

## Department of Social and Family Affairs

### 2008 Budget Issues

#### Introduction

1. The main factors influencing the current strategy of the Department of Social and Family Affairs (DSFA) and, in particular, the formulation of the 2008 DSFA Budget Package are:-

- the social welfare commitments contained in *An Agreed Programme for Government*;
- the commitments in the *National Action Plan for Social Inclusion 2007-2016 (NAPinclusion)*, and
- commitments in *Towards 2016*.

The main costs arising in the 2008 package will be incurred on increases in the weekly rates of pensions, other social welfare payments, qualified adult increases and child income support.

This paper<sup>1</sup> briefly outlines the context for the formulation of the 2008 DSFA Budget package. The structure of the document then follows the lifecycle approach outlining, for each lifecycle stage, the relevant commitments in the new Government programme and discusses possible approaches to the consideration of the 2008 package. The principal measures announced in Budget 2007 are outlined in Appendix 1. For brevity, only the key social welfare commitments in *An Agreed Programme for Government* are outlined in the main body of the paper – a full list is contained in Appendix 2. Relevant commitments in the *NAPinclusion* and in *Towards 2016* are outlined in Appendix 3.

#### 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 prospects are for solid growth in the economy generally in the years ahead. Investment in infrastructure, education and moderate wage increases have enabled the economy to prosper thereby generating the resources for key improvements in social services generally.

There are now nearly 2.1 million persons in employment in Ireland, an increase of more than 345,000 since 2002. In particular, the rate of unemployment is low (4.7%)<sup>2</sup> and is close to full employment. However, reliance, in whole or in part, on transfers through the welfare system remains high. At the end of June 2007, over one million persons were receiving a personal weekly social welfare payment. Of these, about 411,000 are pensioners aged 66 or over. Of the approximately 600,000 recipients of

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<sup>1</sup> A separate paper on PRSI will also be submitted to the Group.

<sup>2</sup> CSO: Standardised Unemployment Rate, August 2007.

working age, many 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. However, while activation into employment, training or education is a key goal of DSFA, many will not be in a position to avail of these opportunities because of a variety of factors such as old age, poor mental or physical health, educational disadvantage or caring responsibilities. Income support through the welfare system will remain critical for these groups in the short to medium term with particular emphasis on reducing consistent poverty.

### Consistent Poverty

The EU Survey on Income and Living Conditions is carried out each year under EU legislation and provides information on poverty, deprivation and social exclusion. The most recent survey, published in November 2006, relates to 2005. While it found a decline in the number at risk of poverty in comparison to 2004, the number in consistent poverty shows a slight rise from 6.8% to 7.0%. The consistent poverty rate is highest at 10.2% for persons aged 0-14, 6.5% for persons aged 15 to 64 and 3.5% for pensioners. Given the significant increases in welfare rates in 2006 and 2007, it would be expected that consistent poverty rates, when published, should show improvement for these years.

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-SILC found that social transfers generally accounted for a very significant proportion of average gross weekly income of households in the lowest four income deciles. This proportion ranges from over 91% in the case of the lowest decile to 57% in the case of the fourth decile. While poverty, particularly consistent poverty, is influenced by a wide variety of factors 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 *NAPinclusion* and the *Agreed Programme for Government*

The Government's principal framework for the development of a more inclusive society is contained in the *NAPinclusion* published in February 2007 and the recent *Agreed Programme for Government*. The *NAPinclusion* sets out a wide-ranging and comprehensive programme of action to address poverty and social exclusion with the overall goal 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, under the revised definition.”

It is linked closely with *Towards 2016* and the *National Development Plan 2007-2013 (NDP)*, both of which contain high-level commitments aimed at tackling poverty and social exclusion. The *NAPinclusion* has a strong focus on actions and targets with 12 high level goals and 153 targets and actions aimed at ensuring that a decisive impact on poverty is made over the lifetime of the Plan.

The 12 high-level goals reflect the view that significant interventions are required in key areas in order to achieve the overall objective of reducing consistent poverty. They are designed to mobilise resources to address long-standing and serious social

deficits. These goals range across a variety of areas including education, activation, care services, housing and the integration of migrants but, importantly, include key income maintenance goals and targets.

The new *Agreed Programme for Government* contains a commitment to maintain the value of the lowest social welfare payments as agreed in *NAPinclusion* and, furthermore, sets a specific target rate (€300 per week) for the basic State pension.

The commitments in the new Programme are ambitious and, while they relate to the period to 2012, credible progress will need to be made in the year ahead.

### **Budget 2007**

3. The Social Welfare 2007 Budget package was significant and cost €1.4 billion in a full year, as follows:

*Table 1: DSFA Package 2007*

<b>Item</b>	<b>Full Year Cost €m</b>	<b>% of Overall Cost</b>
<b>Delivering Income Support</b> – Increases in weekly rates of pension and other payments.	<b>993</b>	<b>71%</b>
<b>Children</b> – Increases in Child Benefit, Child Dependant Allowance, Back to School Clothing and Footwear Allowance, FIS improvements etc.	<b>244</b>	<b>17%</b>
<b>Pensioners</b> – Special measures to benefit retired and older people.	<b>18</b>	<b>1%</b>
<b>Energy</b> – Increases Fuel Allowances etc.	<b>36</b>	<b>3%</b>
<b>Carers</b> – A wide range of improvements for carers.	<b>76</b>	<b>5%</b>
<b>Working Age</b> – Special measures to benefit people of working age.	<b>21</b>	<b>2%</b>
<b>People with Disabilities</b>	<b>17</b>	<b>1%</b>
<b>Miscellaneous</b> – Family Support Agency etc.	<b>2</b>	<b>-</b>
<b>Total</b>	<b>1,406</b>	<b>100%</b>

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

#### 4. Lifecycle Stage – Older People

4.1 The main commitments in the *Agreed Programme for Government* are:

##### Rate of Pension

- Increase the basic State pension by around 50% to at least €300 per week by 2012.

