

Department of Social and Family Affairs

2007 Budget Issues

Introduction

1. The purpose of this paper is to provide an overview of the main issues relevant to the Social Welfare package in Budget 2007 and, in particular, to some of the main cost incurring items such as increases in the weekly rates of welfare payments and in Child Income Support (CIS). The commitments in the *Agreed Programme for Government* in this regard are detailed.

The paper also briefly outlines some of the principal other issues currently under debate as well as various initiatives to reform and modernise the social welfare system. Such initiatives should be consistent with the main policy directions set out by NESC in its 2005 report, *The Developmental Welfare State* particularly in relation to the provision of working age income on the basis of participation, where possible, in the wider economy and the provision of activation supports to promote this objective.

The NESC Report fed directly into the recently negotiated partnership agreement, *Towards 2016* and a range of relevant commitments contained therein are also outlined. The structure of the document follows the lifecycle approach adopted in the new programme.

Background

2. The Social Welfare package in Budget 2007 will have to have regard to the overall necessity to manage public finances in a prudent and responsible manner. In this context, the broad overall outlook in relation to continued economic and employment growth, low unemployment rates as well as budgetary stability is positive for 2007. However, it is recognized that high energy prices, rising inflation and the need to maintain competitiveness pose particular challenges.

There are now over two million persons at work in Ireland, an increase of more than half a million since 1997. In particular, the rate of unemployment is very low (4.4%) and is at, or close to, full employment. However, at the end of June 2006, nearly one million persons were receiving a weekly social welfare payment. Of these, about 400,000 are pensioners aged 66 or over. Others are already in the workforce on a full or part-time basis including recipients of Family Income Supplement, Back to Work Allowances and a wide variety of other schemes.

The vast majority of those in consistent poverty or at risk of poverty are either wholly or partly dependent on the social welfare system for income support. In this regard, the 2005 EU-SILC¹ found that social transfers accounted for nearly 91% of the average weekly gross income of households in the lowest income decile. While poverty, particularly consistent poverty, is influenced by a wide variety of factors

¹ 2005 EU Survey on Income and Living Conditions (EU- SILC), CSO, December 2005.

including education, labour force status, household composition, health, disabilities and housing, direct income support in the short to medium term is of major importance to this group. The new National Action Plan against Poverty and Social Exclusion 2006-2008 (NAPs/inclusion) is due to be published before the Budget and will provide the overall cross-sectoral framework for tackling social inclusion in the medium term.

Both the *Agreed Programme for Government* and *Towards 2016* contain specific income adequacy targets for completion in 2007. In addition, measures designed to reform the existing system to facilitate the refocusing of income support for persons of working age will also need to be considered as well as initiatives to further improve support for pensioners, carers, and to enhance the position of those with disabilities.

Budget 2006

3. The Social Welfare 2006 Budget package was significant and cost €1.12 billion in a full year, as follows:

Table 1: DSFA Package 2006

Item	Full Year Cost €m
Income Support Package	808
Child and Family Poverty Package	154
Retired and Older People (includes the of cost of a special €2 increase in OAP - €10m)	50
Fuel Poverty	43
Supporting Carers (includes cost of special increase for Carer's Allowance- €14m)	30
Enhancing Employment Supports	27
Improved Services and Communications	8
Total	1,120

While increases in the weekly rates of payment accounted for 74% of the overall package, significant sums were made available for a wide range of other initiatives for the pensioners, carers and activation measures.

4. Lifecycle Stage – Older People

4.1 The main commitments are:

Rate of Pension

“We will increase the basic State Pension to at least €200 by 2007.” (APG)

The Government and social partners agree to work together over a ten-year period to enhance pension provision and income supports including:

- *Enhancement of social welfare pensions over the period, having regard to available resources, building on the existing Government commitment for a rate of €200 per week for social welfare pensions to be achieved by 2007. (TOWARDS 2016)*

Contributory Pensioner QAA Rate

“We will introduce a personal entitlement for pensioner spouses currently in receipt of the Qualified Adult Allowance (QAA), set at a level of a full Non-Contributory pension.” (APG)

The Government and social partners agree to work together over a ten-year period to enhance pension provision and income supports including:

