Advisory Group on Tax and Social Welfare - Child and Family Income Support

SUBMISSION BY THE NATIONAL WOMEN'S COUNCIL OF IRELAND TO THE JOINT OIREACHTAS COMMITTEE ON EDUCATION AND SOCIAL PROTECTION

May 2013

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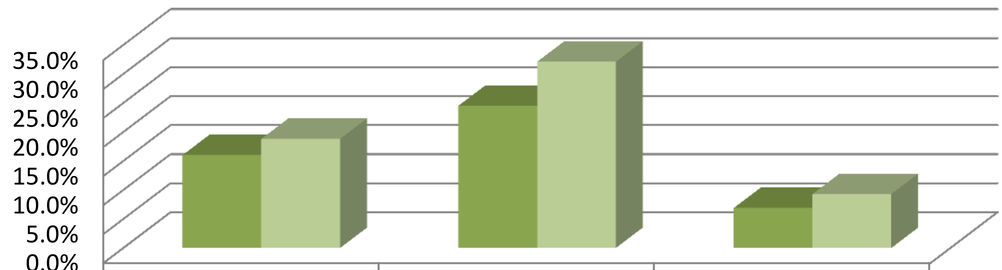
Introduction

Established in 1973, the National Women's Council of Ireland is the leading national women's membership organisation in Ireland. The NWCI seeks full equality between men and women. The NWCI represents and derives our mandate from our membership, which includes 165 member groups from a diversity of backgrounds, sectors and locations

For families, particularly women and children, Child Income Supports, including Child Benefit, are important features of the Irish economic landscape. Child Benefit is a universal payment that made directly to all mothers, unless otherwise stipulated. The universality of child benefit is based on an understanding that those with children have higher costs than those without and therefore income is distributed from those who do not have children to those who do. It acknowledges that children are key to society and necessary economically and will be the ones to pay for the pensions of those now paying their Child Benefit.

Child Benefit recognises the role that is played by women as care givers and that fact that income may not be distributed equally within the home. Research[1] shows that the vast majority of child benefit is spent either directly (on childcare, clothing, nappies, etc) or indirectly (on household bills that support the household in which the child lives) on children. in the Irish context, child benefit is also seen and used as a key mechanism to counteract the lack of investment and availability of affordable childcare where costs for full-time care for one child can be as much as €220 per week[2], a fact acknowledged by the Government when they introduced the series of increases to the Child Benefit payment to account for 'increasing childcare costs'.

Child Benefit is also part of an overall package of Child Income Supports that target child-related assistance to families who are at risk of poverty[3]. Child poverty remains a consistent challenge in Ireland. The latest figures available[4] show that children (0-17) make up 27% of the total population but 36.2% of the population in consistent poverty. They remain the most exposed age group with a consistent poverty rate of 9.3% in 2011, compared to the State average of 6.9%.



	At risk of poverty	Material Deprivation	Consistent Poverty
State	16.0%	24.5%	6.9%
0-17 years	18.8%	32.1%	9.3%

In this context of an increasing challenge with child poverty, social welfare payment increases for children and the Family Income Supplement are vital sources of income for many families dependant on social welfare or in employment but on low incomes.

Context

Cuts to child benefit

- 2010 – cut of €16 to all payments
- January 2011
  - further cut of €10 to 1st and 2nd child payments
  - further cut of €20 to 3rd child (from €187 to €167)
  - further cut of €10 for 4th + children (from €187 to €177)
- From Jan 2012
  - 1st and 2nd children remain the same - €140
  - 3rd child – cut of €19 to €148
  - 4th child – cut of €17 to €160
- Budget 2013
  - €10 reduction in child benefit per month for the first and second child to €130
  - €18 reduction to 3rd child - €130
  - €20 reduction to 4th + children - €140

Twins are only paid at one and a half times the rate and triplets double the rate. Grants paid at 4 and 12 years of age to mothers of twins and triplets have also been withdrawn.

Child Benefit has been consistently reduced in recent budgets. The NWCI estimates that families with 4 children have already seen a cumulative loss of €2,616 per annum. It is acknowledged that compensatory increases have been made in the rate of social welfare payable for dependent children. However, these compensatory payments were limited to those on social welfare and were not extended to others on low incomes.

Significant savings have already accrued as a result of these and other cuts. Expenditure on child benefit was just under €2.1 billion in 2011, a reduction of €400 million since 2009. In 2011, total spending on children was just over €2.4 billion in 2011, a reduction of 4% on the 2010 spend.[5]

The universality of Child Benefit has been coming under increasing attack. Arguments against universality focus on the fact that some higher income families may not need Child Benefit payments and it should become part of the system that targets lower income families.

Proposals

We regard it as appropriate that the State shares with parents the costs of rearing and maintaining children. This does not imply that child income supports are made in a rigorously selectivist fashion to a small group of low income families but, rather, that a contribution is made to the income of all families and full provision is made for children in families without income (Commission on Social Welfare 1986 repeated in the Advisory Group on Tax and Social Welfare report)

The Advisory Group on Tax and Social Welfare issued their first report on Child and Family Income Support in 2012 to the Minister for Social Protection. It was made available to stakeholders and the public in February 2013. It proposes the reform of child income support including:

- A universal, first-tier, payment of child benefit. This would be a reduced rate. The report indicates an amount of €25 per week – approximately €108 per month or €1,300 per year.
- A targeted, second-tier, of child benefit to replace FIS and the social welfare increase for a qualified child (IQC). This selective payment would be about €38 per week – approximately €164 per month or €1,976 per year. The full selective payment would be made to those with gross household incomes of up to €25,000 per annum. These payments would be made automatically to parents in receipt of social welfare but other parents, such as those currently on FIS, will need to apply for the payment. The supplementary payment would be withdrawn at a rate of 20% as income levels increase above €25,000. The cut-off points would vary according to the number of children in a household. For a household with one child, for example, the second-tier payment would be completely withdrawn if income is at €35,000.