##### Contributory Pensioner QAA Rate/Over 80 Allowance.

- Complete the scheme introduced in Budget 2007 to provide a personal pension payment for pensioner spouses in receipt of the Qualified Adult Allowance. The payment will be set at the level of a full rate Non-Contributory State Pension and the income limits will be improved to enable more people to qualify for it.
- Extend the Age Allowance to Qualified Adults over 80 years old.

##### Actuarially Enhanced Pensions

- Increase the State Pension for every year that a person over 66 delays taking it. Thus, additional PRSI contributions made after the age of 66 will be added to the pension when it is drawn down.

##### Women & pensions

- Ensure women are treated fairly in pension provision. Ensure that women are treated fairly in the Social Welfare code and examine the proposals in the Green Paper on Pensions in this regard.

##### Rate of Weekly Pension – Commitment

4.2 The levels of increases in pension rates and, for comparative purposes, the lowest rate of social welfare payments over the period since 2002 were as follows:

Table 2: Weekly Rate increases, 2003 to 2007.

YEAR	Non-Contributory Pensioners €	Contributory Pensioners €	Lowest Rates of Payment €
2003	10.00	10.00	6.00
2004	10.00	10.00	10.00
2005	12.00	12.00	14.00
2006	16.00	14.00	17.00
2007	18.00	16.00	20.00
€ Increase 2003-2007	66.00	62.00	67.00
% Increase 2003-2007	49%	42%	56%
Current personal rate	200.00	209.30	185.80

It should be noted that the monetary differential between contributory and non-contributory pension rates has narrowed by €4 over the past two Budgets. Contributory pensioners (and their pensioner qualified adults) comprise over 78% of

all pensioners and it is projected that this proportion will consistently increase in the years ahead as a consequence of the expansion of coverage of the social insurance system over the period from the 1970s onwards and increased labour force participation generally.

As the table above shows, the level of increase provided for pensioners over the period since 2002 has been significant. The 2007 rate of the State Pension Contributory is now 34.8% of the 2006 Gross Average Industrial Earnings (GAIE)<sup>3</sup> or ahead of the recommendation in the (1998) National Pensions Policy Initiative (NPPI) that the level of the contributory pension should reach 34% of (previous year's) GAIE. However, the realisation of the new Government target to reach €300 per week for the basic State pension will require even greater annual monetary increases on average over the next five years. If completed, it is estimated that the State Pension Contributory in 2012 would be equal to over 40% of 2011 GAIE.

Each €1 per week increase for pensioners generally (contributory and non-contributory) would cost approximately €22.5 million in a full year.<sup>4</sup>

#### Contributory Pensioner QA Rate

4.3 This commitment relates to the Qualified Adult (aged 66 and over) rates payable with the State Pension Transition and Contributory in respect of a spouse or partner and envisages that this rate would be brought up to the personal rate of the State Pension Non-Contributory. Such a move would improve the income of contributory pension couples generally<sup>5</sup> and provides income support in respect of the spouse or partner equivalent to the maximum available to a non-contributory pensioner, thereby facilitating the administrative individualization of pensions<sup>6</sup>.

While the Government commitment on this issue does not specify a timeframe shorter than the period of the *Agreed Programme for Government*, the *NAPinclusion* envisages the completion of this commitment by Budget 2009. Progress was made in relation to this commitment in the last Budget, as follows:

*Table 3: State Pension Non-Contributory Personal and Contributory QAA (aged 66 and over) Weekly Rates, 2005 to 2007.*

<b>Weekly Rates</b>	<b>2005 €</b>	<b>2006 €</b>	<b>2007 €</b>
<b>State Pension (Non-Contributory) Personal Rate</b>	166.00	182.00	200.00
<b>Contributory QAA rate Aged 66 and over</b>	138.50	149.30	173.00
<b>Differential</b>	27.50	32.70	27.00

<sup>3</sup> The NPPI envisaged that the target social welfare rate would be set by reference to earnings in the previous year.

<sup>4</sup> Appendix 4 details the cost of a €1 per week increase for each social welfare scheme.

<sup>5</sup> Where the means of a spouse/partner are in excess of €280 per week, a Qualified Adult increase is not payable.

<sup>6</sup> The Social Welfare and Pensions Act 2007 provided that an increase in respect of a qualified adult would be payable directly to the qualified adult (unless the qualified adult indicated otherwise).

The cost of equalizing the relevant rates is €45.4 million in a full year based on the current rates of payment.

#### Over-80 Allowance for Qualified Adults

4.4 It is estimated that the extension of the Over-80 Allowance to qualified adults would cost in the region of €2 million in a full year. These recipients would also benefit from the measure at 4.4. above, if the latter was also implemented.