- *To increase the level of qualified adult allowance for pensioner spouses to the level of the state non-contributory pension. (TOWARDS 2016)*

Retirement Condition

“We will remove the requirement whereby a person reaching 65 years of age must first retire for a period before being able to work and retain a portion of their pension. We will, at the same time, examine and seek to remove other financial disincentives for people of pension age who want to consider some form of employment” (APG)

All-Ireland Free Travel

“We will put in place an All-Ireland Free Travel scheme for pensioners resident in all parts of this island.” (APG)

Income Adequacy - Pensions

To provide an adequate income in retirement which, as far as possible, is related to pre-retirement income. The target income level suggested in the National Pensions Policy Initiative (1998) was 50% of pre-retirement earnings from all sources, including social welfare supports, private and occupational pensions and savings and investments; (TOWARDS 2016)

Budget 2006

4.2 The improvements announced included:

- an increase of €16 per week (9.6%) for all non-contributory pensioners.
- an increase of €14 per week (7.8%) for contributory pensioners with proportionate increase for those on reduced rates of payment.
- Increases in QAA rates ranging from €9.30 (7.8%) to €12.10 (11%) per week;

- an increase in the National Fuel Allowance by €5 per week (56%), from €9 to €14,² and
- an increase in the Over-80 allowance by €3.60 per week (also 56%), from €6.40 to €10.

The establishment of a new pension scheme, to be known as the State Pension Non-Contributory was also announced. This replaces the Old Age Non-Contributory Pension and, for recipients aged 66 and over, Blind Pension, Widow/er's Pension, One Parent Family Payment, Deserted Wife's Allowance and Prisoner's Wife's Allowance.³ This initiative costs €20 million in a full year – the main features are:

- A general means disregard of €20 per week, up from €7.60 per week.
- Approximately 34,000 pensioners who are currently in receipt of a reduced rate of payment gain from this change. The new pension comes into effect from September 29, 2006.
- A specific additional earnings disregard of €100 per week where the pensioner is in employment i.e. working for an employer. This new disregard is intended as an initial incentive to facilitate non-contributory pensioners who wish to continue working, or to re-enter the workforce. About 400 persons⁴ will directly benefit.

Rate of Weekly Pension - Commitment

4.3 There has been some debate in the past as to whether the commitment to bring the basic State pension to €200 refers to the rate of contributory or non-contributory pension. At present, the rate of contributory pension is €193.30 per week, or just €6.70 per week short of €200 while the non-contributory weekly rate is €182, or €18 short of €200.

Looking ahead, increases in pension rates of the order of those provided for in Budget 2006 or, indeed, somewhat greater appear to realizable in the next Budget. In this context, an increase of €18 per week would bring the non-contributory rate to €200, thereby unambiguously fulfilling the commitment.

In that event, the question would then arise as to what the appropriate increase would be for contributory pensioners. It would not be realistic to provide for a level of increase considerably less than that granted to non-contributory pensioners. In this regard, it should be noted that contributory pensioners and their Qualified Adults comprise the vast majority (76%) of all pensioners, as follows:

² The rate of Smokeless Fuel Allowance (€3.90 per week) was not changed.

³ About 32,100 persons on a reduced personal rate of pension will benefit by up to €12.50 per week while an additional 1,900 pensioners with a Qualified Adult will gain by up to €20.80 per week.

⁴ Preliminary estimate.

Table 2: Number of Pensioners and QAAs aged 66 or over, March 2006.⁵

Scheme	Recipients	QAAs over 66 ⁶	Total
Total Contributory	299,350	29,000	328,350 (76%)
Total Non – Contributory	101,400	0	101,400(24%)
Grand Total	400,750	29,000	429,750 ⁷

In addition, the level of increases provided for persons of working age (see Section 5.3 below) would also have to be taken into account in any consideration of the level of pensioner increases generally. The rates of increases provided for the lowest rates of payment, non-contributory pensions and contributory pensions in Budgets 2003 to 2006 inclusive were as follows:

Table 3: Rate increases, 2003 to 2006.

Year	Lowest Rates of Payment €	Non-Contributory Pensioners €	Contributory Pensioners €
2003	6.00	10.00	10.00
2004	10.00	10.00	10.00
2005	14.00	12.00	12.00
2006	17.00	16.00	14.00

An increase of €18 per week for non-contributory pensioners and €16 per week for contributory pensioners would cost €360 million in a full year.

