
</tr>
<tr>
<td>Women</td>
<td></td>
</tr>
<tr>
<td>Children and young people</td>
<td></td>
</tr>
<tr>
<td>Older people</td>
<td></td>
</tr>
<tr>
<td>People with disabilities</td>
<td></td>
</tr>
<tr>
<td>Prisoners and ex-prisoners</td>
<td></td>
</tr>
<tr>
<td>People experiencing urban poverty</td>
<td></td>
</tr>
<tr>
<td>Migrants</td>
<td></td>
</tr>
<tr>
<td>Ethnic minorities</td>
<td></td>
</tr>
<tr>
<td>Other: Lone parents</td>
<td></td>
</tr>
</tbody>
</table>

If the proposals would have a positive effect would it help to prevent people from falling into poverty: reduce the level of poverty and/or ameliorate the effects of poverty?

Lone parents have been identified in the National Action Plan against Poverty and Social Inclusion (NAP/inclusion) to be one of the groups at greatest risk of poverty. 31.0 per cent of one-parent families live in consistent poverty in comparison with 6.8 per cent of the population overall (EU-SILC 2004). 48.3 per cent of one-parent families are at risk of poverty in comparison with 19.4 per cent of the overall population. Children in lone parent and larger families have been identified in the NAP/inclusion to be at greatest risk of poverty.

In terms of the characteristics of the households with children who are experiencing poverty, NESC have indicated that parental employment rather than household type is the single most important factor associated with a high risk of child poverty (2005):

- Almost 60 per cent of the households in which children experienced persistent poverty were reliant on social welfare for more than 75 per cent of their total income,
- Over half of children where the household reference person was unemployed experienced poverty and 46 per cent where the reference person was of working age but outside the labour force,
- Having an unemployed man and woman in the house constituted the highest risk of all of experiencing persistent poverty.

It is notable that children in lone parent households where the parent was employed escaped persistent poverty altogether, while with regard to consistent poverty parental employment rather than family type was the single most important factor associated with a high risk of child poverty in 2000. For example, children of couples neither of whom were working ran a poverty risk four times as high as that of children of lone parents in work.

These findings clearly indicate a need to develop policy responses to child poverty in a way which both encourages parents to cross from non-employment to work, and which provides in-work supports to parents with low earnings and improves the educational and skill levels of lone parents to ensure that they do not become trapped in low paid employment.

The proposals being put forward in this Review of OFP aims to achieve both a reduction in poverty levels for lone parent families and their children and prevention of future poverty by:

- The increase in household income which will accompany the payment of PA (approx. €58 for couple households) and the increase in level of CDA will have a positive impact on levels of child income poverty.
- The increase in the income disregard (to €400) accompanying PA (as compared to the current upper limit of €293) under OFP will also remove the poverty trap which currently exists and encourage increased earnings.
- From a longer term perspective, ending the long term duration of the current OFP and providing supports to encourage people back into employment, education and training will increase the family income, lessen dependence on passive income support and facilitate people to become financially independent.
- For qualified adults in social assistance, those with children 7 years and under will move to PA, while those with no children under 7 years will be able to apply for Unemployment Assistance and the supports which accompany this payment.
- In the longer term, the increased activation and labour force participation of women in particular will ensure that social insurance records are established by the individuals concerned, in turn building pension entitlements for old age.

Overall the proposal is to support parents in caring for young children while facilitating and providing supports for them to move into the labour force after a period of time, thus improving their financial situation and facilitating financial independence.

4.2 Would the proposal contribute to the achievement of the NAP/inclusion targets?

Discussions have been held with the Economic and Social Research Institute (ESRI) on modelling the proposals to ascertain the impact of the proposals in terms of the numbers and levels in poverty and the distributional effect.

It is expected that the proposal would, in the longer term and if accompanied by appropriate supports lead to:

- a reduction in the numbers of adults, particularly women, who are consistently poor,
- a reduction in the numbers of children who are consistently poor,
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4.4 Would the proposal address the inequalities which may lead to poverty?

(Equality legislation in Ireland recognises that inequality can occur under any of ‘nine grounds’: gender, family status, age, disability, sexual orientation, race religion and membership of the Traveller community).

The proposal being made has a particular relevance with regard to gender and family status. This is in the context of 97 per cent of OFP recipients being women and the majority of qualified adults being women.

Increasing to €375 in June 2006.
Numerous reports have described the Irish welfare system as displaying aspects of the ‘male breadwinner’ model of welfare (Curry 2003, Department of Social and Family Affairs, 1999, National Women’s Council of Ireland, 2002). Welfare systems within this model are based on the tradition of the male as family breadwinner, and the female as homemaker or carer. Within this, women have had derived rights through their husbands social insurance records, with payments to women defined in relation to their husbands, even when not present e.g. Deserted Wife’s Allowance.

Features of the Irish welfare model which highlight its male breadwinner focus are; equivalence rates, qualified adults payments, limitation.

The effect of these is:

- that while ostensibly gender neutral, they have a greater negative impact on women than men, particularly with regard to their economic independence and incentives to activation.
- they lead to a loss of income to the OFP recipient if they decide to marry or cohabit and a disincentive to family formation or declaration of same.

In terms of its gender impact, the proposal for reform moves the system away from the male breadwinner model. It ends the concept of qualified adult within the system of social assistance, and enables people to apply for payment in their own right and to receive the supports attached to that payment.

In terms of family status, the proposal ends the contingency of lone parenthood in the social welfare system. In doing so it recognises the changes which have taken place in Irish society in terms of family formation. Instead, a payment will be made to parents with a low income who care for young children: a parent will receive payment in their own right. This proposal thus removes any stigma associated with lone parenthood and reflects the changing nature of family formation in Ireland.

By lifting the limitation of payments in couple households where one is in receipt of a PA payment and the other in receipt of another means tested social welfare payment – it removes some of the disincentives for lone parents to form stable relationships, and facilitates a more neutral social welfare system with regard to people’s choices regarding general life style or choice of living arrangements.

5. If the proposal is to be adopted, how will its impact on poverty be monitored?

Data from the CSO EU-SILC will provide statistics on the experience of poverty among some of the groups concerned.

More specific indicators have not yet been agreed upon to monitor the impact of the reform. The intention is that the proposal be published for discussion and observation. Indicators would be required relating to poverty impact, activation impacts and family formation if the proposal was to be implemented.

The proposal outlined relates not only to income support arrangements for low income families, but to a range of supports to be offered in an integrated and positive manner. For this reason, formulation of agreed upon indicators and their monitoring will require consultation and co-ordination with stakeholders including other departments and agencies.

It is important that any such indicators are both qualitative and quantitative in nature. If the focus is purely on quantitative objectives, the danger is that the focus is then on through-put of clients, with the problem of ‘churning’ of people between work and welfare, rather than responding to need. For some income support recipients, significant barriers may exist to participating in education/training or employment, with supports required over a long term period. Also, the aim of the proposed scheme is to facilitate those concerned to access higher quality well paid employment.

57 The income support system ‘enables’ adult claimants to have financial responsibility for ‘dependents’ both adult and children. A claimant is eligible to claim for a Qualified Adult Allowance (QAA) if that adult has no social welfare payment in their own right and has means of less than €100.00 per week. The QA rate is generally around 0.7 (equivalence rate) of the main claimant rate of payment, the rationale for which is presented as the economies of scale of a couple living together.

58 In a couple household, where both adults have an entitlement to a payment in their own right based on a household means test, the operation of the limitation rule means that the amount paid to the couple is limited to a half of the amount payable where only one partner claimed a personal rate and an adult dependent allowance e.g. where one of a couple claims Unemployment Assistance, a personal rate of €165.80 plus an increase of €110.00 (QAA rate) in respect of the claimants partner may be payable i.e. €275.80. However, where both of a couple claim the payment and have an entitlement, they do not receive €165.80 each, but half €127.90 i.e. €255.80. The rule has resulted in a greater number of women being classified as qualified adults and not declaring their eligibility for a social welfare payment, as there is no financial incentive to do so. This, in turn affects women’s eligibility to participate in a range of Live Register linked programmes and supports.
APPENDIX 2


Goal: Provide income supports and access to relevant services to people of working age who cannot secure an income from employment and facilitate them in taking up relevant employment, training, education or development opportunities as appropriate.

Objective 1: Achieve a high level of customer satisfaction by delivering social insurance and assistance payments and additional services to a high standard.

Objective 2: Develop specific social welfare schemes for people of working age to ensure that they have an adequate, secure and sustainable income and related supports.

Objective 3: Engage meaningfully with persons of working age, particularly marginalised and excluded groups and provide services directly and in co-operation with other relevant agencies to encourage and support these people in taking up relevant work, training, education or development opportunities.

Objective 4: In addition to the above, particular supports will be provided to identified groups... including lone parents to 'examine ways in which obstacles to employment for lone parents can be removed so that this group can be facilitated and incentivised to take up employment, training and development opportunities'.

Activities under this objective:
- Work closely with all relevant Departments and Agencies to identify and develop cross-cutting initiatives.
- Systematically engage with certain categories of OFP customers to identify and address employability issues.

APPENDIX 3

SUMMARY OF SUBMISSIONS

Following a request for submissions from a broad range of organisations, submissions were received from the following:

AMEN
Centre for Early Childhood Development and Education
CORI Justice Commission
Irish National Organisation of the Unemployed
The Crisis Pregnancy Agency
The Family Support Agency
Money Advice and Budgeting Service (MABS)
National Youth Council of Ireland
National Men's Council of Ireland
One Family
One-Parent Exchange and Network (OPEN)
Society of St. Vincent de Paul
TREOR

Summary of the main points raised in submissions

The main issues raised in the submissions are outlined below under various broad headings, together with some of the key recommendations made:

1. Families and Income support
   - The system of income support and associated benefits for families (whether parenting alone or not) should be neutral as to how families are constituted. The current system is divisive, rather than supporting choice on the part of the parent.
   - The primary need of a child is high level involvement of two parents and this should be encouraged and supported by the Department of Social and Family Affairs policies.
   - Any reform cannot disadvantage the position of two parent families.
   - Fathers and mothers should be treated equally as regards rights and responsibilities.
   - Unmarried and married parents should be treated in a similar manner as regards rights, and responsibilities.

