



**Irish National Organisation of the Unemployed**

**Submission**

**to the**

**Advisory Group on Tax & Social Welfare**

**on**

**Child & Family Incomes**

***September 2011***

## **Introduction**

The Irish National Organisation of the Unemployed (INOUE) is a federation of unemployed people, unemployed centres, unemployed groups, community organisations and Trade Unions. The INOU represents and defends the rights and interests of those who want decent employment and cannot obtain it. We promote and campaign for policies to achieve full employment for all. We also campaign for an acceptable standard of living for unemployed people and their dependents. The INOU is an anti-sectarian, anti-racist, non-party political organisation which promotes equality of opportunity within society. (*INOUE Mission Statement*)

Ireland is in the midst of an unprecedented unemployment crisis: a crisis that is affecting people from 15 to 65 years of age; a crisis that sees 60% of the unemployed aged between 25 and 44 years, the age groups facing the bigger and potentially unmanageable debt burdens. According to the latest Quarterly National Household Survey there were 1,821,300 people employed in Quarter 2 2011: 328,500 fewer than at the employment peak reached in Quarter 3 2007. At that time there were 1,764,000 people in full-time employment, that figure has fallen by 368,100 to 1,395,900 people. In this latest quarterly report it appears the rate of job loss is slowing however we are a long-way off the required job growth if unemployed people are to be given real hope of a decent job. In the meantime it is essential that social protection and employment services strive to support people to take up as wide a range of employment options as possible: the tax system has a critical role to play in this regard.

The INOU welcomes this opportunity to make a submission to the Advisory Group on Tax and Social Welfare on the issues of child and family income supports. In the AGTSW's terms of reference 'Child and family income supports' are deemed as referring to "child benefit, increases for qualified children and the family income supplement". The INOU's submission will focus on these issues and their implications for unemployed people rearing families and their progression from welfare-to-work. The INOU is also acutely aware that from a-welfare-to-work perspective that other welfare and tax issues come into play and these must also be examined if real progress is to be made. In particular if the socio-economic exclusion the current crisis is exacerbating and deepening is to be properly addressed.

In the Department of Social Protections' value for money review of Child Income Supports it noted that "*In order to define current policy objectives around CIS policy and place them in their historical context, the review first of all considered the specific objectives underlying each CIS payment and used their common features to derive two primary policy objectives and a number of secondary objectives:*

- *Primary objectives: Child income support payments provide (i) universal assistance with the cost of child-raising to all families (“horizontal redistribution”) and (ii) targeted child-related assistance to families who are at risk of poverty (“vertical redistribution”).*
- *Secondary objectives: The evolution of policy has also seen other objectives emerge over time with varying significance. These include: the reduction of financial disincentives for parents to take up work; financial assistance with specific costs such as the cost of paid childcare and the provision of an independent income source for women in the home. Given the association between parental employment and poverty, the first of these is particularly significant for the current review.” (p9)*

As the focus of this call for submissions is on family as well as well as child income these secondary objectives are particularly pertinent. Poor children invariably live in poor and disadvantaged families and communities. Decent employment is a key route out of poverty: addressing the welfare to work issues of families struggling with unemployment is crucial if Ireland’s emergence out of the current recession is to be inclusive and equitable. The word ‘decent’ is key here. The International Labour Organisation defines *“‘decent work’ as productive work which generates an adequate income, in which workers’ rights are protected and where there is adequate social protection — providing opportunities for men and women to obtain productive work in conditions of freedom, equality, security and human dignity.”* The European Union states *“Decent work is founded on four pillars which require an integrated approach:*

- *productive and freely chosen employment*
- *rights at work including the core labour standards*
- *social protection*
- *and social dialogue.*

*It also takes due account of the gender dimension in the four pillars.”*

Choice and creating the conditions for people to be able to exercise it is critical to both of these definitions of ‘decent work’. Key principles of choice; equality; social protection; rights at work; and human dignity must be integral to any re-designing of the social welfare; employment services; and tax systems. Ambitious targets must be set to realise a greatly improved and constructive engagement across the system and between the system and the person seeking access to the most appropriate support and service for him or her.

