

Poverty, Low Pay and Social Welfare

Failure to Tackle the Widening Rich/Poor Gap is Major Scandal

After a period of unprecedented prosperity in Ireland the scale of poverty has not been tackled effectively, social welfare rates have not kept pace with the improving standard of living in Ireland and the rich/poor gap has widened dramatically. This is a major scandal and a sad indictment of Government priorities over recent years.

The extent of poverty in Ireland has been highlighted by the UN Human Development Report (2001). Of seventeen industrialised countries, Ireland is ranked sixteenth on the poverty index. Only the USA has a higher percentage of its population living in poverty. The UK is ranked fifteenth, while Sweden, Norway and the Netherlands are the countries with the lowest levels of poverty. The variables used in this measurement of poverty are the percentages of people likely to die before age 60, people who are functionally illiterate, people with disposable incomes less than 50 per cent of the median, and those unemployed for more than a year. **All the major countries of Europe do better than Ireland where poverty is concerned.**

In the context of sustained levels of record economic growth, the

scale of poverty in Ireland can surprise many.

Taken as a whole, the Republic of Ireland has become a much more prosperous place. However, the distribution of that prosperity has been such that the 'Celtic Tiger' dividend has been non-existent for a large number of this country's citizens.

We acknowledge the improvements that flow from rising job numbers and far lower numbers of people unemployed. Yet **the number of people living in relative income poverty is rising steadily and now stands at 20.9% compared to 17.4% in 1994** (page 3).

Tackling poverty is a complex task involving much more than income. However, **the most important requirement in tackling poverty is the provision of sufficient income to people to enable them to live with dignity.** On this front Ireland stands indicted. We have had the resources but chose to give them to those already better off.

When we look at Ireland today we see that:

- Poor people don't have enough income to provide for basic necessities.
- **Almost six out of every ten people living in relative income**

poverty is in a household headed by a person who is NOT in the labour force. They are either retired, ill/disabled or 'on home duties'.

- The failure to raise social welfare rates in line with improving standards of living has been a major factor in these groups being in poverty.
- **The gap in disposable income between a person earning over €50,000 and a long-term unemployed person has been widened by €243 a week by the present Government during its first term of office** (page 10).
- There are a wide range of other problems impacting on poverty such as the two-tier health-care system, the growing housing waiting lists, low pay and persisting educational disadvantage. (These we shall address in our pre-budget submission).

Despite being one of the richest countries in the EU the issue of poverty and social exclusion has not been addressed effectively.

The challenge now facing Government is to ensure that the Budgets of 2003 and the following years give priority to reducing the rich/poor gap and ensuring that every person in Ireland has sufficient income to live with dignity.

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Key Issues

- ♦ *The widening rich/poor gap is one of the greatest scandals of the Celtic Tiger economy.*
- ♦ *Policy initiatives are required in the areas of social welfare and low pay to ensure everyone has sufficient income to live life with dignity. (p.2)*
- ♦ *Basic Income provides a better framework to respond to tackling these problems. (p12)*

Main Policy Recommendations

Main Policy Objective

To provide all with sufficient income to live life with dignity. This would involve enough income to provide a minimum floor of social and economic resources in such a way as to ensure that no member of the national community falls below the threshold of social provision necessary to enable him or her to participate fully in society.

To ensure that Ireland moves towards meeting this policy objective Government should:

- **Increase the lowest social welfare payments by €14 a week for single people and by €24 a week for a couple in the 2003 Budget.**

- ◊ This would ensure there was substantial progress in increasing the lowest social welfare payments which are so low at present that their recipients are forced to live in poverty.

- ◊ This amount is based on the need to ensure that the lowest social welfare payments rise in accordance with the Government's commitment in the National Anti-Poverty Strategy to increase the lowest social welfare payments for single people to €150 a week (in 2002 terms) by 2007. In effect they must rise faster than the rise in the standard of living until they reach the target in 2007. (Details of the calculations on which this amount is based are contained on page 7 of this Briefing.)