Contributory Pensioner QAA Rate

4.4 This commitment relates to the QAA (aged 66 and over) rates payable with the OACP, Retirement Pension and Invalidity Pension.⁸ Part of the rationale for increasing the relevant rates was to facilitate administrative individualization of pensions.

No progress has been made in relation to the QAA rate commitment; in fact, the position of these QAAs *vis a vis* OAP has deteriorated in monetary and relative terms since 2002. This has arisen as the increase in the personal rate of OAP has exceeded the increase in the relevant QAA rates.

The table below shows the increasing divergence in the two rates of payment:

⁵ Aged 65 or over in the case of Retirement and Invalidity Pensions.

⁶ QAA numbers are estimated.

⁷ There are in addition OACP and Retirement Pension QAAs aged under 66 (OACP 15,900, RP: 11,300) – their rate of payment is also related to the personal rate of those payments.

⁸ The latter QAA rate was brought up (by €8.40) to OACP/RP QAA rate in Budget 2004 thereby making some progress for relevant Invalidity Pension QAAs.

Table 4: OAP Personal and Contributory QAA (aged 66 and over) Weekly Rates.

Rates	2002 €	2005 €	2006 €
OAP Personal Rates	134.00	166.00	182.00
OACP QAA Aged 66 and over	113.80	138.50	149.30
Difference	20.20	27.50	32.70

The cost of equalizing the relevant rates is €57 million in a full year based on the current differential.

Retirement Condition

4.5 It is estimated that the abolition of the retirement condition would cost in the region of €18.8 million in a full year.

All-Ireland Free Travel

4.6 The introduction of All-Ireland Free Travel has now been agreed between the relevant parties and will be introduced when operational issues have been resolved.

5. Lifecycle Stage – People of Working Age

5.1 The main commitments are:

Lowest Rates of Payment

“We will work to generate the resources to achieve our new benchmark level of €150 for social welfare payments.” (APG)

The Government and social partners are committed to working together to sustain an acceptable standard of living for all people of working age in particular by:

- *Achieving the NAPS target of €150 per week in 2002 terms for lowest social welfare rates by 2007. The value of the rates to be maintained at this level over the course of the agreement, subject to available resources. (TOWARDS 2016)*

Employment Incentives

- *Ensuring that social protection adequately supports all people of working age, whether in the labour force or out of it. It will facilitate labour market participation, mobility and transition. Reforms will be introduced that aim to provide those most marginalised with the confidence and supports necessary to accept the risks involved in taking up employment. This will involve the provision of extended information and supports dealing as far as possible with the financial and non-financial barriers to employment, in particular those which present poverty traps and encourage dependency. (TOWARDS 2016)*
- *Other elements of social protection will be examined to ensure that atypical working, the reconciliation of work and family life and those working on low incomes are supported. (TOWARDS 2016)*

- *The standard means test for SWA rent supplement (and other secondary benefit payments) will be kept under review with a view to providing enhanced financial incentives to take up part-time employment, training, education or other progression options, and minimizing where possible, the impact of the withdrawal of social welfare. However, the overall emphasis will be on the provision of appropriate long-term housing solutions rather than on moving retention thresholds at which some or all of the social welfare payment is lost. (TOWARDS 2016)*

Budget 2006

5.2 The last Budget provided for:

- An increase of €17 per week in the weekly rates of payment for all of working age. This increase brought the lowest rates of payment to €165.80 per week, an increase of 11.4%.
- A €11.30 per week increase (11.4%) in the rate of QAA;
- An increase in the maximum rate of Maternity Benefit from 75% to 80% of reckonable weekly earnings;
- A reduction, to two years⁹, in the qualifying period on the Live Register for access to the both the self-employed and employee strands of the Back to Work Allowance;
- The introduction of a 50% tapered withdrawal of earnings between €60 and €90 per week for persons in receipt of rent and mortgage interest supplement, thereby increasing the incentive to take up employment or training or to pursue maintenance payments;
- An increase by in the spouse's income disregard for entitlement to the qualified adult allowance (QAA) from €88.88 to €100 a week, as well as an increase of €30 per week to €250 for entitlement to a tapered QAA rate;

Apart from enhancing income support, the key objective of these measures was the removal of employment disincentives and the avoidance of welfare dependency.