*These are not presented in a particular order.*
The concept of joint equal custody or parenting cannot be accommodated within the contingency of lone parenthood. The payment therefore does not act in the best interests of the child.

Proposals:

- Supports offered to lone parent families to be in the context of universal support for all families so that such supports will not involve marginalisation or labeling of lone parents.
- Consideration given to the feasibility of introducing an insurance based payment for all one-parent families to provide access to income supports for those with relevant social insurance contributions.
- Introduction of a parental leave benefit within the social insurance system to be paid during the allowable period of parental leave under current labour law.
- Individualise the payment of OFP to allow for receipt of income support by both parents in shared–parenting arrangements to provide equally for all children in low-income families regardless of their family structure.

2. Poverty/Rates of payment
Concern was expressed in a number of submissions regarding:

- The high rate of risk and incidence of poverty among lone parent families relative to the general population in terms of both relative and consistent poverty.
- The increasing risk of poverty among low income families; in 1994, 1 in 20 households in consistent poverty were headed by a lone parent, by 2001 this had risen to 1 in 5.
- The high rate of risk of indebtedness amongst lone parent families.
- The fact that children in lone parent families are at an increased risk of poverty.
- The cost of a child relative to a single adult in a one parent family is substantially higher than in a two parent family ... the cost of a single adult for a child under 11 in a one parent family compared to 20 per cent in a two parent family).
- The inadequacy of income support for lone parents on OFP; this category makes up over 30 per cent of Money Advice and Budgeting Services clients.

Proposals:

- Commitments to be met in relation to the minimum social welfare rates as outlined in the National Anti-Poverty Strategy.
- CDAs to be equalised and increased to €35 by Budget 2007.
- Completion of the programme of increases to Child Benefit.
- Enhance the second tier of child income support to low income families.
- Review the CDAs and Child Benefit with a view to the introduction of age indexing to meet the rising costs associated with providing for children.
- Revision of Child Benefit with a view to introducing weekly payments to facilitate budgeting on a weekly basis by welfare dependent families.

3. Barriers to employment
It is acknowledged in a number of submissions that employment represents a positive means by which those without adequate resources can improve their economic circumstances. The following barriers to employment were identified in the submissions:

a) Childcare

- Lack of affordable and accessible childcare was viewed as the single greatest barrier to the progression of lone parents from welfare dependency into education, training and employment. The issue of childcare is particularly relevant for lone parents as they are the sole carer and provider for their children.

Proposals:

- Adequate, affordable, accessible, flexible childcare should be available to all parents but especially lone parents.
- A childcare payment to be provided under the social welfare system to assist low-income families with the costs of accessing quality childcare.
- The introduction of childcare allowances in the tax system for all working parents as recommended by the Commission on the Family.
- The expansion of the Early Opportunities Childcare Programme (EOCP) to include a system of allowances for parents to improve demand-side provisions.
- The introduction of a parental leave benefit to allow access to paid periods of family leave for low-income and one-income families.
- Provision of high quality early childhood care and education services which can act as an important stimulus for the early learning and development of the young child. Making provision initially for all three year olds.
- Significantly increase the earnings disregard attached to OFP in order to reflect the cost of childcare. This will provide lone parents with more choices around moving into employment.

b) Loss of secondary benefits

- The loss of secondary benefits when starting work is a serious barrier to taking up/extending employment.
- One-parent families who are in receipt of secondary benefits, particularly those payable through the SWA system are less inclined to participate in work, education or training outside of the home. This is due to two factors: firstly the value of SWA secondary benefits, particularly Rent Supplement and Back to School Clothing and Footwear Allowance can be considerable to one-parent families; secondly the amount of earnings required to replace the value of these payments is considerable.
- Currently OFP recipients may be 'better off' working part-time because of the effect extending employment can have on social welfare income and entitlement to secondary benefits. In the long term this will have the effect of trapping lone parents in part-time employment which for women is associated with low wages, low skilled work and job insecurity.
- The inability to provide medical care for a child is a significant barrier to lone parents taking up employment.
The following secondary benefits were viewed as particularly important for lone parents, with proposals for change presented in a number of submissions. Some of these are outlined below.

**Medical Card**
- A medical card to be provided free to every child under age 18 in the state and up to age 22 for those in full-time education. This to be introduced on a phased basis targeting low income families first.
- Examine the possibility of introducing a tapering/quota system e.g. up to 5 visits per child per year to the GP along with a contribution towards prescriptions and any additional visits to be paid by the individual.

**Rent Allowance**
- The threshold for receipt of Rent Allowance to be increased substantially.
- Anyone earning up to the level of the national minimum wage not to be subject to a loss of Rent Allowance and for those with higher earnings, a tapering of the loss.
- Re-examination of the cap on Rent Supplement which gives rise to the practice of providing documentation to the Health Boards that understates the monthly rental sought on the property. This leads to the tenant having to pay a considerable extra amount monthly from their own resources.
- The abolition of the restriction on receipt of Rent Supplement for young parents in full-time education.
- All childcare allowances provided while participating in education and training programmes to be disregarded in the assessment for Rent Supplement.

**Back to School Clothing and Footwear Allowance**
- Back to School Clothing and Footwear Allowance to be increased to €135 for children aged 2-11 years and to €175 for children aged 12 – 17 years or 18 – 22 if still in full-time education.

**c) Poverty Traps**
- The interaction of low pay and withdrawal of income support and associated benefits must be addressed to remove obstacles to employment.

**d) Education**
- High poverty rates and low employment rates of lone parents are directly related to the low educational attainment of lone parents. Education is a key mechanism for breaking the cycle of disadvantage and combating poverty. Low educational qualifications are linked to an increased likelihood of long term unemployment and to low skilled and poorly paid employment.
- The principle of lifelong learning must be integral to the Irish education system in order to ensure that everyone is given the opportunity to upskill and adapt to changes in the labour market at various stages throughout their lives.

**Proposals:**
- Examination of age and other criteria for education and training schemes as they can effectively exclude lone parents.
- Early interventions for young women who become pregnant to incentivise them to remain in education, with the necessary supports in place.
- Access to education and training as part of a local, targeted ‘New Deal’ programme (see below).

**4. The One-Parent Family Payment**

**Use of the Contingency of lone parenthood**

**Proposals:**
- Significantly increase the earnings disregard:
  - i) to reflect the cost of childcare; increase to €190 at the lower level, and €345 per week at the upper limit. These increases are based on childcare costing on average €163.60 per 40-hour week,
  - ii) in line with average wages and wage increases.
- Introduce a tapered system of income disregards to account for family size, similar to the system in place for Family Income Supplement.

**Specifically tailored and targeted supports in terms of education and training.**
- The Vocational Training Opportunity Scheme (VTOS) to be provided on a part-time basis to facilitate lone parents.
- The Home Tuition Scheme to be made more widely available.
- The abolition of existing allowances and grants in the education and training sector and the introduction of a One Parent Family Education and Training Supplement to cover childcare and other costs associated with education. This payment to be paid by the Department of Social and Family Affairs.
- Changes made to the third level higher education grants system in order to allow young parents to be assessed on the basis of their own income.
- The Department of Social and Family Affairs to co-ordinate an inter-departmental review of education and training initiatives to equalise eligibility criteria and benefit effects.
Duration of payment of OFP

- Long term dependency on social welfare increases the likelihood of being at risk of poverty.

Cohabitation

- The current OFP acts as a disincentive to cohabitation. These disincentives in the system can only be addressed in a context where the status of individuals is not relevant to the support received.
- There appears to be a lack of transparency with regard to the Department’s policy with regard to cohabitation.

Proposals:
- Monitoring of the operation of the cohabitation guidelines to ensure that they are applied in a consistent manner across all regions.
- Training and regular updates to be given to Social Welfare Inspectors on difficulties encountered, with consultation with lone parent groups as part of this process.
- Information on how cohabitation is assessed to be issued by the Department of Social and Family Affairs when a lone parent is initially awarded the OFP.

Maintenance/Liable relatives provisions

Proposals:
- That 100% of child maintenance is disregarded in assessing means in light of continuing child poverty.
- The practice of requiring social welfare claimants of OFP to seek Maintenance Orders without legal representation to be immediately discontinued. The practice may be open to challenge and the requirement to pursue such an Order is beyond what one may reasonably expect a layperson to do unrepresented.
- The Department of Social and Family Affairs to urge the Revenue Commissioner to immediately review the way in which the child tax allowance is granted. It is currently possible to receive the allowance as a non-resident parent if a taxpayer informs Revenue that the child(ren) reside in that parent’s home for one night of the year. The allowance is also given regardless of whether the parent financially maintains the other parent of the child(ren).
- The liable relative provisions do not apply equally to married and unmarried cases. Rules to be amended so that only child allowance can be collected in both cases.
- The Department of Social and Family Affairs not to consider introducing a Child Support Agency type system.
- The liable relatives provisions to equate more closely with legal provisions i.e. there is some distinction in law between the person deserted and those deserting in that the latter may not get maintenance, however in social welfare the payment is made regardless of the circumstances in which a persons becomes a lone parent.
- An awareness campaign to be devised and run to explain how the receipt of maintenance orders affects benefits, secondary benefits disregards etc.
- The amount of maintenance sought not to exceed the amount of the CDA of the social welfare payment.

5. Broader features of the social welfare system of income support

Household basis of payments/limitation

- Every adult in a household should receive the same basic payment. Therefore instead of the present system where the head of the household receives a full adult payment and the adult dependent receives 0.6-0.7 of that amount, both adults should receive the same amount. This should be sufficient to cover food, clothing etc, but not household expenses such as rent, fuel etc. These expenses would be met by a Household Supplement, available to one adult in the home, although split if necessary. This allowance would replace the Rent Allowance and other exceptional needs payments presently paid to subsidise inadequate social welfare payments and other services i.e. the amalgamation of SWA and social welfare systems, retaining the best of both systems.
- Individualisation of social welfare and taxation must move forward so that all individuals are entitled to support in their own right and the dependency model currently prevailing ends. The National Women’s Council of Ireland’s model of social welfare reform is referred to.