- **Increase child benefit substantially and do not tax it.**

- ◊ There is widespread support for increasing child benefit if child poverty and family poverty are to be eliminated. It is also a very effective component in any strategy to improve equality. CORI Justice Commission, however, opposes the inclusion of child benefit as part of the parents' tax assessment.

- ◊ The risk of being in poverty has risen for households with children from 20.6% in 1994 to 21.5% in 2000 (the most recent year for which statistics are available). While this trend may have been reversed slightly with the above average increases in child benefit since then, there is a significant problem with child poverty in Ireland and it should be among Government's priorities in Budget 2003.

- **Move towards individualisation of social welfare payments.**

- ◊ The issue of individualising payments, so that all recipients receive their own social welfare payments, has been on the agenda for some time. It should be addressed without delay.

- **Introduce a variable cost of disability payment scheme.**

- ◊ This is an issue on which much work has been done. It needs to be given priority as it has been ignored for too long.

- **Make tax credits refundable.**

- ◊ This is the most effective and efficient way of targeting resources at those with jobs who have the lowest levels of pay. (cf. page 8 of this Briefing for details on this and related issues.)

- ◊ This is the only way every beneficiary of tax credits can receive the full value of the tax credit.

- **Move towards introducing a Basic Income System.**

- ◊ The present tax and social welfare systems should be integrated and reformed to make them more appropriate for the changing world of the 21st century. To this end the introduction of a Basic Income system would be far more effective than anything currently being implemented (cf. p.12).

- ◊ The Government's Green Paper on Basic Income provides an excellent opportunity for discussing and progressing this approach towards building a fairer and more just society, one in which every woman, man and child in Ireland would have sufficient income to live life with dignity.

Who is Poor?

“People are living in poverty if their income and resources

(material, cultural and social) are so inadequate as to preclude them from having a standard of living that is regarded as acceptable by Irish society generally. As a result of inadequate income and resources people may be excluded and marginalised from participating in activities that are considered the norm for other people in society”

National Anti-Poverty Strategy
1997 and reiterated in
NAPS Review 2002

Where is the poverty line?

How many people are poor? On what basis are they classified as poor? These and related questions are constantly asked when poverty is discussed or analysed. In trying to measure the extent of poverty, the most common approach has been to identify a poverty line (or lines) based on people's incomes. Where that line should be drawn is sometimes a contentious matter, but many European studies (including those carried out by the ESRI in Ireland) now suggest a line, which is half average income, adjusted for family size and composition. Alternatives set at 40 per cent and 60 per

cent of average income are also used frequently to clarify and lend robustness to conclusions that could impact on policy.

- In financial terms the ESRI discovered that the income-per-adult equivalent averaged over households in 2000 was €287.59 (£226.45). Consequently, the income poverty lines for a single adult derived from this average were:

⇒ 40 per cent line — €115.04 (£90.58) a week

⇒ 50 per cent line — €143.80

(£113.23) a week

⇒ 60 per cent line — €172.55 (£135.87) a week

- Updating the more generally accepted poverty line (i.e. 50 per cent of average income) to 2002 levels, using actual (CSO, 2001) and predicted increases in average industrial earnings, produces a relative income poverty line of €165 (£130) for a single person. This is €46.20 more than the current level of most social assistance rates.

How many people have incomes below the poverty line?

The research that underpins our information on how many people have incomes below the poverty line is done by the ESRI. Table 1 below has been drawn from two of their publications and outlines the percentage of households and of persons below relative income poverty lines in 1987, 1994, 1997, 1998 and 2000. These are the only years for which data are available.

The more generally accepted poverty line is 50% of average income, adjusted for family size and composition.

Focusing on this poverty line we see that:

- **The number of households with incomes below this line has risen steadily from 16.3% in 1987 to 25.8% in the 1998.**

- The number of persons below this poverty line is at 20.9% compared to 18.9% in 1987.