Lowest Rates of Payment

5.3 The target for the lowest rates of social welfare payments was initially contained in the National Anti Poverty Strategy, published in early 2002. The method of indexation of the target figure over the period to 2007 has been widely debated in the past. Following the publication of the new social partnership programme, certain of the social partners have stated publicly that the commitment on the lowest rate of payment explicitly means that this rate will heretofore be benchmarked at 30% of Gross Average Industrial Earnings (GAIE) and that the increase required to reach this

⁹ From 5 years in the case of the Employee strand and from 3 years in the case of the Self-Employed strand.

level in 2007 is €20 per week, bringing the rate to €185.80 per week. These statements have been widely publicized.

It is estimated that indexation of the €150 per week target by reference to actual and projected inflation in Gross Average Industrial Earnings over the relevant period would mean a target figure of approximately €191 in 2007, or €5.20 in excess of €185.80. On the other hand, indexation by reference to prices over the period would mean a target figure of €173.70 in 2007 or about €8.00 ahead of the current rate.

It will be a matter for Government to decide how the target figure might be indexed, having regard to available resources. However, if, for example, the lowest rates of payment were increased by €20 per week in 2007, the lowest rate would, based on available projections, represent approximately 29.2% of GAIE. If this level of increase was granted, it would be possible, if desired, to bring the rate up to 30% in the following Budget – the level of increase required would be €13.20 per week or considerably less than the 2007 increase.

An increase of €20 per week for all payments of working age would cost €610 million in a full year.

Employment Incentives

5.4 The new partnership agreement has a strong focus on labour market participation and the transition from welfare to work. Budget 2006 contained a wide range of measures focused on this area and it will be necessary to consider what further improvements might be introduced in Budget 2007. In this context, measures to enhance the current Rent Supplement scheme, particularly in the context of rewarding work, might be considered.

It is anticipated that the new National Development Plan to be published later this year will provide for funding to enable a stronger focus on activation over the course of the plan, including the provision of additional activation personnel in the Department of Social & Family Affairs.

Energy Issues

5.5 Following the recent announcement by the Energy Regulator of increases in the price of electricity for domestic (and other) customers, improvements in the Electricity Allowance scheme (and the allied Gas Allowance scheme) were also announced. The improvement included an increase in the number of “free” units of electricity available in order to ensure that the vast majority of beneficiaries will not see any increase in their electricity bills consequent on the price rise.¹⁰ The main beneficiaries of the Household Benefits scheme (including Electricity and Gas Allowances) are pensioners aged 66 and over, including all non social welfare pensioners aged 70 and over. However, recipients of Invalidity Pension, Blind Pension, Disability Allowance and Carer’s Allowance also benefit regardless of age.

The Fuel Allowance scheme is a means tested scheme and is available to all social assistance recipients regardless of age and certain long-term social insurance

¹⁰ The number of “free” units will increase from 1,800 per annum to 2,400 from January 2007.

recipients. It should be noted that those who benefit from Electricity Allowance can also qualify for Fuel Allowance, subject to satisfying the means test.

Recently, there have also been calls for increases in the Fuel Allowance. These have been partly based on the fact that many of the beneficiaries such as the unemployed and lone parents will not benefit from the improved Electricity and Gas Allowance schemes, are also affected by energy price rises and are, in the main, in receipt of a social welfare payment payable at a lower rate than pensioners. These issues will need to be considered in the context of the significant increase (56%) in the Fuel Allowance in Budget 2006 and the increase in the weekly rates of payment to be decided for 2007, particularly, if such increases are significantly ahead of inflation as well as potential disincentive issues associated with these types of allowances, generally.