Equality/Consistency

- A review of social welfare means tests in relation to welfare dependent families, to standardise the treatment of income and assets and to provide equality of treatment in the system for all.

6. Activation/Employment

Proposals:
- In the absence of a publicly funded childcare system, with the appropriate supports for all parents, the Government should introduce a targeted programme, similar to the New Deal in the UK; a tailored model of support which operates locally and offers lone parents advice on education, training and work. As in the U.K. programme, there should be no compulsion.
- Supports to be provided to encourage lone parents to consider employment as an alternative to long term welfare dependency.
- It should be the individual choice of each lone parent whether to participate in paid employment outside the home. State income support should be forthcoming regardless of the option chosen.
- Any reforms relating to conditionality to be accompanied by a comprehensive employment and skills support programme which would provide support as well as employment-related skills for lone parents returning to employment. This should include the option to retrain and/or return to education prior to accessing employment.
- Any form of activation requires that education and training and childcare and eldercare issues are comprehensively addressed in advance.

Job Facilitators

- There are currently insufficient numbers of jobs facilitators and they are seen as being jobs focused and not necessarily education or training focused.

FIS

Proposals:
- The hours criteria for receipt of FIS, currently 19 hours, should be reduced to 15 hours per week.
- FIS is only paid to those in work and not in training. This anomaly should be addressed.
- A ‘reinvention’ of the supplement is needed to increase take up.
7. Information services

- Comprehensive, accurate and up-to-date information on a range of issues including: childcare, family law, support services, housing services, access to employment, education and training, services available in the parents’ local area, and income supports and entitlements are essential for lone parents.

Proposals:

- A ‘one stop shop’ for all family support services which can direct lone parents to the services that best meet their individual requirements.
- Expansion of the Family Support Services project nationwide.
- The One-Parent Family Information Guide (Comhairle/DSFA) to be produced regularly and a training programme provided for all front-line staff in each of the state agencies currently providing services for one-parent families on the range of supports available.

8. Coordination of Policy

- At present, there is a multiplicity of government departments with a remit for families and children, with various policies and practices. The coordination of these policies and practices is often lacking. This seriously impacts on the supports offered to families.

Proposals:

- The development of a cohesive government policy in relation to the support of all parents and families in Ireland. Such a policy would be devised in consultation with all government departments and stakeholders who have an interest in or remit for family supports, including parents and children.

9. Habitual Residence Conditions

Proposals:

- There is need to review this policy bearing in mind the fact that non Irish lone-parent families have the same income support needs as other families.

APPENDIX 4

ISSUES IDENTIFIED IN THE REVIEW OF THE ONE-PARENT FAMILY PAYMENT (2000), DEPARTMENT OF SOCIAL AND FAMILY AFFAIRS

In examining the income support arrangements for lone parents, the current review builds on the work of the expenditure review of the One Parent Family Payment published in 2000. The conclusions of that report are as follows:

- The number of lone parents is continuing to grow with the proportion of births outside marriage having almost doubled in the last 10 years. In the past it had been assumed that lone parents spent a relatively short time, 4 to 5 years, in receipt of OFP and while this is still true for many lone parents evidence is emerging that long term welfare dependency has become the reality for many of those receiving the payment. This is not considered ideal from either the point of view of the individual concerned or society as a whole and the role of the OFP in creating or facilitating this outcome must be examined.
- The growth in numbers claiming OFP means increasing expenditure on support for lone parents.
- The social welfare system is not a motivating factor in a decision to become pregnant. The growth in numbers of lone parents has much to do with changing personal attitudes and values and the attitude of society towards one parent families generally. Equally the trend reflects the growth in number of lone parent families across Western countries. If the social welfare system does have a role it is in the financial security which the OFP offers a lone parent.
- The current scheme supports a lone parent until in some cases his/her youngest child is 22 years of age. Such long term welfare dependency in respect of a person of working age is not considered to be in the interests of the lone parent or society in general. The ever increasing cost of the scheme, changing attitudes towards parents working outside the home and the fact that a scheme of this nature is increasingly out of step with other EU/international social welfare systems makes it almost inevitable that a more fundamental change to the arrangements which may introduce some conditionality on claiming will take place at some stage (s38). However in this regard a balance has to be struck between economic and social considerations and personal choice. Equally the introduction of a work test and/or time limit requires that adequate infrastructure is in place i.e. access to childcare, training and education opportunities and progression paths to employment.
- There is growing societal acceptance that parents may decide to combine work in the home with paid employment for reasons of choice and/or economic necessity. There are however ambiguities and ambivalence in how society and consequently the welfare system treats women with children. For example, Maternity Benefit is paid for 18 weeks after which time the mother must return to work in order to have an income, while the income tax system and parts of the social welfare system e.g. OFP and the payment of Qualified Adult Allowance support parents and other adults (who may not have dependent children in the latter case) almost indefinitely if they chose to stay at home.
- The Review found ‘extreme difficulty’ in arriving at solutions to issues around cohabitation, joint custody of children and formation of new relationships. With regard to these issues the Review notes that the basis of OFP is to support the contingency of a mother/father who has main care and charge of a qualified child/ren and is parenting alone without the support of a spouse or partner. On the one hand the scheme cannot countenance cohabitation and on the other it cannot accommodate the concept of joint equal custody or joint equal parenting. It considers the basic problem as being the nature of the social welfare system itself which supports particular contingencies and makes assumptions in relation to sharing of resources
where couples live together in cohabiting or married relationships. In its present format the system cannot adequately respond to issues of this nature. Disincentives in the system to form relationships can only be resolved in a context where the status of couples or individuals is not relevant to the support received, assumptions in relation to sharing of resources/dependency do not apply and/or support is focused on the presence of children. This would suggest the need for an individualised system focused on income support rather than contingency, possibly allied to a system of universal child support. The Group considered these issues, to be outside the scope of this Review. It was aware that this issue would have to be re-examined in the future.

With regard to labour market participation:

- While the earnings disregard component of the OFP has played a role in facilitating lone parents to enter the workforce it is suggested that it may also have the effect of trapping lone parents in part-time, low paid employment in order to keep their earnings just below the disregard. The high proportion of those OFP recipients with earnings of less than the income disregard cut off may lead to the assumption that the cut-off point for recipients of full rate OFP leads to recipients limiting their earnings to less than that amount, thereby creating a poverty trap. While this may be the case, compounded by the complexity of the system and the difficulties involved in assessing the impact of take up/extension of employment, the Review highlights the importance of other factors also e.g. lack of affordable childcare, implications for receipt of rent supplement. The Review states that these figures could also suggest that many OFP recipients may already have an optimal level of workforce involvement i.e. the best balance between extra income from employment and their needs/preferences in terms of caring for their children in the context of their experience, education, age, childcare availability etc.

- The earnings disregard which the OFP offers means that lone parents unlike other social welfare recipients remain on the scheme even when they are in receipt of earnings. The result is that although many lone parents are in employment, only a relatively small number are moving off the scheme each year because their earnings exceed the upper limit. Consequently the numbers in receipt of payment grow each year.

- The Group considered that the current passive approach towards activation was no longer adequate and that every effort should be made to ensure that lone parents are aware of the supports available. This, the Group considered requires that a proactive programme be set up to engage with OFP recipients.

APPENDIX 5

MAIN ISSUES IN RECENT REPORTS


- Child Income Support – resources must be increased, with priority for those on low incomes.
- Access to jobs – non-earning parents should be assisted in a number of ways such as income disregards, accessible and affordable childcare and retention of benefits.
- Opportunities for educational and social development – this refers to early education and other measures to address educational disadvantage.

The NESF report ‘Lone Parents’, (2001) recommends that there be:

- Enhanced delivery and quality of public social services, especially those dealing with housing and accommodation; income supports; and health and personal services.
- Improved access for lone parents to education, training and employment.

The Report also highlights the need to tackle other barriers such as the need for more family-friendly work arrangements, more childcare facilities and greater integration between the income tax and social welfare systems, if lone parents are to participate more fully in education, training and employment.

The Sweeney report ‘Ending Child Poverty in Rich Countries’, (2002), identifies four complementary policy dimensions as central in the aim to eradicate child poverty in rich countries:

- Increasing parental earnings
- Subsidisation of parenting
- Specific supports to lone parent households
- Ensuring adequate income support for work poor households

This report notes that in order to achieve success in these areas a much greater coordination and alignment of policies across Government departments and agencies is required. Whereas the delivery of services is under the aegis of different Government departments, very often it is the same families who are availing of the services.

The Kok report, ‘Jobs, Jobs, Jobs’, (2003), notes that “single parents, who are most often women, find it particularly difficult to reconcile work and family life and find adequate and affordable care services. Low-skilled lone parents are especially prone to the risk of poverty”. In order to attract single parents into the labour market, the report recommends that:

- The balance between taxes and benefits needs to be adjusted, focusing on the low paid;
- Effective job search assistance is required which facilitates access to advice, training and work;
- ‘Obstacles’ to participation by women should be removed by the provision of good quality childcare and eldercare that is affordable and easily accessible, including after school care.
The report also proposes that future EU funding should be closely targeted at addressing the Lisbon agenda and the employment guidelines and targets in particular. In this regard, Ireland has set a target to reach a 60 per cent employment rate for women.