#### Green Paper – Pensions

4.5 The Green Paper on Pensions is likely to be published in the coming months. It is anticipated that the Green Paper will, inter alia, deal with items such as actuarially enhanced social welfare pensions, pension issues relating to the women and homemakers generally and the contents of the Paper will inform the progression of the commitments in these areas.

### **5. Lifecycle Stage – People of Working Age**

5.1 The main commitments in the *Agreed Programme for Government* are:

#### Lowest Rates of Payment

- *Continue to maintain the value of the lowest rate of social welfare payments as agreed in the National Action Plan on Social Inclusion.*

#### Rent Supplement

- *The standard means test for Rent Supplement will be kept under review and we will provide enhanced financial incentives to take up part-time employment, training, education or other progression items – minimising where possible, the impact of the sudden withdrawal of social welfare payments. The 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.*
- *We will urgently examine the development of a mortgage support system for people on low incomes in order to reduce long-term reliance on rent supplement.*

#### Lone Parents

- *The Government will implement a range of reforms to income support, including removal of the cohabitation restriction, replacing Lone Parents' Allowance with a new and improved family friendly allowance, and relaxing restrictions on work while retaining the social welfare payment.*

#### Maternity/Paternity

- *Increase paid maternity leave by five weeks and make all leave after the first 26 weeks available to either parent.*
- *Examine the possibility of introducing paternity benefit.*

### People of Working Age

5.2 The primary DSFA goal in relation to persons of working age is twofold, namely

- To provide income supports and access to relevant services to such persons who cannot secure an income or an adequate income, and
- To facilitate them in taking up employment, training, education or development opportunities as appropriate to their individual circumstances.

In this regard, a significant development in the *National Development Plan 2007-2013* was the inclusion of a new Social and Economic Participation Programme in addition to the existing Back to Work and Back to Education Programmes.

Employment has proven to be a major factor for people exiting out of poverty and also influences quality of life and social inclusion. This new programme will involve DSFA engaging with all people of working age in a similar way, whether they are unemployed, lone parents, people with a disability or in some other category and builds on the DSFA's existing relationship with the people concerned, in co-operation with other relevant service providers such as FÁS, VECs, HSE and other local agencies.

The particular focus that will be provided by DSFA is an active outcome-based individual case management of all social welfare customers of working age. Individuals who have not progressed under the existing arrangements will be assisted through more intensive engagement than is possible in the current structure. Some €50m will be invested in this new programme.

### Lowest Rates of Payment

5.3 Following the €20 per week increase in Budget 2007, the lowest personal rate of payment is now €185.80 per week. This is equivalent to an estimated 29.7% of Gross Average Industrial Earnings (GAIE). The current commitments (and those over the period 2002 to 2007) do not, as such, state that the target rate envisaged refers to a benchmarked percentage of GAIE. However, these commitments have been interpreted by some of the social partners as referring to a benchmark of 30% of GAIE and the current level is very close to this figure.

The level of increase in the lowest rates of payment in Budget 2008 will have to have regard to the relevant commitments, the level of increase granted to pensioners, the necessity to reduce consistent poverty and inflationary pressures.

Each €1 per week increase for persons of working age generally would cost approximately €32.1 million in a full year.<sup>7</sup>

### Other commitments

5.4 The *Agreed Programme for Government* contains a range of other commitments relating to activation, rent supplement, lone parents and maternity/paternity benefits. While, as already stated, considerable progress was made in the last Budget in the

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<sup>7</sup> Appendix 4 details the cost of a €1 per week increase for each social welfare scheme.

introduction of measures to reward work, the current commitments will need to be progressed.

## 6. Lifecycle Stage – People of Working Age - Carers

6.1 The main commitments in the *Agreed Programme for Government* are:

- *Further increase eligibility for the Carers' Allowance.*
- *Double the non-means-tested Respite Care Grant to €3,000 per person cared for.*
- *Extend the National Fuel Allowance Scheme to cover eligible carers.*

The following table details the improvements in the income disregards for Carer's Allowance and the Respite Care Grant over the period since 2002.

*Table 4: Carer's Allowance Disregard and Respite Care Grant, 2002 to 2007*

<b>Budget</b>	<b>Carer's Allowance Disregard – Single Person</b>	<b>Carer's Allowance Disregard – Couple</b>	<b>Respite Care Grant</b>
	<i>€ per week</i>	<i>€ per week</i>	<i>€ per annum</i>
<b>2002</b>	191	382	635
<b>2003</b>	210	420	735
<b>2005</b>	250	500	835
<b>2005</b>	270	540	1,000
<b>2006</b>	290	580	1,200
<b>2007</b>	320	640	1,500
<b>% Change 2003 to 2007</b>	67%	67%	136%

### New "Half-Rate" Carers Payment

6.2 In Budget 2007, a major improvement for carers, costing €57 million in a full year, was announced; this measure comes into effect from the end of September 2007 and provides for the introduction of a new "Half Rate" Carer's Allowance payment where a carer is also experiencing another contingency covered by the welfare system e.g. old age or widowhood. Heretofore, social welfare legislation generally provided that only one social welfare payment could be payable at any given time even where a person satisfied the conditions for receipt of two or more schemes. Thus, where a full time carer satisfied the conditions for another social welfare payment as well as Carer's Allowance, only one could be paid. In such cases, the majority of carers opted for Carer's Allowance as it, in most cases, offered a payment a higher rate as well as ancillary benefits such as Household Benefits and Free Travel which might not be available with the other scheme.