6. Lifecycle Stage – People of Working Age - Carers

6.1 The main commitments are:

“We will expand the income limits for the Carer’s Allowance so that all those on average industrial income can qualify.” (APG)

“We will implement significant increases in the value of the respite grant for carers.” (APG)

“Expanding the income limits for the Carer's Allowance so that all those on average industrial incomes can qualify and implementing significant increases in the value of the respite care grant for carers. Significant progress has been made on both commitments in recent Budgets. The earnings disregard for a couple is currently set at €580 per week. The gross average industrial earnings for 2005 was €580.76. The aim should be, subject to available resources, for the level of the disregard to keep pace with gross average industrial earnings. (TOWARDS 2016)

Continuing to review the scope for further development of the Carer's Allowance, Carer's Benefit and the Respite Care Grant having regard to the recommendations of the Equality Authority Report "Implementing Equality for Carers"; the Carer's Association Report "Towards a Family Carer's Strategy"; and the Joint Oireachtas Committee on Social and Family Affairs Report on the Position of Full-Time Carers and other available research. (TOWARDS 2016)

The Department of Social and Family Affairs, in the context of its Sectoral Plan will work with the Department of Enterprise, Trade and Employment and FÁS to progress issues associated with training for carers. (TOWARDS 2016)

The Department of Social and Family Affairs will lead the development of a structured consultation process to inform future policy in this area. This will involve an annual meeting of carer representative groups and relevant Departments and Agencies. (TOWARDS 2016)

Examining the potential for improved support services to carers. Consideration will also be given to enhancing economic and social inclusion supports to people whose caring responsibilities have concluded. (TOWARDS 2016)

Continue to support information and awareness campaigns. (TOWARDS 2016)

A National Carers' Strategy that focuses on supporting informal and family carers in the community will be developed by end 2007. There will be appropriate consultation with the social partners. (TOWARDS 2016)

Budget 2006

6.2 Budget 2006 contained a wide range of improvements for carers, including:

- An increase in the income disregard for Carer's Allowance by €20 and €40 per week to €290 for a single person and €580 for a couple.
- An increase of €200 in the Respite Care Grant, to €1,200.
- Special additional increases in the rates of payment of Carer's Allowance. The rate for those aged 66 and over is now €200 per week and €180 for those aged under 66.
- An increase in the number of hours that recipients of Carer's Allowance, Carer's Benefit and Respite Care Grant are permitted to engage in employment, from 10 to 15 hours per week.

6.3 It will be necessary to consider further improvements for carers, including, in particular, the Carer's Allowance income disregard¹¹ and the Respite Care Grant, in the context of the next Budget. Other issues which have been consistently raised in recent years include changes in the means testing arrangements so that, in the case of a couple, account is taken of the carer's means only and the granting of entitlement to a half rate of Carer's Allowance to persons in receipt of another (non-carer) social welfare payment.

7. Lifecycle Stage – Children

7.1. The main commitments are:

"We will complete our announced programme of multi-annual increases in Child Benefit and ensure that the combined value of child support is increased in line with our commitment under the National Anti-Poverty Strategy. (APG)¹²

"We will work to ensure that the number of children living in consistent poverty is reduced in line with the National Anti-Poverty Strategy." (APG)

¹¹ Projected GAIE for 2006 and 2007 are €607.50 and €636.50, respectively.

¹² The NAPS commitment is as follows: "To achieve the appropriate equivalence level of basic child income support (i.e. Child Benefit and Child Dependent Allowances combined) to be set at 33%-35% of the minimum adult personal rate"

“In particular, we recognise the tackling of child poverty as a core element of our work. (APG)

“Actions to make further progress towards the objective of eliminating child poverty will include:

- *Progress towards the existing NAPS target for those relying on social welfare payments, which the parties agree remains valid and appropriate – i.e. that the combined value of child income support measures be set at 33-35% of the minimum adult social welfare payment rate.*
- *Progressing, as a priority, further work aimed at assisting children in families on low incomes. This could include enhancing existing provisions or the introduction of new or reformed mechanisms. Child income supports which avoid employment disincentives will be reviewed by the Department of Social and Family Affairs as a priority and this work, which will be informed by the NESc study on a second tier child income support, will be completed within one year.*
- *Focusing on children in lone parent households and larger families, informed by the Government discussion paper on supports for lone parents, and a review of the re-focusing of the family income supplement in favour of larger families with low earnings.*