The OECD report, ‘Babies and Bosses’, (2003), noted that the employment rates of lone parents in Ireland are low despite ten years of unprecedented employment growth. It proposes that the ‘One Parent Family Payment’ (OFP) should be developed to promote a return to the labour market. Other areas which the OECD focus on include:

- Reducing the expectation of lone parents to OFP
- A more forceful assistance and employment support policy
- Earlier intervention of a more active nature, including childcare for those with young children
- Comprehensive measures to upgrade the skills of existing long-term clients
- Encouraging employers and unions to develop family friendly policies
- Exploring options to use existing education facilities to cater for after school care
- Increasing public investment in childcare provision, focusing on parents rather than providers
- Development of a system of mutual obligations between State and lone parents
- Better State co-ordinated services

The OPEN report ‘One Size Fits All?’ (2004), stresses the need to provide supports, particularly childcare, and educational opportunities particularly for young lone parents. It also highlights the importance of secondary benefits and the need to resolve issues relating to the complexity of the current system. It calls for an independent review of the OFP and an increase in the earnings disregards. The report emphasises the positive elements of CE for lone parents.

APPENDIX 6

PROPOSALS FOR REFORM

Options for reform

A wide range of options were considered by the Working Group: the main ones are outlined below. While these options are outlined separately they are not stand-alone as some encompass elements of others. The option selected by the Group as being the most effective and most in keeping with the principles identified to guide the review is presented in detail in Chapter 4.

The options considered were as follows:

1. Maintain the current system.
2. Maintain the current system, but introduce an age/time limit to payment i.e. after first or youngest child reaches a specific age or after a specific duration.
3. Pay OFP when the parent is unemployed and replace it with FIS when they are in employment.
4. Abolish OFP, thereby ending the contingency of lone parenthood, with the following options:
   i) Pay lone parents with an income need unemployment assistance (UA), but with relaxed conditionality until the child reaches a certain age.
   ii) Introduce a means tested Parental Allowance (PA), payable until the child reaches a specified age at which point the person could receive UA if required. This could be accompanied by a part-time PA or by a FIS type payment when the person moves into employment.
   iii) Pay a Home Care Allowance regardless of income (McCashin, 2004).
   iv) Abolish all contingencies in social assistance and replace with a single means tested income support payment for people of working age. Those with children could receive a PA (as referred to above) for a specified period or the general payment could be made, with the activation requirement relaxed until children reach a specified age.
   v) Individualisation (differing types of individualisation are considered).
   vi) Tapered withdrawal of payment on formation of a relationship.
   vii) Second tier FIS and CDA

It was noted that issues regarding maintenance and secondary benefits and the need for support services e.g. childcare, remain regardless of which option is favoured.
The Group considered that some of the above options would not be examined in greater detail for the following reasons:

**Option 1: Maintain Current Situation**

Taking into account:

a) the external environment in which the social welfare system operates: with increasing data and research on the causes of poverty and routes out of poverty; increasing demand for labour, women’s changing roles in society.

b) changes taking place in welfare states with a general movement away from long term and passive income support to more active engagement with clients and an increased emphasis on the need to activate those not currently in the labour force, relative to their needs and abilities and

c) increasing costs,

the group considered that the current scheme of income support for lone parents which is based on the contingency of being a lone parent and which provides passive income support until a child reaches 18 or 22 years of age is no longer an appropriate response to the needs of those in receipt of the payment or to wider society.

**Option 4 (i): Abolish OFP – Unemployment Assistance, but with relaxed conditionality**

This option has the advantage of moving away from the contingency of lone parenthood, of providing choice with regard to care of young children and providing the lone parent with employment supports. However the Group considered that further complications may arise with ‘relaxing’ conditionality with regard to eligibility for UA and introduce a greater discretionary element to the payment of UA. It also considered that in comparison to the PA option referred to below, it does not specifically recognise parenting within the system of income support.

**Option 4 (iii): Abolish OFP – Home Care Allowance**

The Home Care Allowance payment as outlined by McCashin (2004) involves the abolition of qualified adult allowances, the marriage tax credit and the home carers tax credit. Instead, all full time carers in the home would directly receive a cash allowance. The proposal means that the separate payment to lone parents could be abolished; ‘men and women could simply choose to be full-time carers of children’ (2004:163).

The group considered that this option did not address the aim of activation i.e. ‘the system should facilitate participation according to people’s capabilities and potential in a positive and systematic way’ (Chapter 1) by making a payment to all full-time carers for a lengthy period time, with no obligations on the client or expectations regarding engagement with the labour force.

Additionally, the option involves significant changes to the tax system, consideration of which lies outside the remit of this Group. The Group did however, note that objectives and measures within and between the tax and welfare system should be consistent.

**Option 4 (iv): Abolish OFP and all contingencies in social assistance**

The ending of all contingencies in social assistance and their replacement with a single income support payment, while addressing issues arising with regard to the use of a lone parent contingency, would require fundamental change to the system of social welfare. Such an extensive review of the whole system was not within the remit of this Group. It is considered however, that the aim of focusing support on income need and on barriers to labour market participation is more appropriate than a narrow focus on ‘contingency’ and why an income need arose in the first instance in a modern social welfare system. There is scope for further consideration of this option in another arena.

The Group agreed to focus on the following options in greater depth. It is important to note that these should not be considered in isolation, with crossover between them and the possibility of combining some in addressing the issues identified.

**Option 2: Maintain current scheme – but with limited duration**

A number of reviews/groups who have examined the OFP scheme consider that the open ended nature of the payment and the relative security it offers is a disincentive to moving ‘out’ of the contingency of lone parenthood; inhibits family formation; and discourages up-skilling and increased earnings capacity i.e. poverty traps may be created by the earnings disregard.

Under this option OFP would continue to be paid until, for example, the youngest child reaches a specified age. At this point those on the scheme would be directed towards the Back to Education or Back to Work Allowance or other appropriate education or training supports. A modified FIS scheme could be made available for those moving into employment subsequently. Other schemes under the responsibility of the Department of Education and Science and FAS could also form part of a menu or package of options available to those in receipt of OFP. Hence the scheme would become a short/medium term scheme payable to a certain point e.g. when the child reaches age 5 years.

This would involve a more active engagement with claimants at the early stage of the claim, to assess need and direct people towards appropriate education/training/employment opportunities and the supports necessary to facilitate such engagement.

**Issues addressed by this approach**

- Government agencies would positively engage with the client and actively work to prevent long term dependence on social welfare income support, with the problems of social exclusion and poverty associated with such longer term dependence.
- It acknowledges that some lone parents may not be ready to move into employment and facilitates returning to education and training. This is particularly important for those in receipt of OFP who may have low education attainment.
- It 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 would also lead to greater levels of confidence and social interaction.
- Back to Education Allowance and Back to Work Allowance are non-means tested payments, hence cohabitation while in receipt of the payment does not affect level of payment.

**Issues remaining/arising**

- The contingency of lone parenthood would remain (see option 4 below).
- Issues relating to disincentives regarding family formation and cohabitation would remain for those in receipt of the payment.
- The age of the child would have to be in keeping with societal expectations and choices around care of children. It would also be important to ensure that the social welfare system is consistent in its treatment of all parents, married or single.
- A key impediment to implementation is the provision and cost of the supports required. It would be essential that supports such as suitable and affordable childcare, appropriate education and training opportunities are in place. However, the costs should be seen in the context of the long-term benefits. (This approach has worked well in countries where these supports are in place e.g. the Nordic countries, but less so where the supports are missing).
- Greater co-ordination with other Departments and agencies would be required.
Option 3: Payment of OFP, where parent is not in employment, replaced by FIS where they are in employment. (The rates of payment shown below are pre-Budget 2006.)

The OFP scheme allows lone parents to earn between €146.50 and €293 per week and still qualify for a maximum or reduced rate OFP payment. The OFP earnings disregard has not changed since the scheme was introduced in January 1997. The income limits for FIS on the other hand have increased each year with the Budget. In 1997 very few recipients of OFP with wages between €146.50 and €293 (gross) per week would have qualified for FIS, the income limit being €247.60. This, however, is no longer the case, because the FIS limits have increased considerably. The situation has now arisen that lone parents can now receive two payments and are being means-tested twice for an income support payment by different sections of the Department i.e. FIS section and OFP section/Local Offices.

Replacing OFP with FIS when the lone parent enters employment would mean:

- All lone parents in employment would receive a FIS type payment instead of OFP.
- The FIS requirement to work 19 hour per week/38 hour per fortnight would need to be examined in order to include all lone parents in employment. This would increase the number of FIS claimants and hence expenditure.
- The need to increase the 60% multiplier to, for example, 85% to ensure no loss of income or leave the 60% multiplier and include a disregard for childcare instead would need to be examined. This would have to apply to all FIS recipients to ensure equity in the system.

Issues addressed by this approach

OFP recipients are obliged to notify the Department in writing of any change in circumstances e.g. take-up of employment/increase in means within seven days. The payment can fall to be revised on an number of occasions over the year generating additional administrative work on the claim. OFP claimants have been identified as a high risk category in terms of not notifying the Department of employment or increased earnings leading to the raising of overpayments. FIS on the other hand is a 52 week payment and does not fall to be adjusted during the year regardless of increased/reduced earnings. There is a minimum rate payable to FIS clients of €20 if any entitlement is established. It is not payable, however, if the employment ceases. The client must re-apply again at the end of the annual cycle for the payment.

Replacing the OFP with a FIS type payment for lone parents in employment, while retaining the OFP for those not in employment would be more efficient and facilitate simplification of the system by:
- enabling better case management of lone parents not in employment; ensuring there is a financial incentive to take up employment and;
- at the same time facilitating choice regarding caring or employment. It could also encourage the take-up of part-time employment.

Issues remaining/arising

- There would a significant loss of income to some OFP recipients in comparison to the current situation i.e. where they can receive both FIS and OFP.
- Changing the multiplier or making other changes to FIS to address the loss referred to above, would have wider consequences for the FIS scheme.
- Means for the purposes of FIS are assessed on a household basis. Therefore marriage or cohabitation with someone with an income will result in the lone parent receiving a reduced amount or possibly not qualifying for FIS. Also, the former OFP recipient would lose their independent income unless she/he claims a UA payment in their own right. Hence a financial disincentive to cohabit/family formation remains.
- Cohabitation remains a control issue for the Department of Social and Family Affairs.
- The payment remains long term thereby facilitating long term dependence.