The new provisions will mean:

- that existing recipients of Carer's Allowance who have an underlying entitlement to another welfare payment such as Widow/er's Contributory

Pension may be financially better off moving to the non-caring payment and also receiving the new “Half Rate” payment for caring, and

- that some existing recipients of other non-caring social welfare payments who also provide full time care and attention will now become eligible for the new “Half-Rate” payment.

6.3 It will be necessary to consider further improvements for carers, including the Carer’s Allowance income disregard and the Respite Care Grant, in the context of the next Budget. In particular, the *Agreed Programme for Government* envisages a doubling of the Respite Care Grant over the next five years. In recent years, carer’s representative groups have sought changes to the means testing arrangements so that account would only be taken of the carer’s means as distinct from the means of the couple.

## **7. Lifecycle Stage – People with Disabilities**

7.1. The main commitments in the *Agreed Programme for Government* are:

- *Offer people with disabilities further improved pathways to participation in employment or education, avoiding the benefits trap.*
- *Implement the Citizens Information Act, which provides for an independent personal advocacy service for people with disabilities.*

7.2 It will be necessary to consider further improvements for persons with disabilities in the forthcoming Budget.

## **8. Lifecycle Stage – Children**

8.1. The main commitments in the *Agreed Programme for Government* are:

- *We will increase the rate of the Early Childhood Supplement and Child Benefit, while building on the Qualified Child Allowance.*
- *Amalgamate Qualified Child Allowances and Family Income Supplements in order to develop a second tier of income support targeted at the poorest families.*
- *Implement significant improvements to the Back to School Clothing and Footwear Allowance and the School Meals Programme.*

8.2 Support for children is delivered through a wide range of schemes such as Child Benefit, Child Dependant increases payable with welfare payments, the (means tested) Back to School Clothing and Footwear Allowance, Family Income Supplement (payable to certain low income families), the School Meals Programme (for certain schools only) and the Early Childcare Supplement. Policy responsibility for the ECS is held by the Minister for Children.

*Delivery of Child Income Support via Child Benefit - Background*

8.3 The overall policy direction on child income support since 1994 has been to reform 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 Increases (CDIs) 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. In 2007, the three rates of CDIs were standardised at €22 per week, an increase of €5.20 in the lowest rate.

In 1994, Child Benefit represented 29% of the total CB/CDI payment for a four-child family and is now over 65%. In other words, this family will currently lose only 35% of their child income support when a welfare recipient from welfare dependency to full-time employment. Looking ahead, it is considered appropriate that the proportion of total child income support which is contingent on being in receipt of a primary social welfare payment should not rise significantly above its present level. ECS is also employment neutral (but BTSCFA is not).

*Child Income Support Target*

8.4 The Child Income Support target (as originally formulated), envisaged that the combined weekly value of Child Dependant Increases and Child Benefit would be equivalent to 33 to 35% of the lowest weekly rate of personal payment (now €185.80). However, in recent years, the ECS has been introduced and the level of the Back to School Clothing and Footwear Allowance has been increased very substantially. Following Budget 2007, the table below outlines what an unemployed couple or lone parent with one child receives in child income support depending on the age of the child. Equivalence levels based on CDI and CB only and CDI, CB, ECS and BTSCFA combined are also shown.

*Table 5: Child income support as a percentage of lowest personal social welfare rate, 2007*

Income support (Lowest rates: weekly equivalent)	Age of child			
	To 2 <sup>nd</sup> birthday	2 to 5 years inclusive	6 to 11 years inclusive	12 years +
Child Benefit (€)	36.92	36.92	36.92	36.92
Qualified Child Increase (€)	22.00	22.00	22.00	22.00
Early Childcare Supplement (€)	19.23	19.23	n/a	n/a
Back to School Clothing & Footwear Allowance (€)	n/a	3.46	3.46	5.48
<b>Total Child Income Support (€)</b>	78.15	81.61	62.38	64.40
<b>Total child income support as % of lowest personal rate<sup>8</sup></b>	<b>42.1%</b>	<b>43.9%</b>	<b>33.6%</b>	<b>34.7%</b>

Note: FIS may be payable if one (or both of a couple) is in low paid employment of at least 19 hours duration per week.

<sup>8</sup> The lowest rate of payment is now €185.80 per week.

Child Income Support, including CB, CDI, ECS and BTSCFA combined, is now equivalent to 43.9% of the lowest rate of payment. When ECS is not taken into account, child income support is equivalent to 33.6% of the personal rate.<sup>9</sup>

#### Second Tier of Child Income Support

8.5 The NESC Review on the introduction of a second tier of child support is awaited. In the meantime, an analysis by D/SFA of FIS recipients over the period 2005 to 2007 is almost completed and a study of FIS take-up rates should be available early next year. These will feed into future consideration of any second tier arrangements.

#### Budget 2008

8.6 It will be necessary to consider improvements in Budget 2007 in the context of the various commitments in the Government's Programme. While these do not contain specific target rates, regard will also have to be had to the child income support equivalence targets contained in both the *NAPinclusion* and *Towards 2016*.