- **With about one in five falling below this poverty line, Ireland has a high rate of relative income poverty compared with other EU member states** (cf. Nolan and Maistre, 1999).

- The ESRI (Layte, et al, 2001) recognise this fact and argues that it is

caused by structural factors that need to be tackled while the resources are available to do so.

- Looking at the other poverty lines it is clear that the number of persons below each line has grown steadily since 1987.

However the depth of people's poverty has declined so that those below relative income poverty lines are now a good deal closer to these lines than in the past. Consequently, the share of national income needed to bridge that gap, to bring every one up to these lines, is less.

TABLE 1: Percentage of households and persons below relative income poverty lines 1987/1994/1997/1998/2000

| | HOUSEHOLDS | | | | | PERSONS | | | | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 1987 | 1994 | 1997 | 1998 | 2000 | 1987 | 1994 | 1997 | 1998 | 2000 |
| 40 Per cent line | 6.2 | 4.9 | 6.3 | 10.5 | 11.8 | 6.8 | 5.2 | 6.3 | 9.1 | 9.9 |
| 50 Per cent line | 16.3 | 18.6 | 22.4 | 24.6 | 25.8 | 18.9 | 17.4 | 18.1 | 19.9 | 20.9 |
| 60 Per cent line | 28.5 | 34.2 | 34.3 | 33.4 | 32.9 | 29.8 | 30.4 | 30.1 | 28.6 | 28.3 |

SOURCE: Derived from *Poverty in the 1990s*, table 4.9, Page 73 and *Monitoring Poverty Trends in Ireland: Results from 2000* pp. 19–20 (Equivalence Scale A)

The issue of 'consistent' poverty

Income, alone, does not tell the whole story concerning living standards and command over resources. As we have seen in the National Anti-Poverty Strategy definition of poverty **it is necessary to look more broadly at exclusion from the life of a society because of a lack of resources. This would involve looking at other areas where "as a result of inadequate income and resources people may be excluded and marginalised from participating in activities that are considered the norm for other people in society"**.

What are these activities? In seeking to answer this question the ESRI, in various poverty studies, has measured people's access to 23 non-monetary indicators. These have subsequently been divided into three subsets focusing on the basic dimension, the housing/services dimension and the secondary dimension.

In the 'basic dimension' the indicators included by the ESRI are:

- **A meal with meat, chicken or fish every second day**
- **A warm, waterproof overcoat**
- **Two pairs of strong shoes**
- **A roast joint of meat or its equivalent once a week**
- **New, not second hand clothes**
- **Go without a substantial meal**
- **Go without heat**
- **Go into debt for ordinary living expenses.**

These indicators have remained the same since their introduction in the 1987 ESRI study.

This measurement of poverty does measure a particular group of people but they are not all those who are poor (cf. box in next column).

Despite the Government's very laudable definition of poverty contained in the National Anti-Poverty Strategy - NAPS (cf. page 2) this much narrower and partial measurement of poverty is the one used in the NAPS and the poverty reduction targets have been set against this base.

The reduction of consistent poverty is seen as major success and government claims to be tackling poverty effectively once this target is being achieved.

While welcoming the reduction in the numbers living in 'consistent' poverty, **CORI Justice Commission does not accept this measurement as adequate. It simply does not include many people who are living in poverty according to the Government's own definition of poverty i.e. "as a result of inadequate income and resource they are excluded and marginalised from participating in activities that are considered the norm for other people in society"**.

The Government's focus on 'consistent' poverty ignores many poor people

CORI Justice Commission accepts the measurement of 'consistent' poverty does identify a specific sub-set of poor people. However, it considers the Government's focus on this measurement of poverty in the National Anti-Poverty Strategy (NAPS) to be insulting to poor people and to Irish society generally.

This measurement was chosen arbitrarily by government as the basis for setting its income targets in the National Anti-Poverty Strategy (NAPS) but it fails to include many people who are poor according to the Government's own definition of poverty.