Change the multiplier or making other changes to FIS to address the loss referred to above, would have wider consequences for the FIS scheme.

Issues remaining/arising

- Cohabitation remains a control issue for the Department of Social and Family Affairs.
- The payment remains long term thereby facilitating long term dependence.

> The payment could be viewed as a subsidy to low paying employers. There is a need to ensure that employers do not ‘hold’ wages below the limits.

> Unless case management/active engagement takes place (with regard to training and upskilling), poverty and long term dependence is not addressed.

Option 4: Abolish OFP – introduce a means tested parental allowance (with age limit)

The lone parent contingency highlights the disincentives which can exist to moving ‘out’ of a contingency with the incentive instead to continue ‘fit’ the criteria in order to receive payment and other scheme specific supports. While the payment itself does not provide an incentive to become a lone parent, the existence of the contingency and the specific disregards attached to the payment can create financial disincentives for lone parents to form stable relationships.

Under this proposal the contingency of lone parenthood would be abolished. At the same time recognition would be given to parental choice with regard to care of young children, through the introduction of a PA for a specified period. The allowance would be payable to all parents who satisfy a means test (to one parent in a two parent household). This would include ‘qualified adults’ with child/ren under a specified age and would therefore facilitate the ending of the concept of QA within social assistance.

A new PA payment was proposed by the National Women’s Council of Ireland, which built on a National Economic and Social Forum discussion on the need to reform social assistance to facilitate lone parent’s family formation choices (2001). This proposed the introduction of a parental allowance payment available to any parent, if that parent satisfies a household means test and is caring for a child under a specific age. When the child reaches a specific age (e.g. 5 years) the provision of a part-time parental allowance would allow one parent to choose part-time care. When the child reached a further specific age the allowance would no longer be payable and the parent in need of income support would have to be fully available for work to receive support (NWCI 2003:28). In terms of the age limits chosen, the lack of appropriate childcare for children in Ireland was recognised and a benchmark recommendation was made of five years for a full-time parental allowance. “The Allowance could be paid at the same rate as UA.

Issues addressed by this approach

- An end to the contingency of lone parenthood within the social welfare code and an explicit recognition of parenting, regardless of family type.
- Some of the difficulties with regard to cohabitation would be overcome in that a payment would be made to the parent regardless of their family circumstances. This would facilitate choices regarding family formation.
- Long term dependency would be reduced as the payment would be time limited with an expectation of participation in education/training/employment once a child has reached a specified age.
- This approach would facilitate the ending of the concept of ‘qualified adult’ within the system i.e. those caring for children, would be entitled to claim the payment, while others would be guided towards an appropriate social welfare payment.

Issues remaining/arising

- Cohabitation would still result in loss of income to a lone parent who formed a co-habiting relationship unless ‘limitation’ did not apply.

> It is recognised that the introduction of such an allowance on the social assistance side of income support, would require that a similar system be established on the social insurance side. In this regard various organisations have developed proposals to introduce a social insurance based parental leave benefit.
As stated above, this option could be combined with the OFP/FIS option. Here, however the Parental Allowance would replace the OFP. Parents moving into employment could then move onto a FIS type payment.

Option 5: Individualisation

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. Features of the Irish welfare model which highlight its male breadwinner focus include: the concept of a ‘qualified adult dependent’, and the limitation rule. These, and other features of the social welfare system, are discussed in Chapter 3.

Under the terms of the OFP a person must be parenting alone. Therefore, those who cohabit/marry no longer ‘fit’ the contingency of lone parenthood and are not entitled to claim the payment. This can result in:

- Loss of financial independence.
- Loss of income.
- Financial insecurity in that a person living with a parent and his/her child has no legal obligation to support them.

Through individualisation each individual would have an individual relationship with the social welfare system and not one mediated through a current or previous relationship with another adult. There would be a move away from derived entitlement to entitlement based on the individual.

Proposals for greater individualisation of the system are made in the context of the continuing expansion of social insurance (through increasing levels of participation in employment and extended coverage), which is individualised and based on contributions made (not a household means test or family status) and hence avoids many of the issues raised with regard to OFP and means tested payments generally.

Approaches to individualisation

a) Total independent treatment

With regard to social assistance this would mean individual entitlement to social welfare payments and individual means tests. Each individual would be able to claim a payment in his/her own right, based on his/her own income and circumstances. Persons in the home, who were available for and seeking work, could claim full-rate unemployment assistance. Persons caring in the home, for adults or children could claim a Carers Allowance or PA (referred to above) while those for whom a QAA is currently being paid, who are not caring in the home and who are not seeking work, would not be eligible for a payment.

The concept of ‘qualified adult’ would cease (this may have to be done on a phased basis, with supports given to older current QAs). In the short to medium term this would require a process of advocacy to enable women and men to maximise the opportunity to access an independent payment or social insurance record. It would also involve identifying for each QA the most likely route to independent entitlement and in doing so reduce as much as possible the number of QAs in the social welfare system.

b) Increase QAA rate to level of personal rate

The QAA could be brought up to the level of the personal rate. There are currently 123,600 (Dec 2003) persons in respect of whom a QAA is being paid (social insurance and assistance). This option does not, however, facilitate full individualisation of the system, as maintaining a QA payment at whatever rate means that derived rights are retained. Moving away from the breadwinner focus of the system would necessarily mean ending the concept of QAs. Currently QAA is paid without any contingency requirement, age requirement or caring responsibility.

c) Administrative individualisation

This would entail paying the current amount but with the payment being ‘split’ between the couple i.e. personal rate of payment and the QAA divided in half (or 1/0.7) and any child dependent payments being given to whoever applied for the split payment (usually the woman). This facility is already available, on request, within the social welfare system. The approach again maintains the concept of ‘qualified adult’ within the system, and hence retains the concept of derived rights.

d) Assessment for means-tested social welfare payments on a couple basis, but once entitlement is established payment of full rates on an individual basis.

In this instance the means test would continue to be conducted on a household basis, but where both of a couple were entitled to payment, full rate payment would be made on an individualised basis i.e. the ending of the limitation rule for all means tested payments. This is the situation which currently exists in the social welfare system with regard to Old Age Non-Contributory Pensions.

Issues addressed by this approach (dependent on the various options outlined above)

- An individualised system of assessment and payment would provide the lone parent with financial independence and choice, regardless of marital/family status. Hence issues relating to loss of income on cohabitation would be overcome.
- People would receive a social welfare payment in their own right, moving the system away from the breadwinner model to one where individuals are guaranteed an independent income where conditions are met.
- (Option d) The principle of limitation is currently applied in an inequitable manner, with some social assistance payments affected and others unaffected. The abolition of the rule would be more equitable by enabling two people of working age in a couple household to qualify for the income support payment in their own right (on the basis of a household means test).
- (Option d) Financial disincentives for people in receipt of social assistance payments to form couple households would be removed.
- Activation and targeting of supports for those currently ‘outside’ of the labour force would reduce dependency and have a positive impact on poverty rates.
- A more neutral social welfare system with regard to people’s choices regarding general life style or choice of living arrangements would be facilitated.
- Savings could be made in terms of Social Welfare Inspector resources currently directed at cohabitation.

Issues/Arising

- Increased costs would arise although this would depend on which version of individualisation were pursued:
  a) Total individualisation, including individualised means testing rather than the current household means test, could result in the transfer of income to relatively high income households and could have a negative impact on poverty reduction. However ending the concept of QA would limit upward redistribution as those claiming payment would have
to be seeking employment, caring or experiencing an illness or disability i.e. conditions would be attached to payment. Also,

- The number of means tests being carried out would increase.
- The contingency of lone parenthood would not be removed.
- There would be an increase in numbers on the Live Register.

b) Retaining QAA but increasing the rate to the personal rate of payment would result in an increase in costs with no conditions attaching to payment. Importantly also this approach (and that of splitting QAA) maintains the concept of ‘qualified adult’ within the system, and hence retains the concept of derived rights.

Option 6: Tapered withdrawal of payment on formation of a relationship

The legislation which introduced the One-Parent Family payment (Section 17 of the 1996 Social Welfare Act) states the following: “A qualified parent shall not, if and so long as that parent and any person are cohabiting as husband and wife, be entitled to and shall be disqualified from receiving payment of one-parent family payment.” Hence, as stated above, when a lone parent cohabits the payment of OFP is no longer possible, as a payment based on the contingency of lone parenthood cannot continue where the individual decides to marry or cohabit.

The report refers to the financial losses experienced by a lone parent who cohabits, varying from a reduction of income and loss of the earnings disregard if s/he cohabits with someone on a low or social welfare income, to possible complete loss of social welfare income if the other person is in employment (due to the limitation rule, concept of QA and household means test). The obstacle that the cohabitation rule presents to establishing stable relationships and to joint parenting of children has been referred to in a number of reports – The Commission on the Family (1998), The Report of the Working Group Examining the Treatment of Married, Cohabiting and One-parent Families under the Tax and Social Welfare Codes (1999). The latter refers to the financial losses which can occur and therefore the frequent reluctance on the part of lone parents to declare cohabitation.

A potential option to address some of the issues relating to cohabitation is to taper the withdrawal of the OFP. A model on which this could be based is the Back to Work Allowance. The lone parent would inform the authorities on the commencement of a relationship and the OFP 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 could revert to lone parent status and regain full entitlement to OFP.

Issues addressed by this approach:

- The lone parent would have a period of 3 to 5 years in a new relationship and still retain some financial independence.
- The cohabitation rule would be less of a deterrent to forming relationships.
- The option would be there to re-apply for the OFP if the relationship did not work out.
- Joint parenting of children could be facilitated.
- Social Welfare Inspector resources could be diverted and savings could be made to the OFP scheme as payments would be tapered.
- This type of approach already exists in the Back to Work Allowance operated by the Department of Social and Family Affairs.