- Each €1 per month increase in Child Benefit costs €14.3 million per full year while each €1 per week increase in CDIs costs €16.1 million per full year.

#### FIS

8.7 FIS thresholds are increased each year. It will have to be decided as to whether the approach adopted in the last two Budgets i.e. higher weekly 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 and 2007 in the number of persons applying for FIS. This will have implications in relation to the cost of the 2008 increases.

#### School Meals

8.8 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, 650 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.

The TSG is invited to discuss this paper.

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Department of Social & Family Affairs  
September 2007

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<sup>9</sup> 34.7% where the child is aged 12 or over (as a higher rate of BTSCFA is payable). When CB and CDI only are taken into account, child income support is equivalent to 31.7% of the lowest rate.

## Appendix 1

### DSFA Budget 2007- Principal Features

#### Lifecycle Stage – Older People

- an increase of €18 per week (9.9%) for all non-contributory pensioners, bringing the weekly rate to €200, thereby achieving the target contained in the last Government Programme;
- an increase of €16 per week (8.3%) for contributory pensioners with proportionate increase for those on reduced rates of payment;
- increases in QA rates ranging from €10.70 (8.3%) to €23.70 (15.9%) per week;
- an increase in the National Fuel Allowance by €4 per week (29%), from €14 to €18<sup>10</sup>;
- an increase of €10 per week in the means disregard for State Pension (Non-Contributory) – the disregard is now €30 per week;
- an increase of €100 per week in the earnings disregard for State Pension (Non-Contributory) – the disregard is now €200 per week;

#### Lifecycle Stage – People of Working Age

- an increase of €20 per week (12.1%) in the weekly rates of payment for all of working age. This increase brought the lowest rates of payment to €185.80.
- an €13.30 per week increase (also 12.1%) in the rate for qualified adults;

#### *Back to Work and Education Allowances*

- a reduction in the qualifying period for Back to Education Allowance from 3 to 2 years in respect of Illness Benefit.
- immediate access to Back to Education Allowance to persons made redundant provided they have an entitlement to statutory redundancy and are entitled to a social welfare payment.

#### *Jobseeker's Allowance and Farm Assist*

- The introduction of a daily earnings disregard of €20 per day for Jobseeker's Allowance and Farm Assist claimants with children (for up to 3 days a week).

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<sup>1010</sup> The rate of Smokeless Fuel Allowance (€3.90 per week) was not changed.

- An increase in the daily earnings disregard by €7.30 per day, from €12.70 to €20, for Jobseeker's Allowance and Farm Assist claimants without children.

#### *Jobseeker's Allowance, Farm Assist Disability Allowance and Pre-Retirement Allowance*

- The reform and simplification of the assessment of spouse's earnings for these schemes so as to reward work. The changes announced involve the abolition of tapered rates increases for Qualified Adults for these schemes and the simplification of the assessment of means where a spouse takes up employment so as to ensure that existing poverty traps (at certain income levels) are eliminated.

#### *Lone Parents*

- The upper income threshold for One Parent Family Payment was increased by €25 a week to €400 a week.

#### *Jobseeker's Benefit, Illness Benefit, Injury Benefit and Health & Safety Benefit*

- The spouse's income for entitlement to half rate CDA with Jobseeker's Benefit, Illness Benefit and some other schemes was increased by €50 per week, from €350 to €400.

#### *Rent Supplement*

- Enable recipients of Rent Supplement, who have been placed on a Local Authority waiting list for accommodation under the Rental Accommodation Scheme, to take up full time employment and remain eligible for Rent Supplement, subject to satisfying the other conditions for entitlement.
- Increase the Rent & Mortgage Interest Supplement additional household income disregard applicable to those taking up part-time employment or an employment opportunity to 75% of any additional household income, subject to a minimum disregard of €75 per household per week.

#### *Grants on Bereavement*

- an increase of €215 in the Bereavement Grant, bringing the rate to €850. The Widowed Parent Grant was increased by €1,300, from €2,700 to €4,000.

### **Lifecycle Stage – People of Working Age - Carers**

- The rate of Carer's Allowance was increased by €18 per week to €218 for recipients aged 66 and over.
- The rate of Carer's Allowance and Carer's Benefit/Constant Attendance Allowance was increased by €20 per week, to €200 and €200.70, for recipients aged under 66.

- From April 2007, the income disregard for Carer's Allowance was increased by €30 per week for a single person and €60 per week for a couple to €320 and €640 respectively.

#### *Respite Care*

- An increase of €300 in the Respite Care Grant, thereby bringing it to €1,500.

### **Lifecycle Stage – Children**

- Child Benefit was increased by €10 on the Lower Rate and Higher Rate. The 2007 monthly rates are €160 and €195 per month, respectively.
- From January 2007, all three Qualified Child Allowance rates were standardised to a single higher rate of €22 per week.
- All weekly Family Income Supplement earnings thresholds were increased by amounts varying from €15 per week to €185 per week depending on family size.
- Increases in the rate of payment of Back to School Clothing and Footwear Allowance - €60 per child for the lower rate and €95 per child for the higher rate.
- The School Meals Scheme received additional funding of €3.0m.