It is also imperative that in the current austerity drive that sight is not lost of the target set by Ireland in its National Action Plan for Social Inclusion 2007-2013 to *“reduce the number of those experiencing consistent poverty to between 2% and 4% by 2012, with the aim of*

*eliminating consistent poverty by 2016*". The most recent poverty figures indicate that Ireland is moving away from these target rates as consistent poverty rose by 1.3% in 2009 to 5.5%. According to the Central Statistics Office, *"In 2009 the percentage of the population at risk of poverty in Ireland, before pensions and social transfers, was 46%, above the EU rate of 42%. The at risk of poverty rate in Ireland after pensions and social transfers, at 15%, was just below the EU figure of 16%."* What is also striking from the CSO data is that poverty rates, both consistent and at-risk-of, were highest from those aged 0-14 years.

Child and family incomes supports clearly have their role to play in addressing poverty but to achieve real progress they must also be an integral part of a wider policy and delivery package striving for socio-economic inclusion and equality. Access to quality employment has a crucial role to play in this regard and an equitable tax system interacting constructively with the social protection system is a critical development.

### **Child Benefit**

**The INOU recommends that Child Benefit supports are retained and that issues of inequity that arise from horizontal re-distribution are addressed through the development of a progressive, sustainable and equitable tax system.**

The beauty of Child Benefit from a welfare-to-work perspective is that the recipient receives it regardless of her income or her family's income as it is the one truly universal payment in Ireland. Since the outset of this recession much of the public discourse about child benefit has centred on its cost and its universality. The DSP report describes it as a means of horizontal re-distribution. Many commentators have queried the inequity of such an approach: recommendations have been made to tax it, both by the ESRI and the Commission on Taxation while others have recommended means testing it.

The INOU disagrees with these two recommendations: from a logistical perspective taxing child benefit would be particularly problematic as it is invariably paid to the mother yet she may not have an income in her own right; while on the other hand means testing it would be administratively cumbersome and costly. There is also the socio-political dimension which was so evident during the Celtic Tiger years when some commentators and activists sought tax breaks to support the cost of child care and others countered such calls claiming that it discriminated against women working full time in the home. Increasing child benefit supports was seen as one mechanism to assist working partners with child care costs while recognising some of the contribution of women working full time in the home. It had also been argued by the former Combat Poverty Agency and other social policy commentators that CB was potentially a key instrument in addressing child poverty: with, for example, none of the pitfalls of a targeted payment for families with low incomes who find themselves just on the wrong side of the maximum income limit.

## Qualified Child Increase

**The INOU recommends that Qualified Child Increase supports are retained and in the shorter term that their payments to parents trigger an automatic access to FIS when they move from welfare to work.**

At present Ireland's social protection system quite rightly supports families with children, however our tax system in general does not: why not? For example a couple where both partners are PAYE workers have a total weekly credits of €126.92 while a couple with one PAYE worker and one caring for a child or an older relative have a weekly tax credit of €110.76. Given the challenges facing Ireland of an aging population, which manifests itself from a social protection perspective in what is often called the 'pension crisis', a tax system that supports families and child rearing would be a logical development. At present when an unemployed person with a family takes up employment there are only two schemes that recognise their family responsibilities: Family Income Supplement and the Revenue Job Assist. Neither scheme is promoted as it should be: neither scheme is as accessible as Child Benefit yet both would support the activation of unemployed people: a key priority for Government.

It is indicative that at a time of austerity and its implications for the deepening of poverty for children and their families that supports for qualifying children and adults now include the word 'increase' in their title. Without doubt the current crisis has presented Ireland with a range of very significant challenges and that we are dependent on others to create the conditions for our economic recovery. However, it is at a time like this that it is imperative that Ireland does not lose sight of its poverty targets and its ambitions to meet them. Within Europe's replacement for the Lisbon Agenda, *Europe 2020* an overall poverty target has also been set. Income supports have an important role to play in meeting such targets and are particularly pertinent if the overall focus of *Europe 2020*<sup>1</sup> of growth being *inclusive, sustainable and smart* is to be realised.