Issues remaining/arising:

- It is considered inappropriate for the Department of Social and Family Affairs to be involved in the relationships of those claiming its payments. A neutral approach should be taken in terms of the household and family arrangement of claimants.
- The approach could be viewed as discriminating in favour of couples moving to a cohabiting relationship from the OFP.
- In terms of equity across the social welfare system, such a scheme may have to be extended to other low income cohabitating couples (e.g. couples on UA).
- The option could result in ‘churning’, with cohabiting relationships breaking up, resulting in lone parents coming back onto OFP and possibly opting for cohabitation income support again at a later date.
- It would be an extremely difficult scheme to administer.
APPENDIX 7

BACKGROUND TO THE SYSTEM OF INCOME SUPPORT FOR THOSE PARENTING ALONE

Introduction

Up until the early 1970s the only type of lone parent families catered for under the social welfare system were widows, with contributory and non-contributory schemes introduced in 1935. Schemes for other types of lone parent families began to come on stream in 1970 when the first scheme for deserted wives was introduced followed by provision in 1973 for unmarried mothers.

At the outset the assistance schemes reflected the ethos at the time which held that women with children should work full time in the home. Accordingly, only very limited means disregards (£6 per week) were allowed under the means tests that applied to the schemes and any income in excess of the means disregard resulted in a £1 for £1 withdrawal of allowances. Allowances for childcare costs have been taken into account in the means test since 1983. It was not until 1989 that moves were made to include men in schemes of this nature.

Widowed Lone Parents

The Widow’s Contributory and Non-Contributory schemes were introduced under the Widow’s and Orphan’s Act 1935. At that time, widows were required to be 60 years of age or over in order to qualify for a pension, or, if under that age, to have at least one dependent child aged under 14 years or, under 16 years of age if the child was still at school or an invalid.

Qualifying conditions have changed considerably over the years with, amongst other things, the qualifying age eliminated for widows without children and the age at which a child can still be regarded as a dependant raised to take account of current educational conditions/standards.

In 1989 a Widower’s Non Contributory Allowance was introduced for widowers with dependent children. In 1994, a Survivor’s Contributory Pension (now Widow/er’s Contributory Pension) was introduced which, for the first time, allowed widowers, with or without dependent children, and regardless of their financial position to qualify for a pension on being widowed.

At the end of 2004 there were 105,338 people (14,237 with qualified children) in receipt of the Widow/er’s Contributory Pension and 15,284 receiving a Non-Contributory Pension. Widows and widowers with dependent children who do not qualify for a contributory pension may, subject to the means test, qualify for the OFP.

Deserted and Separated Lone Parents

The first of the ‘new’ lone parent schemes was introduced in 1970 and took the form of a means tested allowance for deserted wives, Deserted Wife’s Allowance (DWA). This scheme was based on the Widow’s Non-Contributory pension because it was considered that long-term desertion was analogous to widowhood. However, deserted wives were not equated with widows in any insurance-based scheme. In order to rectify this situation Deserted Wife’s Benefit (DWB) was introduced in 1973. On introduction of DWB the then Minister for Social Welfare described the scheme as “...a specific benefit in the social insurance system for deserted wives on broadly the same lines as the widows’ contributory pension scheme”. (Dáil Debate, col. 532, 14 June 1973)

Both DWA and DWB were, to a great extent, based on the schemes for widows which already existed though claimants had to ‘serve’ a qualifying period and prove desertion. Also DWA and DWB were not payable to women under 40 years of age who did not have dependent children. According to the Commission on Social Welfare (1986) this provision was intended “to ensure that payment would be issued only to mothers and to those likely, because of age and other factors, to find it difficult to obtain employment” (p.358).

In 1974, a means tested scheme, the Prisoner’s Wife’s Allowance was introduced to provide income support for women whose spouse was in custody/serving a prison sentence for longer than 6 months. Numbers in payment averaged about 2,000. This scheme along with another means tested scheme introduced in 1989 to cater for deserted husbands was incorporated into the Lone Parent’s Allowance (LPA) in 1989.

The DWB and DWA schemes were abolished at the end of December 1996 and no new applications were accepted for the schemes after that date. However, those receiving payments under the schemes at that time retain their entitlement as long as they continue to fulfil the qualifying conditions. Former DWB recipients who had lost entitlement because they were under 40 years of age when they no longer had a qualified child in their household were allowed to re-qualify for benefit provided they reached the qualifying age before 31st December 1998. However, this was amended in the Social Welfare Act, 1999 to allow all former DWB recipients return to benefit on reaching the qualifying age provided they continue to satisfy the other qualifying conditions. Similar provisions were included in the Social Welfare Act, 2000 to allow former DWA recipients who had been transferred to Lone Parent’s Allowance in 1999 to re-qualify for DWA when their OFP expires. In relation to the deserted wives schemes it was the view of the Commission on Social Welfare (1986) that “...the case for income support may be clear-cut, it is not clear that this support should be provided by an insurance scheme. While we are not convinced that desertion can be regarded as an insurable contingency, we recognise that any attempt to make alternative income maintenance provision must take account of the acquired rights and entitlements of those currently in receipt of deserted wife’s benefit” (1988: 358).

At the end of 2004 there were 10,769 people still receiving Deserted Wife’s Benefit (6,111 with children) and 1,456 receiving the Deserted Wife’s Allowance. The earnings threshold which was in place (at the time of the introduction of OFP) for Deserted Wife’s Benefit was £10,000 – £14,000. The rate at which the OFP earnings disregard was subsequently set is related to this threshold. Separated persons with dependent children who are seeking income support may now apply for the OFP.

Unmarried Mothers

In 1973 a new scheme was introduced to cater for unmarried mothers who decided to keep their child. The impetus for the introduction of such a scheme came from the Report of the Commission on the Status of Women (1972), which considered “that there should be some financial support available to an unmarried mother who keeps her child, particularly when the child is very young and she cannot resume employment. We recommend, accordingly, that an unmarried mother should be entitled to a social welfare allowance at the same rate and on the same conditions that apply to a deserted wife, for a period of not less than one year after the birth of her child” (p.153).

It is interesting to note that the Commission envisaged a short/medium term scheme with the unmarried mother returning to employment, probably after a year. The scheme which was introduced contained no such limitation which perhaps reflected society’s view at the time which was that mothers of children should work full-time at home. The conditions and means test for the Unmarried Mother’s Allowance were based on the Widow’s Non-Contributory Pension and the DWA.
Lone Parent’s Allowance

The Report of the Commission on Social Welfare (1986) recommended a restructuring of social assistance in line with the income needs of claimants rather than on a categorical basis. The Commission considered that its proposals for change “should entitle all one-parent families – regardless of cause of lone parenthood or sex of the parent – to a social assistance payment, where they experience an income need” (p. 360). While the new general social assistance scheme recommended by the Commission was not proceeded with, a unified social assistance scheme for lone parents with children did result. This scheme was known as the Lone Parent’s Allowance (LPA) and it was introduced in 1990.

Lone parents with dependent children who had previously been in receipt of Unmarried Mother’s Allowance, DWA, Widow’s Non-Contributory Pension, and Prisoners Wife’s Allowance were transferred to the new allowance. Those without dependent children remained in receipt of the various allowances/pensions. The contributory (insurance) schemes, DWB and Widow’s Contributory Pension remained available for those, with or without children, who qualified.

In general, the various qualifying conditions which existed under the previous schemes were carried forward to the new allowance but with some modifications. These included:

- the scheme was open to both male and female applicants,
- lone parents who had separated from their spouse did not have to prove desertion,
- the term ‘unmarried mother’ was dropped from social welfare terminology.

In 1994, an earnings disregard of £30 per week, with 50% of earnings in excess of this amount assessed was introduced to the means test. Allowances for childcare costs had been taken into account in the means-test since 1983. This introduction of a significant earnings disregard was the first formal move to encourage and facilitate lone parents to take up employment and arose out of a concern that there was no financial incentive for a lone parent to take up employment.

One-Parent Family Payment (OPF)

The current scheme was introduced in January 1997. The schemes existing at that time – LPA, DWB, DWA and Prisoner’s Wife’s Allowance were closed to new applicants. Existing recipients of the schemes continued to be entitled to payment as long as they continued to satisfy the conditions of the schemes.

APPENDIX 8

PREVIOUS VIEWS ON COHABITATION

The Commission on the Family (1998) stressed the financial security that OFP gave to lone parents and made the following points in relation to cohabitation:

“It has been argued that where reasonable prospects of joint parenting and joint responsibility for children exist, the cohabitation rule is a particular obstacle to the promotion of continuity and stability for children in family life. At its worst the rule interferes with the child’s right to be brought up by both parents. It prevents the consolidation of relationships between a child’s father and mother and militates against reconciliation where relationships might be re-established.”

The Report of the Working Group examining the Treatment of Married, Cohabiting and One-parent Families under the Tax and Social Welfare Codes (1999), referred to the losses which can be experienced by a couple who decide to marry or cohabit where one or both are receiving social welfare payments. Where both are receiving social welfare payments the losses can, to some extent, be eased by the payment of a Qualified Adult Allowance. However, where one or both are working, as can be the case in a lone parent situation because of the more generous means test arrangements, the losses can be significant. In the circumstances, lone parents are often reluctant to declare cohabitation. To do this would mean that they would lose out financially, forgo the independence that the OPF gives them in their own right and face into a relationship that may or may not last with someone with no legal responsibility to support them or their children and where there may or may not be financial support.

The Working Group put forward a range of suggestions; from providing incentives for those marrying or cohabiting to altering the nature of the OFP to make it a short to medium term scheme. It was considered that the open ended nature of the payment and the relative security it offers was a possible disincentive to moving off the payment and to declaring cohabitation. It was suggested the OPF be converted to a short/medium term scheme with an associated work test after a set period.