### **Lifecycle Stage – People with Disabilities**

#### *Disability Allowance*

- Entitlement to the full rate of Disability Allowance was extended to all persons resident in institutions.
- From June 2007, the capital disregard for Disability Allowance was increased by €30,000, from €20,000 to €50,000. The purpose of this measure was to recognise that families may wish to make financial provision for family members experiencing long-term disabilities.

### **Agencies etc.**

#### Budget 2007

- €0.75m in funding was provided to the Entitlements Awareness Campaign to promote a range of campaigns focused on entitlement awareness.
- The Family Support Agency received an additional €1.5 million in funding.
- Additional funding of €1.9m for Comhairle for the development of a personal advocacy service for persons with disabilities and for the implementation of the Disability Sectoral Plan.

## Appendix 2

### DSFA Commitments – *An Agreed Programme for Government 2007-2016*

#### Lifecycle Stage – Older People

##### Rate of Pension

- *Increase the basic State pension by around 50% to at least €300 per week by 2012. (Programme for Government)*
- *Aim to secure the target of at least 50% of pre-retirement earnings from all sources including social welfare supports, private and occupational pensions, and savings and investments. (Programme for Government)*

##### Contributory Pensioner QAA Rate/Over 80 Allowance.

- *Complete the scheme introduced in Budget 2007 to provide a personal pension payment for pensioner spouses in receipt of the Qualified Adult Allowance. The payment will be set at the level of a full rate Non-Contributory State Pension and the income limits will be improved to enable more people to qualify for it. (Programme for Government)*
- *Extend the Age Allowance to Qualified Adults over 80 years old. (Programme for Government)*

##### Actuarially Enhanced Pensions

- *Increase the State Pension for every year that a person over 66 delays taking it. Thus, additional PRSI contributions made after the age of 66 will be added to the pension when it is drawn down. (Programme for Government)*

##### Women & pensions

- *Ensure women are treated fairly in pension provision. (Programme for Government)*
- *Ensure that women are treated fairly in the Social Welfare code and examine the proposals in the Green Paper on Pensions in this regard. (Programme for Government)*

##### All-Ireland Free Travel

- *Urgently examine the introduction of Free Travel for Irish citizens of pension age particularly those resident in the UK when visiting Ireland, and press the European Commission to examine a similar EU wide scheme. As part of the modernisation of customer services, replace the existing paper travel pass with a plastic card which can be used on all public transport services which offer the facility of free travel. (Programme for Government)*

##### Earnings & pensions

- *Extend the amount those in receipt of the State Non-Contributory Pension are allowed to earn without it affecting their pension entitlement. (Programme for Government)*

### Other

- *Remove anomalies identified in the pension system. (Programme for Government)*

## **Lifecycle Stage – People of Working Age**

### Lowest Rates of Payment

- *Continue to maintain the value of the lowest rate of social welfare payments as agreed in the National Action Plan on Social Inclusion. (Programme for Government)*

### Activation

- *Integrate the tax and social welfare systems fully to allow for more efficient data and money transfer mechanisms and provide for a fully integrated PPS number. (Programme for Government)*
- *Maintain policy of phasing and using transition payments for those coming off social welfare. (Programme for Government)*

## **Rent Supplement**

- *The standard means test for Rent Supplement will be kept under review and we will provide enhanced financial incentives to take up part-time employment, training, education or other progression items – minimising where possible, the impact of the sudden withdrawal of social welfare payments. The 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. (Programme for Government)*
- *We will also initiate a feasibility study on reforming rent supplement. (Programme for Government)*
- *We will urgently examine the development of a mortgage support system for people on low incomes in order to reduce long-term reliance on rent supplement. (Programme for Government)*
- *We will ensure that people on the Rental Accommodation Scheme are proactively helped to move to housing accommodation appropriate to their individual needs (Programme for Government)*

## **Lone Parents**

- *The Government will implement a range of reforms to income support, including removal of the cohabitation restriction, replacing Lone Parents' Allowance with a new and improved family friendly allowance, and relaxing restrictions on work while retaining the social welfare payment. (Programme for Government)*

### Maternity/Parental

- *Increase paid maternity leave by five weeks and make all leave after the first 26 weeks available to either parent. (Programme for Government)*

- *Examine the possibility of introducing paternity benefit. (Programme for Government)*

#### **Lifecycle Stage – People of Working Age - Carers**

- *Further increase eligibility for the Carers' Allowance. (Programme for Government)*
- *Double the non-means-tested Respite Care Grant to €3,000 per person cared for. (Programme for Government)*
- *Extend the National Fuel Allowance Scheme to cover eligible carers. (Programme for Government)*
- *Ensure a National Carers' Strategy focusing on supporting informal and family carers in the community will be developed by end 2007. There will be appropriate consultation with the social partners. (Programme for Government)*

#### **Lifecycle Stage – Children**

- *Increase the rate of the Early Childcare Supplement and Child Benefit (Programme for Government)*
- *We will increase the rate of the Early Childhood Supplement and Child Benefit, while building on the Qualified Child Allowance. (Programme for Government)*
- *Amalgamate Qualified Child Allowances and Family Income Supplements in order to develop a second tier of income support targeted at the poorest families. (Programme for Government)*
- *Continue to increase Child Benefit. (Programme for Government)*
- *Implement significant improvements to the Back to School Clothing and Footwear Allowance and the School Meals Programme. (Programme for Government)*