Maternity/Parental

- *Continuing to enhance maternity leave entitlements, in line with the measures announced in Budget 2006, aimed at helping children and their families to experience the qualities of family life, particularly in the important first year of life of the child. This will involve extending the period of paid maternity leave to 6 months by March 2007 and the unpaid maternity leave to 16 weeks. Together with the existing 14 weeks parental leave, parents' entitlement to paid and unpaid leave will be increased to a total period of 56 weeks (or 70 weeks if the father's parental leave entitlement is also included). The level of provision of maternity/paternity leave will be reviewed again before end 2008. (TOWARDS 2016)*

Budget 2006

7.2 The measures introduced included:

- The completion of the Government commitment on Child Benefit through increases of €8.40 in the lower rate and €7.70 in the higher rate. Current rates are €150 and €185 per month, respectively.
- FIS thresholds were increased, including major improvements for larger families.
- The rates of Back to School Clothing and Footwear Allowance were also increased in Budget 2006 along with an easing of the means testing arrangements.

- The One Parent Family Payment (OPFP) upper earnings threshold was increased substantially, from €293 to €375 per week. This threshold had been unchanged since the introduction of the scheme in 1997.

The Budget also saw the instruction of the Early Childcare Supplement (ECS). This payment was not part of the Social Welfare package and the scheme is under the aegis of the Office of the Minister for Children. ECS is payable regardless of whether or not one or both parents is in employment or whether paid childcare is a factor. The rate payable is €1,000 per annum or equivalent to €19.23 per week.

CB, CDA and ECS - 2006

7.3 Following Budget 2006, an unemployed couple or lone parent with one child will receive the following in child income support (and Early Childcare Support, if the child is under 6 years of age) each week.

Table 5. CB, CDA (and ECS), 2006.

Scheme	€ per week
CB	€34.62
CDA	€16.80 (€19.30 in the case of a lone parent)
Sub-Total	€51.42 (€53.92)
ECS	€19.23
Total	€70.65 (€73.15)

Back to School Clothing and Footwear Allowance of either €120 or €190¹³ per child may also be payable annually, subject to a means test while FIS may be payable weekly if one (or both of a couple on a cumulative basis) is in low paid employment of at least 19 hours duration per week.

Delivery of Child Income Support via Child Benefit - Background

7.4 The policy direction followed by successive Governments as well as the dedication of substantial resources to Child Benefit since 2001 represents part of an on-going objective of reforming income support for children in order to reduce work disincentives by making child income support more neutral vis-à-vis the employment status of the parent. This policy focus has been driven, in part, by the recognition that the loss of Child Dependant Allowances (CDAs) by social welfare recipients on taking up employment can act as a disincentive to taking up available work opportunities. Policy direction in relation to child income support has therefore, focused on targeting resources towards the provision of substantial increases in Child Benefit, while maintaining CDA rates at existing levels.

In terms of tackling work disincentives, the shift towards Child Benefit has been significant. For instance, in 1994 Child Benefit represented 29% of the total CB/CDA payment for a four-child family while it is now nearly 70%. In other words, a family will lose only 30% of their child income support when a welfare recipient moves into full-time employment¹⁴. The Early Childcare Supplement is also employment neutral.

¹³ The annual rate of Back to School Clothing & Footwear Allowance is €120 where the child is aged 2 to 11 inclusive and €190 where the child is aged 12 to 22 (and in full time education).

¹⁴ Low-income workers with children may also be entitled to FIS.

CIS Equivalence Levels

7.5 Child Income Support (CB and CDA combined) is now equivalent to 31% of the lowest rate of payment, or below the 33-35% range as contained in various commitments.¹⁵ The equivalence rate has deteriorated in the last two years as a result of the very high increases (in relative terms) in the lowest rates of payment. When the ECS is taken into account, the equivalence level could be up to 42.6% (where there are children aged under six). For those families with children aged six and over, no benefit accrues from the ECS.

It will be necessary to provide further increases in Child Income Support in 2007 in order to reach the 33%-35% target equivalence level. This could be achieved by increases in Child Benefit alone, CDAs alone or a combination of both plus any relevant increases in the ECS and/or the Back to School Clothing and Footwear Allowance.

The level of increase required is dependent on the level of increase in the lowest rate of weekly payments. Accordingly, an illustrative €20 increase in the lowest rate would require the provision of significant increases in Child Income Support in order to reach the lower range (33%) of the target level. If the chosen method was through CB only, the lowest CB rate would have to further increase by a total of €42.50 per month by 2007 in order to maintain a CIS equivalence level of 33%. If the CIS equivalence level of 33% was to be achieved through CDA increases alone, the lowest rate of CDA would have to increase by €9.90 per week.