The Review of the One-Parent Family Payment (2000) examined the area of cohabitation and concluded that there were conflicting policy objectives which cannot be resolved in the context of a contingency based scheme such as OFP. On the one hand, Government policy is to encourage joint parenting while on the other the OFP requires that a lone parent is bringing up a child without the support of a partner. The OFP Review Group considered that the issue could only be resolved through a system that makes the status of couples or individuals irrelevant in the context of the support they receive from the social welfare system. This would require that the system would (i) be individualised and (ii) move away from the concept of contingency based support.
INCOME SUPPORT FOR LONE PARENTS IN OTHER COUNTRIES

A. USA – Income Support for those parenting alone

There are no specific benefits for lone parents in the USA. Parents who work can get a refundable tax credit (Earned Income Tax Credit) and families with insufficient means may be eligible for time limited Temporary Assistance to Needy Families (TANF) which is administered by the individual states (50 states in total). The TANF programme is partially funded by Federal block grants combined with funds provided by the individual States. Because States have the flexibility to determine their own eligibility criteria and set benefit amounts, the TANF programmes vary from state to state. Lone parents account for around 90 per cent of the 5.1 million TANF recipients.

Amount and Duration of payment

Federal law sets a 60-month time limit on receipt of TANF grants, however, some states have set a shorter time limit. The level of TANF grants payable are determined in one of two ways:

- Using an incremental method the amount of the TANF grant is increased or decreased as the number of people in the family increases or decreases or
- Using a flat rate method, where the amount of the TANF grant is the same for all families regardless of the size of the family.

Some states place a ‘cap’ on TANF assistance i.e. when a TANF grant reaches the ‘capped’ amount, the addition of a new member to the household will not increase the grant amount.

Conditions for receipt of TANF

To qualify the family must have a child under age 18 and be subject to deprivation due to the death, incapacity, unemployment or continued absence of a parent.

When a lone parent registers for TANF s/he must sign a declaration of intent to co-operate with the Child Support Enforcement Unit and other programme requirements in relation to work and education.

A TANF recipient who fails to comply with these requirements is generally subject to sanctioning, often in the form of a financial penalty. In some states, teenage mothers are required to live with their parents.

Other payments with TANF

Other payments can be made with TANF grants such as participation allowances, incentive payments for food stamps and childcare grants. Participation allowances are payments made to TANF recipients to reimburse them for an expense incurred when travelling to a training programme or to a job and are not regarded as income for TANF purposes. Incentive payments are additional payments made to TANF recipients as a reward for complying with one or more of the requirements of the TANF programme. TANF block Grant Child Care (BGCC) is available to eligible TANF recipients engaged in approved Family Investment Agreement/employability plan activities with a demonstrated need for childcare.

Child Support Enforcement

Child support enforcement is run by the State and local human services departments who locate absent parents, establish paternity and support obligations and enforcing those obligations. Enforcement measures available include interception of income tax refunds of non-paying parents, deductions from earnings and re-vocation of driving licences. Current law requires TANF recipients who receive child support payments to assign the payments to the state government as a reimbursement for welfare expenditures. Some states have even displayed ‘Wanted Lists’ of parents who owe child support in post offices to reinforce the message that evasion of child support responsibilities is a serious offence. Some states require a minimum payment even where the non-resident parent is unemployed.

Statistics

- In the USA, there are approximately 70 million children
- 38% (27 million) approx live in low-income families and
- 50% of these i.e. approximately 13.5 million live with a single parent (19% of total child population).

Definition of low income and poverty

Based on Federal poverty levels set in 2004, low-income is defined as income below:

- $37,700 per annum for a family of four ($30,160)
- $31,340 per annum for a family of three ($25,072)
- $24,980 per annum for a family of two ($19,984)

Poverty is defined as income below:

- $18,850 per annum for a family of four. ($15,080)
- $15,650 per annum for a family of three ($12,520)
- $12,490 per annum for a family of two ($9,992)

[http://policy.ssa.gov/poms.nsf/lnx/0500830403](http://policy.ssa.gov/poms.nsf/lnx/0500830403)  
[www.childpolicyintl.org/](http://www.childpolicyintl.org/)

B. United Kingdom – New Deal for Lone Parents

New Deal for Lone Parents (NDLP) is a voluntary programme which was introduced in the U.K. in April 1998 for lone parents in receipt of Income Support. It is a part of the U.K. Government’s Welfare to Work initiative and has the following operational objectives:

- to help and encourage lone parents to improve their prospects and living standards, and
- to improve the job readiness of lone parents to increase their employment opportunities.

Lone parents are eligible to participate in NDLP if they:

- are aged 16 or over;
- have a dependant child under 16;
- are not working, or, are working less than 16 hours a week; and
- are not an asylum seeker (unless they have exceptional leave to stay or have refugee status).

The UK government has set a target of increasing the employment rate among lone parents to 70% by 2010. The New Deal is the key vehicle to achieve this.
The elements of the strategy are:

- A mandatory yearly work-focused interview
- Ensuring that work pays
- Availability of childcare
- Promoting a culture of work rather than dependence

**Work Focused Interviews**

The Work Focused Interview is mandatory and conducted by a Lone Parent Advisor whose relationship with the lone parent is a pivotal element of the strategy. It is designed to encourage more lone parents to consider work and to enable all lone parents to make informed decisions on all the options available to them.

A lone parent is required to take part in a Work-focused Interview if:

- they are between 18 and 60 years of age;
- they have responsibility for a child who is under 16 years old and
- they are claiming income support (this includes lone parents who are claiming income support in combination with any other benefits).

From April 2003, all lone parents who made a new or repeat claim for income support have been required to attend initial, 6 month and annual interviews, regardless of the age of their youngest child.

**The Role of the Lone Parent Adviser**

Lone Parent Advisers conduct the Work Focused Interview and will offer a package of advice and support, tailored to meet the needs of each lone parent. Lone parents can claim financial help with travel fares and childcare costs when attending interviews with an LPA, interviews with an employer, or attendance at a training programme on the recommendation of an adviser. Failure to attend results in benefit being reduced by £11 per week.

The Lone Parent Adviser will consider suitable employment options and the lone parents prospects of finding and retaining employment; child maintenance issues; benefit issues; training needs; and social barriers to employment each time they interview the lone parent.

Key among the tasks is demonstrating that working will increase the lone parents income. A Working Tax Credit (similar to FIS in Ireland but delivered through Revenue) helps with this as it serves to top up low earnings.

**In-work support**

Once a lone parent finds work the Lone Parent Adviser can offer in-work support to help them with the transition from benefit into employment. There is no limit on the length of time this can continue, although the majority of lone parents will not need support for more than 6 weeks.

**Childcare**

Childcare is a significant issue for lone parents in the UK. A Child Tax Credit can be paid to both employed and unemployed parents to contribute to this. The Department of Work and Pensions can also pay for ‘Creche tasters’ i.e. a half day in a crèche so that the lone parent can get accustomed to and feel more comfortable about leaving their child in a crèche. This would only occur in the weeks prior to a lone parent actually taking up employment.

**Social Attitudes**

Government policy is directed to changing social attitudes to consider it the norm for lone parents to work. The policy is also directed at encouraging business to provide employment which allows parents to balance their work and family life.

**Success of NDLP**

The lone parent employment rate in the UK has risen to 54.3% (Spring 2004) up 9% since the 1997 after which New Deal was introduced. It is accepted that this rise is partly attributable to the economic climate but research indicates that some 4.5% of the increase is due to lone parent policies.

**Future Developments**

Future developments being considered include:

- Targeting work incentives by paying a £20 work search premium and a £40 in-work credit.
- Greater help with childcare when the lone parent is looking for a job.
- Increasing the number of work focused interviews for lone parents with a youngest child aged 14 – 15 as the payment ceases when the youngest child is 16 if not in school.
- Extending after school care in schools.

**C. Australia- Income support for lone parents**

**Background**

In Australia, the main form of income support provided specifically for parents is Parenting Payment (PP). This payment is available to low-income parents with the sole or primary care of dependent children aged under 16, subject to a means test but no activity test. In-work benefits are also provided to families through the means-tested Family Allowance and other forms of supplementary family assistance.

One of the most significant differences between lone and partnered parents is in their level of reliance on Parenting Payment. In 1998 77 per cent of lone parents with dependent children aged under 16 received PP. Over the last 20 years the proportion of all families with children headed by a lone parent increased from around 9 per cent to 20 per cent. By comparison, around 17 per cent of couple families with children aged under 15 are in receipt of PP.

The increase in numbers of lone parents and their reliance predominantly on income support payments have concerned a number of social commentators. There is concern that lone parent families are among those most likely to live in poverty, and that the longer these families are reliant on income support, the greater the danger of poverty. However, there is considerable movement of low income parents between the labour force and income support payments.

**Payments Available**

**Parenting Payment**

This payment is to help people with children, particularly low-income families, by providing an independent income. To qualify a person must be an Australian resident and have a dependent child aged under 16. Parenting payment is taxable and is paid subject to an income and assets test.

Parenting Payment (single) is payable to parents who do not currently have a partner. Parenting Payment (partnered) is payable to parents who are in a partnership. Only one member of a couple can be paid Parenting Payment. The rate of payment depends on the income and assets of both the recipient and their partner.
Government Discussion Paper: Proposals for Supporting Lone Parents

1. Payment can claim under the Work and Social Assistance Act (WWB). This provides a minimum income for all persons residing in the Netherlands. No separate provision exists for lone parents in the Netherlands. Those not entitled to a social insurance entitlement rule i.e. until their youngest child turns 16. This group of parents will have a year to seek work voluntarily from 1 July 2006 or when their youngest child turns 6. After that, they will become subject to an obligation, based on their capacity, to seek part-time work of at least 15 hours per week. This applies to both partnered and single Parenting Payment recipients.

2. An important policy issue is the extent to which social security and related policies reflect the fact that parents define their roles in the home and the labour market differently, depending on their lifecycle stages, their values and attitudes to child rearing, and their own sense of identity. The differences in women’s attitudes towards full-time home-making and participation in the paid workforce have been found to be more closely linked to their educational opportunities and experience than to their age.