#### **Lifecycle Stage – People with Disabilities**

- *Offer people with disabilities further improved pathways to participation in employment or education, avoiding the benefits trap. (Programme for Government)*
- *Implement the Citizens Information Act, which provides for an independent personal advocacy service for people with disabilities. (Programme for Government)*
- *Continue to make improvements in the support for Carers. (Programme for Government)*

- *Examine a needs assessment protocol for family carers, incorporating health and social issue, and see how the shortfall in places for people with intellectual disabilities in need of respite and day-care services can be addressed. (Programme for Government)*
- *Publish a review of the Cost of Disability payment. (Programme for Government)*

#### **Agencies etc.**

##### Family Support Agency

- *We will continue to fully resource the Family Support Agency and its programmes of Counselling, Family Resource Centres, etc. (Programme for Government)*

##### Office of Social Inclusion (OSI)

- *Continue to support the Office of Social Inclusion and review the effectiveness of the poverty proofing mechanisms currently being used. (Programme for Government)*

##### Money Advice and Budgeting Service (MABS)

- *The success of the Money Advice and Budgeting Service (MABS) will be further enhanced by the establishment under legislation of a new structure with national leadership for the 21st century which maximises and recognises the current local voluntary involvement together with a strong professional role aimed at continuing to provide strong and confidential support for its clients. (Programme for Government)*
- *MABS will also be given a central role in increasing access to affordable credit for low income earners and social welfare customers. (Programme for Government)*

## Appendix 3

### DSFA Commitments – Towards 2016 and NAPinclusion

#### 1. Lifecycle Stage – Older People

##### 1.1 Rate of Pension

- *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)*
- *Enhancement of social welfare pensions over the period<sup>11</sup>, 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)*
- *Maintain a minimum payment rate of €200 per week, in 2007 terms, for all social welfare pensions over the course of this Plan and, if possible, having regard to available resources and the Government's commitment in Towards 2016, to enhance this provision. The overall pension structures and system to provide income supports for pensioners will be reviewed in the light of the forthcoming Green Paper on Pensions, to be finalised at end March 2007. This will review all the pillars of pension provision(NAPinclusion)*

##### 1.2 Contributory Pensioner QAA Rate/Over 80 Allowance.

- *To increase<sup>12</sup> the level of qualified adult allowance for pensioner spouses to the level of the state non-contributory pension. (TOWARDS 2016)*
- *The level of the Qualified Adult Allowance for pensioner spouses will be increased to the level of the State Pension (non-contributory) by 2009; (NAPinclusion)*

#### 2. Lifecycle Stage – People of Working Age

##### 2.1 Lowest Rates of Payment

- *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)*
- *Maintain the relative value of the lowest social welfare rate at least at €185.80, in 2007 terms, over the course of this Plan, subject to available resources. (NAPinclusion)*

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<sup>11</sup> To 2016

<sup>12</sup> over a ten year period.

## 2.2 Activation

- *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)*
- *To ensure better integration of activation, income and other supports to assist people into employment, a new high-level group will be established. This will be composed of the Departments of Enterprise, Trade and Employment and Social and Family Affairs, FÁS and other relevant agencies as required. This group will have a clear mandate from Government to drive forward the activation programme and will report to the Cabinet Committee regarding progress in delivering the targets set out in this Plan and other related issues; (NAPinclusion)*

## 2.3 Rent Supplement

- *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)*
- *The standard means test for Rent Supplement (and other secondary benefit payments) under the Supplementary Welfare Allowance scheme (SWA) will continue to be reviewed with a view to providing enhanced financial incentives to take up part-time employment, training, education or other progression options, and minimising where possible, the impact of the withdrawal of social welfare supports. The overall emphasis will be on the provision of appropriate long-term housing solutions. (NAPinclusion)*

## 2.5 Maternity/Parental

- *..... The level of provision of maternity/paternity leave will be reviewed again before end 2008. (TOWARDS 2016)*

## 2.6 Atypical Workers

- *The report of the Unemployment Benefit Expenditure Review Group, due in early 2007, will be considered in the context of its conclusions on social protection issues relating to atypical workers; (NAPinclusion)*

- *The issue of part-time availability for work within the social welfare system is being considered in the context of proposals being developed aimed at supporting lone parents and parents on low income back into employment; (NAPinclusion)*

### **3. Lifecycle Stage – People of Working Age - Carers**

- *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)*
- *A National Carers' Strategy that focuses on supporting informal and family carers in the community will be developed by end-2007; (NAPinclusion)*

- *The scope for further development of income supports for carers will continue to be reviewed. In particular, the aim will be for the level of the Carer's Allowance disregard to keep pace with gross average industrial earnings so that those on average industrial earnings can continue to qualify for the payment; (NAPinclusion)*