The introduction of this system would effectively result in a 40:60 ratio between the universal (40) and selective or targeted (60) elements of child income support.

NWCI Position

Universal/Targeted Ratio of Child Benefit

The NWCI welcomes the unanimity of the Group in its view that there continues to be a role for universality within the system of child income support and its statement that the State should provide some income support for all children.

However, the NWCI is concerned at the ratio as indicated by the Group. It is acknowledged that families on very low incomes may be compensated for any reductions to the universal element of the payment. However, it is the experience of the NWCI and its members, that families on low and middle incomes are struggling to pay for essential household items. It is also the experience of the NWCI that many parents use child income support payments, particularly child benefit, to pay for childcare to enable them to work outside the home. While these families may not qualify for the second-tier payment any reduction to the current universal rate would out them under unsustainable financial pressure and may result in a number not being able to afford to maintain employment and/or falling into debt and poverty.

Thresholds

The threshold at which families begin to have the second-tier payment withdrawn is suggested to be at an annual gross income level of €25,000. This is far too low a rate and may dis-incentivise many women from, for example, increasing their working hours, and therefore their income, as it will result in a loss of income from child benefit. This will be the case in particular for the many women that work on an hourly basis and who are, at times, offered additional hours on a temporary basis.

Assessing *gross* income is also problematic as this does not take into account the varying levels of expenditure commitments that families have. Income to be assessed should exclude expenditure such as accommodation costs, childcare costs and health care costs for children

The suggested cut-off points for withdrawal of the selective second-tier payment need to be significantly higher than those indicated.

Family Income Supplement

The Advisory Group report suggests the effective replacement of FIS with additional supports for children for qualifying families. In-work support for families on low incomes is a critical support for many families and is also a support for those that are maintaining employment even though they may only be earning marginally above social welfare rates. It is critical that in-work supports are linked to employment and not to child income supports and that these are maintained.

Services for Children

There are a range of international reports from the EU and the OECD that recommend investment in early childhood care and education for two reasons: it is crucial for the future development of children and it is a key economic consideration because it facilitates parents, particularly mothers, to remain in and take up paid employment. Currently no matter which measure you use Ireland is generally at the bottom for the provision of high quality, accessible early childhood services. The Nordic countries in contrast are generally near the top. Public spending on childcare and early education as a percentage of GDP is amongst the lowest in the OECD. The average is approximately 0.7% with some countries, such as Iceland, Denmark and Sweden, as high as 1.4%. In Ireland we spend approximately 0.4%. Consequently, childcare costs in Ireland are amongst the most expensive anywhere. In their Gender Brief , the OECD estimate the childcare cost in Ireland is 29% of family net income, more than double the OECD average of 13% and the third most expensive behind the UK and Switzerland. The National Consumer Agency nationwide survey of childcare facilities found that the average cost of full-time care for one child was €181 per week. Mothers who have contacted the NWCI report prices between €800 and €1,100 for a full time place, depending on where you live. A survey carried out by the Irish Independent found that a crèche place for one child now costs more than average home repayments for many parents. In Ireland you need to earn over €11,000 per annum just to pay your childcare bill. In comparison parents in Denmark pay, approximately €422 per month for full time childcare for children over 1 year and the amount is reduced for those on lower incomes.

Any savings accrued from the reductions to child income supports must be invested in early childhood care and education services and afterschool childcare services. This investment needs to take place *before* any further reform or reductions.

NWCI Recommendations

1. All further reform should not be based on making savings for the exchequer – saving need to be invested in services for children and for families with children – including free healthcare for all children;
2. The universal element (currently at €130 for 1st, 2nd and 3rd child and €140 for subsequent children) needs to be maintained at the current levels;

3. The entrance level at which families become eligible for the second tier payment needs to be significantly higher than the €25,000 suggested;
4. The exit levels or cut-off points need to be significantly higher than those suggested;
5. Income to be assessed should exclude expenditure such as accommodation costs, childcare costs and health care costs for children
6. An in-work support needs to be maintained and clearly linked to employment rather than child support.

The NWCI has consistently stated that it is neither effective nor appropriate to use Child Benefit as a mechanism for redistribution of wealth in Ireland. The NWCI restates its view that taxation of earned income and assets provides a much more appropriate mechanism for the redistribution of wealth and should be used as such in these recessionary times and calls for Child Benefit payments to remain universal and maintained at current rates with no further restrictions.

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[1] See for example the Child Poverty Action Group research, *Save Child Benefit: CPAG policy briefing: March 2012* available at http://www.savechildbenefit.org.uk/images/public/pdf/SaveChildBenefit.pdf

[2] The National Consumer Agency (2011) *Childcare Price Survey*

[3] Government of Ireland (2010). *A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes*, November 2010 available at http://www.welfare.ie/EN/Policy/CorporatePublications/Finance/exp_rev/Documents/CISReviewFinal.pdf

[4] CSO 2012, EU SILC 2011

[5] Figures taken from Statistical Information on Social Welfare Services 2011