In contrast to its 'consistent' poverty target, we welcome the Government's NAPS's target to raise the lowest social welfare payment for a single person to the equivalent of €150 a week in 2002 terms by 2007. This will have a major impact on reducing the number of people living in relative income poverty.

How many people are experiencing basic deprivation?

The proportion of *households* experiencing income poverty who are also experiencing basic deprivation ('consistent' poverty) hardly changed in the 1987-94 (i.e. 15%). According to the ESRI this declined to 9.7% in 1997 and to 6.2% in 2000.

In this research basic deprivation is measured by various indicators such as not being able to afford a warm coat or a second pair of shoes as outlined above.

Since 1997 the proportion of *people* living in 'consistent' poverty has fallen from 10.7% to 5.5%

While this is a relatively low proportion it is important to acknowledge that, given the resources that have been distributed over the past five years, the number of people in this situation could and should have been reduced to 0% by now.

We in CORI Justice Commission again welcome the ESRI conclusion that "on its own this (measurement)

does not tell the whole story nor does it represent the best way to frame a poverty target in current circumstances". We also welcome their conclusion that "poverty monitoring over the period to 2007 would more usefully take a broader focus than the consistent poverty measure as constructed to date with attention paid to both relative income and consistent poverty with the amended set of indicators identified here (in the ESRI 2002 study)"

Risk and incidence of poverty—Policy implications

When poverty is being analysed it is important to distinguish between the **risk** facing a particular type of household (i.e. the proportion of households of that type found to be in poverty) and the **incidence** of poverty (the proportion of all those in poverty who belong to that group).

Table 2 provides a breakdown for the period 1994–2000 of those below the '60 per cent of median' poverty line (i.e. **incidence** of poverty) classifying them by the labour force status of the head of household.

The **risk** of poverty for each of these categories over the same 1994–2000 period is outlined in Table 3 (again developed from the ESRI studies *Poverty in the 1990s* and *Monitoring Poverty Trends*).

These tables show us that

- Households headed by a person working full time in the home are the largest single group living in poverty (28.7%).
- **Households headed by a retired person make up the next largest group of households living in poverty (17.6%).**
- Households headed by an unemployed person and living in relative income poverty have fallen dramatically since 1994, down from 41.1% to 9.8% of all those in this situation.
- **However, households headed by an unemployed person still experience a high risk of poverty (at 50.7%) which is down only very slightly from 51.4% in 1994.**
- Households headed by a person who is ill or disabled are the category at greatest risk of living in poverty. 54.4% of these households are at risk compared with 29.5% in 1994.
- **The risk for households headed by a retired person being in poverty also grew dramatically—from 8.2% in 1994 to 33.8%.**
- Households headed by an employee have experienced an increase in their risk of being in

poverty from 3.2% in 1994 to 7.4%. This is a reversal of the trend in the period in between which had seen the risk decline from 4.7% in 1997 to 3% in 1998.

- **The most notable difference between the mid-1990s and the present is the continuing rapid rise in the incidence of people in relative income poverty living in households headed by a person outside the labour force. When the households headed by a retired person, a person who is ill/disabled and a person 'on home duties' are combined we see they have risen from 30% of all those in relative income poverty in 1994 to 56.2% in the most recent ESRI study.**

- The risk has fallen for most households with children. Where more than half of all these households were in relative income poverty in 1994, by 1998 this had fallen to 28%.
 - **The risk has increased sharply for households headed by elderly people. This situation is especially acute for older women.**
 - The risk of poverty for households headed by a farmer has remained almost unchanged since 1998 (24.3% compared to 24.6% in 1998). However this risk is substantially higher than in 1994 when it stood at 18.6%.
- Children and adults of different ages.**
- The situation of children has deteriorated since 1998 (rising from 22.9% to 24.9% living in poverty). This compares with 24.5% in 1994. Their situation is slightly better than all adults (21% living in relative income poverty).