#### **4. Lifecycle Stage – Children**

- *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. (TOWARDS 2016)*
- *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. (TOWARDS 2016)*
- *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. (TOWARDS 2016)*
- *The role of the Family Income Supplement scheme as an income support for low-income working families with children has been substantially improved and will be reviewed during 2007;*
- *Maintain the combined value of child income support measures at 33%-35% of the minimum adult social welfare payment rate over the course of this Plan and review child income supports aimed at assisting children in families on low income. (NAPinclusion)*
- *The review of child income supports by the Department of Social and Family Affairs, informed by the NESC study on a second tier child income support, will be completed in 2007; (NAPinclusion)*
- *The introduction of legislation to provide for Child Benefit to be divided equally between parents in cases where they are not living together and where joint equal custody arrangements apply; and*
- *The implications of and issues involved in transferring payment from the child's primary carer to an alternative qualified person in circumstances where it is established that the Child Benefit is not being utilised for the benefit of the child. (NAPinclusion)*

#### **5. Lifecycle Stage – People with Disabilities**

- *Issues around the cost of disability will be progressed in the context of:*

- *The development of the needs assessment process to be established under Part 2 of the Disability Act, 2005, (due to commence by mid-2007); and*
- *The opportunities for the rationalisation and development of payments following the transfer of disability-related income maintenance schemes from the HSE to the Department of Social and Family Affairs. Provision for the transfer of these schemes is to be made in the Social Welfare Bill 2008;*
- *The results of the National Disability Survey, which will be published in 2007; and*
- *The Inter-departmental Group on the Costs of Disability will oversee these developments<sup>13</sup>. (NAPinclusion)*

## **6. Agencies etc.**

### **6.1 Family Supports**

- *The Family Support Agency will also continue to strengthen families by supporting voluntary organisations providing marriage, relationship, child and bereavement counselling services. The recommendations of the Review of the Grant Scheme for Voluntary Organisations Providing Marriage, Child and Bereavement Counselling Services will be examined and implemented as appropriate; (NAPinclusion)*
- *A review of the Family Mediation Service will be undertaken in 2007. In addition, the service will continue to be expanded to meet identified demand. (NAPinclusion)*

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<sup>13</sup> Membership of this group comprises Departments of Health and Children (Chair); Social and Family Affairs; Enterprise, Trade and Employment; Finance; Justice, Equality and Law Reform and the Health Service Executive and the National Disability Authority.

## Appendix 4

<b>Indicative Cost of Each €1 Increase in Personal Rates and Proportionate Increases in Qualified Adult Rates<sup>14</sup></b>			
<b>Payment</b>	<b>Personal</b>	<b>Qualified Adult</b>	<b>Total</b>
	<b>€m<sup>15</sup></b>	<b>€m</b>	<b>€m</b>
<b><u>Social Insurance Schemes</u></b>			
State Pension (Contributory)	€ 10.55	€ 2.15	€ 12.70
State Pension (Transition)	€ 0.24	€ 0.06	€ 0.30
Widow/er's (Con) Pension	Under 66yrs € 1.77		€ 1.77
	66 yrs or over € 3.86		€ 3.86
Deserted Wife's Benefit	Under 66yrs € 0.44		€ 0.44
	66 yrs or over € 0.04		€ 0.04
Invalidity Pension	Under 66yrs € 2.73	€ 0.37	€ 3.10
	66 yrs or over € 0.16	€ 0.02	€ 0.18
Guardian's Payment (Contributory)	€ 0.04		€ 0.04
Death Benefit Pension	€ 0.03		€ 0.03
Disablement Pension	€ 0.22		€ 0.22
Illness Benefit	€ 3.80	€ 0.17	€ 3.97
Injury Benefit	€ 0.07	€ 0.01	€ 0.08
Incapacity Supplement	€ 0.05	€ 0.01	€ 0.06
Jobseeker's Benefit	€ 2.68	€ 0.19	€ 2.87
Carer's Benefit	€ 0.12	€ -	€ 0.12
Health and Safety Benefit	€ 0.00	€ 0.00	€ 0.00
<b><u>Social Assistance Schemes</u></b>			
State Pension (Non-Contributory)	€ 5.12	€ 0.13	€ 5.25
Blind Person's Pension	€ 0.08	€ 0.00	€ 0.08
Widow/er's (Non-Con) Pension	€ 0.11	€ -	€ 0.11
Deserted/Prisoners Wife's Allowance	€ 0.04	€ -	€ 0.04
One-Parent Family Payment	€ 4.62	€ -	€ 4.62
Carer's Allowance	Under 66yrs € 1.25	€ -	€ 1.25
	66 yrs or over € 0.06	€ -	€ 0.06
Half Rate Carer's Allowance	Under 66yrs € 0.28	€ -	€ 0.28
	66 yrs or over € 0.10	€ -	€ 0.10
Guardian's Payment (Contributory)	€ 0.02		€ 0.02
Long-term Jobseeker's Allowance	€ 2.97	€ 0.42	€ 3.39
Pre-Retirement Allowance	€ 0.61	€ 0.12	€ 0.73
Disability Allowance	€ 4.80	€ 0.30	€ 5.10
Farm Assist	€ 0.39	€ 0.12	€ 0.51
Employment Support Services	€ 0.61	€ 0.08	€ 0.69
Short-term Jobseeker's Allowance	€ 1.20	€ 0.17	€ 1.37
Supplementary Welfare Allowance	€ 1.04	€ 0.11	€ 1.15
<b>TOTAL</b>	<b>50.10</b>	<b>4.43</b>	<b>54.53</b>

<sup>14</sup> Costs do not include consequential costs for FIS and Maternity/Adoptive Benefits.

<sup>15</sup> All figures are subject to rounding.