3. Child Care Benefit
Child Care Benefit helps with the cost of child care for long day care, family day care, in-home care, occasional care, outside school hours care, vacation care and registered care. Up to 50 hours of Child Care benefit a week is available if both parents (or the single parent) are working, studying, training or volunteering. If only one parent is working, studying, training or volunteering he or she is only entitled to 20 hours a week child care. A family's rate of Child Care Benefit is affected by their adjusted taxable income. The rate is not affected by any child support (maintenance) received. Maximum rate is payable for incomes under $32,485 or if either member of a couple receives an income support payment e.g. Parenting Payment. For family income above $32,485, the rate of Child Care Benefit gradually decreases towards the minimum rate. The rates available are up to $140.50 a week for a non-school child in 50 hours of approved care. Rates for school children are 85 per cent of the non-school rates.

4. Child Support Scheme
The Child Support Scheme aims to improve financial support for children of separated parents by facilitating contribution from both parents to the support of their children in accordance with their capacity to do so. It also aims to ensure that neither parent is discouraged from participating in the workforce and to reduce social security outlays.

5. Family Tax Benefit Part A
This payment is to help with the costs of rearing children. Lower income families receive a higher rate of assistance. A family’s rate of Family Tax Benefit Part A is based on their combined family income. The family will receive the maximum rate if their combined family income is $32,485 or less for the full financial year. Any income over that limit reduces the rate by 20 cents in each dollar, until the base rate is reached. The base rate will continue until the combined family income reaches $84,023 (plus $3,358 for each additional child), when the rate will start to reduce by 20 cents in each dollar, until their payment is nil. Family Tax Benefit Part A may also include large family supplement, paid for fourth and each subsequent child.

6. Family Tax Benefit Part B
This payment is to help families with one main income, such as sole parents and families where one parent stays home to look after the children and earns little or no income. The rate of assistance is higher for families with a child aged under 5. For two parent families the primary earner’s income for the financial year is not taken into account. The income used to calculate the rate of Family Tax Benefit Part B is that of the lower income earner. The lower income earner can earn $4,000 a year before Family Tax Benefit Part B is affected. The payment is reduced by 20 cents for each dollar of income over this amount. The income of lone parent families is not taken into account when working out the amount of Family Tax Benefit Part B as they will automatically be paid the maximum rate.

7. Shared Care
Shared Care is when any of the children for whom a person is claiming Family Tax Benefit spends some of the time, for example weekends or school holidays, with someone other than the person’s current partner (such as the other parent, if they are separated). To be paid any Family Tax Benefit, the customer must have care of the child for at least 10 per cent of the time. They can be paid Family Tax Benefit for the proportion of the time the child is in their care.

8. Issues
An important policy issue is the extent to which social security and related policies reflect the fact that parents define their roles in the home and the labour market differently, depending on their lifecycle stages, their values and attitudes to child rearing, and their own sense of identity. The differences in women’s attitudes towards full-time home-making and participation in the paid workforce have been found to be more closely linked to their educational opportunities and experience than to their age.

9. This finding has implications for labour market and social security policy. It reinforces the need for policies that aim to improve the educational and employment opportunities of low income parents and, in particular, young women who have not yet had children.

10. Recent Reforms
A recent reform package is focused on moving people from welfare to work. Parents on welfare will generally be required to seek part-time work if their youngest child is aged 6-15. There will be investment to help people into work. People currently on existing payments will remain on those payments. Single parents with a youngest child aged 6-15 applying for welfare after 1 July 2006 will be eligible for an enhanced Newstart. This will be complemented by a new compliance framework.

11. Reaction to Recent Reforms
Reaction to recent reforms has been mixed. While the government are promoting the reforms, the Opposition (Labour) and NGOs have been critical of the changes, saying it will lead to cuts for lone parents (up to $120pw suggested) and to a two tier welfare system (particularly in relation to the ‘Newstart’ proposals – with the ‘deserving poor’ i.e. pensioners, disabled people and lone parents and the ‘undeserving poor’ i.e. those unemployed on Newstart Allowance).

12. D. Netherlands – Income Support for Lone Parents

Social Protection in Netherlands comprises:

i) National Social Insurance: which covers the whole population (residency based) and provides for insurance for old age, maintenance for survivors, insurance for exceptional medical costs and children’s allowance (similar to child benefit),

ii) Employees Insurance: which provides for insurance for sick pay, medical care, invalidity and employment. Contributions are a percentage of wages and benefits are wage related.

iii) Social Assistance: aims to ensure a basic income level when insurance arrangements are not applicable. It is non-contributory, paid from taxes, means tested (including the family income) and the level of payment is adjusted annually according to changes in wages and prices. The local authorities are responsible for social assistance benefits.

In general the provisions of the various schemes are related to the minimum wage. This wage is regularly indexed on the basis of the average wage increase and the ‘inactivity ratio’ (the ratio between the number of people at work and the number of beneficiaries).

 Provision for lone parents
No separate provision exists for lone parents in the Netherlands. Those not entitled to a social insurance payment can claim under the Work and Social Assistance Act (WWB). This provides a minimum income for all persons residing legally in the Netherlands with inadequate financial resources to meet their essential living costs. People are required to do everything they can to support themselves. The claimant is under obligation to take generally acceptable work. The same applies to the unemployed person’s partner. If it proves impossible to find work, a person may apply for support from the Social Services.
Department. Together with the Centres for Work and Income (see below) or a reintegration organisation, they will help the applicant to find work or training. The way in which a local authority is required to provide this form of support is laid down in regulations with accompanying policy rules. If the claimant refuses to cooperate in efforts to find employment the social services department reduces benefits or stops them entirely. (Whereas previously lone parents did not have to ‘engage’ until their child was age 4, this is no longer the case.)

If a person is receiving maintenance, benefits or income from paid work, the Act provides for a top-up to the applicable assistance level.

Rates of Payment
Under the Act there are national standards (relative to the minimum wage) for persons aged between 21 and 65 and for persons 65 and older. The Act makes a distinction between:

- married couples (and cohabitees; this includes all situations in which two people run a joint household, with the exception of immediate relatives i.e. parent – child)
- single parents
- single persons

For married couples and cohabitants between 21 and 65 the national standard is 100% of the net minimum wage (i.e. between them), for single parents 70% and for single persons aged between 21 and 65, 50%. This is on the basis that expenses can be shared. Single parents living on their own and therefore unable to share their essential living costs are entitled to the maximum allowance. The level for young persons under the age of 21 is based on child allowance figures. If they are faced with higher living costs, then their parents are responsible for these. If parental assistance is not possible, a supplementary allowance scheme can be claimed under the special social assistance scheme.

The level of benefit available for those aged over 65 years is fixed at the net (AOW) pension amount.

Note: Applications for assistance involving an obligation to work must be submitted to the CWI.

Centres for Work and Income (CWI)
A new implementation structure for work and income went into effect in January 2002, which ‘gives work precedence over income’. A total of 151 Centres for Work and Income (CWI) were set up. They function as one-stop-shops where customers can apply for work as well as social benefits. Employers can also apply for personnel.

Context
The economic situation in the Netherlands, like that in other countries across Europe is very different to that currently in Ireland, with low growth, rising unemployment, business closures, cuts in wages, restrictions on benefits etc.

Part of its approach to improving competitiveness in a global economy has been the ‘modernisation’ of the Dutch welfare state. An important principle in this process is that everyone capable of working is stimulated to do so. One of the principle ways this has been put into practice is the Reformed Social Assistance Act (WWB). This aims to restrict the number of people on welfare by incentivising them to find jobs, thereby reducing unemployment. Increasingly the aim is to ‘reserve social security provisions for those who really need them’ and to combine the right to benefit with the obligation to return to work as soon as the person is reasonably capable of doing so.

Reintegration
Individual support is offered as a solution to those who cannot find work by themselves. This support can take various shapes, including apprenticeships, training, job application coaching, or a reintegration programme. This support is an integral part of labour market policy. The aim is to increase the percentage of people who find regular work following a reintegration programme by 25% in 2007. The most important instruments to achieve this goal are the introduction of the Reformed Social Assistance Act (2004) and the realisation of performance based agreements with the social security agency UWV. Under the Reformed Social Assistance Act local authorities are now responsible for the reintegrations of welfare recipients, some groups of elderly workers, people with widowers pensions and people not eligible for benefits. Local authorities now pursue more active and made to measure reintegrations policies, having greater freedom to allocate funds as they deem appropriate.

Notes:
- Applications for assistance involving an obligation to work must be submitted to the CWI.

Assistant levels for lone parents as at 1 January 2005:

<table>
<thead>
<tr>
<th>Single parent aged 21 to 65</th>
<th>Total €804.88</th>
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<tbody>
<tr>
<td>€769.47 per month (plus €35.41 holiday allowance)</td>
<td>= Total €804.88</td>
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</table>

<table>
<thead>
<tr>
<th>Single parent under 21 years</th>
<th>Total €428.64</th>
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</thead>
<tbody>
<tr>
<td>€409.78 per month (plus €18.86 holiday allowance)</td>
<td>= Total €428.64</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Single parent 65 or older</th>
<th>Total €1091.51</th>
</tr>
</thead>
<tbody>
<tr>
<td>€1043.48 per month (plus €48.03 holiday allowance)</td>
<td>= Total €1091.51</td>
</tr>
</tbody>
</table>

Single parents on benefit have access to the Childcare and out of School Care for Single Parents on Benefit Scheme (KOA).

Note: For school leavers the benefit can be set at a lower amount for the first six months (maximum 1 year) after education or training has finished. People aged 21 or 22 may also receive less benefit if the social services find that full benefit may make employment financially unattractive.

Special Social Assistance
Entitlement exists to special social assistance if essential, special costs are incurred which the local authority in question feels that the person is unable to meet, e.g. removal costs, tuition fees, child care, additional housing costs etc. Income and capital is always taken into account in these instances.


Dublin South Central Social Inclusion Task Force (2005), ‘Lone Parents in Dublin South Central: Working Towards Inclusion’.


One Parent Exchange and Network (2004), *One Size Fits All?*, Dublin.


REPORT OF THE COMMISSION ON THE STATUS OF WOMEN (1972), Dublin.