QCI is viewed as vertical re-distribution and it plays an important role alongside Child Benefit in supporting unemployed people and their families. However, NESC in its 2007 research paper entitled "*Ireland's Child Income Supports: The Case for a New Form of Targeting*" noted that "*Its analysis finds that the current instruments that target child income support on low-income households have features that do not justify significant extra resources being channelled through them. Consequently, it accepts the argument, long made, that, minimally, CDAs and FIS should be replaced by a new second-tier payment that would be paid only where family income is low (thus, distinct from Child Benefit and the ECS) and everywhere family income is low (thus, distinct from CDAs and FIS). This will make significant demands of public data and administrative systems that will take time to implement. It will also need the vigorous and effective communication of the long-term*

---

<sup>1</sup> EUROPE 2020 A strategy for smart, sustainable and inclusive growth, COM(2010) 2020

*benefits of retooling the public system to conduct a new form of targeting."* (p77) The development of an equitable and sustainable tax system could play an important role in addressing the issues raised this NESC paper.

## **Family Income Supplement**

**The INOU recommends that access to FIS is automated which demands greater integration between the social protection and tax systems. In the short to medium term serious consideration should be given to acting on the example set by the Revenue Job Assist and creating child tax credits. And in the interests of equality and social inclusion serious consideration must be given to refundable tax credits which would assist in addressing the issue of in-work poverty.**

It is critical that in targeting supports to poorer families, that new poverty traps are not created and that the welfare-to-work journey is not bogged down in a growing maze of red tape. A worrying feature of Government responses to the unemployment crisis to-date has been the lack of consistency across them with regard to their terms and conditions; poor communication and information dissemination across the system; and inconsistent information dissemination and poor communication with unemployed people. In the roll-out of the new National Employment and Entitlement Service these issues must be addressed. A good starting point for improved information dissemination and communication both across the system and with unemployed people seeking to move from a welfare payment to work would be the introduction of a mechanism that triggers an automatic introduction:

- *For an unemployed person* to Family Income Supplement and Revenue Job Assist.
- *For an employer* when they register a new employee with the Revenue Commissioners below a certain wage to FIS and an information leaflet for the employer to include in their employees wage packets.
- *Similarly* there should also be an information drive on Revenue Job Assist and Employers PRSI Exemption scheme. It is imperative that such information makes clear who is entitled to what and how it can be accessed promptly.

Indeed the most useful activation instruments the Government could introduce are those that *commits* the system to: pro-actively engage with unemployed people and potential employers; disseminate good and relevant information; and act *promptly* on all applications to support as smooth a transition as possible from welfare-to-work.

Though employment has dropped significantly over the past number of years, part-time employment has increased: this is unsurprising as some business have managed the

downturn through reduced activity, staff and working hours while others seeking to expand are reluctant or unable to do so as the future is so uncertain and domestic demand remains depressed.

It is critical that the terms and conditions introduced in different times are re-examined and that the social protection system finally rises to meet the challenges and opportunities a more flexible labour market presents. For example, part-time work must be assessed on hours worked and not days as is currently the case: this precludes so many unemployed people from taking up short-term or piecemeal work that might otherwise facilitate them to maintain and develop their contacts in the labour market. Unemployed people are keenly aware that the best place to hear about a job is when one is already in one; human resource practitioners stress the importance of unemployed people networking if they are to hear about employment as so many job vacancies are not being announced publically. The system must be informed by a culture of enablement, a system that truly facilitates people to take up work and secure a more sustainable future of themselves and their families.

In this regard the potential role of refundable tax credits and in particular at the interface of the social welfare and tax systems should be examined constructively. In the Commission on Taxation's Report (2009) they did not recommend a *"refundable tax credits at this stage. However, if there is not an appropriate level of uptake of direct expenditure support through measures like Family Income Supplement payments after a period of five years, the question of refundable tax credits should be considered as a policy option to ensure a more equitable distribution of resources."* (p16) Given the relatively poor take-up of FIS the INOU recommends moving on this issue sooner rather than later.

#### **For further information contact**

**Brid O'Brien**

**Head of Policy and Media**

**Irish National Organisation of the Unemployed**

**Email: [policy@inou.ie](mailto:policy@inou.ie)**

**Websites: [inou.ie](http://inou.ie); [redundancy.ie](http://redundancy.ie)**