- Each €1 per month increase in Child Benefit costs €13.9 million per full year while each €1 per week increase in CDAs costs €15.6 million per full year.¹⁶
- Accordingly, a €52 per annum increase in Child Benefit – equivalent to €1 per week - would cost €60 million in a full year in comparison to €15.6 million for a CDA increase of a similar amount.

As already indicated, the approach in relation to the ECS would also be relevant in this regard.

Government Discussion Paper on Lone Parents

7.4 This Report contains various proposals relating to recipients of One Parent Family Payment and social assistance Qualified Adult Allowances. The proposals are framed in the context of facilitating progression to education, training and employment and are currently under detailed consideration. An adjustment to the lowest rate of CDA may be required in preparation for proposals in relation to lone parents.

¹⁵ If the Back To School Clothing & Footwear Allowance was included in the calculation, the equivalence level would be 32.4% where a child was aged 2-11 and 33.2% where the child was aged 12-22 inclusive.

□ There are three weekly rates of CDA, namely, €16.80, €19.30 and €20.60. A €1 increase in the lowest rate costs €6.6 million in a full year.

FIS

7.5 FIS thresholds are increased each year. It will have to be decided as to whether the approach adopted in the last Budget i.e. higher threshold increases for larger families should be continued. It should be noted that Towards 2016 provides for “a review of the re-focusing of the family income supplement in favour of larger families with low earnings.” There has been a strong upward increase, in 2006 in the number of persons applying for FIS. This will have implications in relation to the cost of the 2007 increases.

School Meals

7.6 Additional funding for this scheme has been provided in recent Budgets. At present, of the 830 schools in the Delivering Equality of Opportunity in Schools (DEIS) programme, 400 currently participate in the School Meals scheme. The DEIS initiative, under the Dept. of Education & Science, is designed to ensure that the most disadvantaged schools benefit from a comprehensive package of supports. Further additional funding for the School Meals Scheme in 2007 would compliment the DEIS programme and target social inclusion through the enhancement of educational opportunity.

8. Lifecycle Stage – People with Disabilities

8.1. The main commitments are:

The elaboration of a comprehensive Employment Strategy for people with disabilities including a range of measures to promote education, vocational training and employment opportunities for people with disabilities, including:

- *Exploring the potential for extending the NEAP FÁS referral process to people with disabilities in the context of their special needs and the Government’s commitment to mainstreaming. This will include exploring issues of health and welfare entitlements and benefits and examining and addressing the disincentives for people in receipt of income maintenance or secondary payments who wish to participate in training or employment initiatives.*
- *In terms of ensuring adequate levels of income for people with disabilities, we will work for the continued enhancement and integration of supports in line with overall social welfare commitments and targets. This will include a rationalisation of existing allowances for people with disabilities in the context of the Government’s policy of mainstreaming and the proposed transfer of functions from the HSE to the Department of Social and Family Affairs. Other issues around cost of disability will be considered following the development of a needs assessment system provided for under Part 2 of the Disability Act, 2005. (TOWARDS 2016)*

Budget 2006

8.2 Many of the measures in Budget 2006 which benefited persons of working age generally also directly benefited people with disabilities. In addition the following targeted measure was also introduced:

- The introduction of a tapered withdrawal rate for disability allowance and blind pension recipients who engage in rehabilitative employment or self-employment and have a weekly income over €120 and under €350.

8.3 Proposals in line with the above commitments will need to be considered. In addition, the position of recipients (in institutions) of the Disability Allowance Personal Expenses Rate is currently being examined in conjunction with the Dept. of Health and Children. It is hoped that a solution can be found whereby a full rate of DA can be payable to the relevant group. It may be more appropriate to deal with this issue in the context of the Estimates rather than Budget.

9. Miscellaneous

9.1 Each Budget contains some allocation for a range of improved services such as the Money Advice & Budgeting Services (MABS), Comhairle, the Family Support Agency etc. These areas will also need to be considered in due course.

The TSG is invited to discuss this paper.

Department of Social
& Family Affairs

September 2006