- **The situation for adults of different ages shows dramatic differences. 16.9% of all those aged 18-64 live in relative income poverty while 43.3% of those aged 65 and over are in this situation.**

Policy Implications

- **The fact that social welfare payments have not kept pace with improvements in the standard of living, (although they did increase by more than inflation) has meant that those relying on these payments are most likely to fall into relative income poverty. Consequently, it is crucial that social welfare rates be increased to levels that ensure people have sufficient income to live life with dignity. Subsequently, they must be indexed to increases in the standard of living experienced by the wider society. The National Anti-Poverty Strategy has in effect identified 30% of Gross Average Industrial Earnings (GAIE) as the benchmark at which the lowest social welfare rate for a single person should be set. Moving pension payments to 34% of GAIE has already been part of Government practice. These constitute the parameters for Budget decisions on social welfare payments. There should be significant progress towards attaining these targets in Budget 2003.**
- The fall in unemployment has resulted in a decline in its importance among those living in relative income poverty. However the risk facing people who are unemployed is still very high. Consequently, it is important to ensure that policy on this issue remains in place.
- **Policy initiatives are also required to ensure that households headed by employees are taken out of relative income poverty. We address this issue specifically on page 8 of this Briefing. The policy initiatives required are:**
 - ⇒ **Make tax credits refundable**
 - ⇒ **Take the minimum wage out of the tax net**

Table 2 : Risk of persons Falling Below '60 Per Cent of Median' Relative Income Poverty Line by Labour Force Status of Household Reference Person, Living in Ireland Surveys 1994, 1997, 1998 and 2000.

| | 1994 | 1997 | 1998 | 2000 |
|----------------------|-------------|-------------|-------------|-------------|
| Employee | 3.2 | 4.7 | 3.0 | 7.4 |
| Self-employed | 16.0 | 14.4 | 17.2 | 20.8 |
| Farmer | 18.6 | 16.7 | 24.6 | 24.3 |
| Unemployed | 51.4 | 57.7 | 58.9 | 50.7 |
| Ill/disabled | 29.5 | 52.5 | 54.5 | 54.4 |
| Retired | 8.2 | 13.5 | 19.0 | 33.8 |
| Home duties | 20.9 | 32.6 | 44.6 | 47.6 |
| All | 15.6 | 18.2 | 20.0 | 22.1 |

Source: Brian Nolan, Brenda Gannon, Richard Layte, Dorothy Watson, Christopher T. Whelan and James Williams, July 2002, *Monitoring Poverty Trends in Ireland*, ESRI, Policy Research Series, Number 45, Table 4.7, page 29

Table 3: Incidence of persons below '60 Per Cent of Median' Relative Income Poverty Line by Labour Force Status of Reference Person, Living in Ireland Surveys, 1994, 1997, 1998 and 2000.

| | 1994 | 1997 | 1998 | 2000 |
|----------------------|-------------|-------------|-------------|-------------|
| Employee | 8.3 | 11.7 | 6.9 | 16.7 |
| Self-employed | 10.1 | 8.0 | 8.6 | 8.9 |
| Farmer | 10.6 | 8.0 | 10.5 | 8.2 |
| Unemployed | 41.1 | 29.6 | 22.6 | 9.8 |
| Ill/disabled | 6.2 | 10.4 | 9.0 | 9.9 |
| Retired | 6.0 | 9.1 | 12.2 | 17.6 |
| Home duties | 17.8 | 23.3 | 30.2 | 28.7 |
| All | 100 | 100 | 100 | 100 |

Source: Brian Nolan, Brenda Gannon, Richard Layte, Dorothy Watson, Christopher T. Whelan and James Williams, July 2002, *Monitoring Poverty Trends in Ireland*, ESRI, Policy Research Series, Number 45, Table 4.8, page 29

Lowest social welfare rates should rise by €14 a week

The lowest social welfare rates for single people should rise by €14 in Budget 2003 if the Government is to honour its commitment in the National Anti-Poverty Strategy (NAPS). In NAPS the Government has committed itself to raise the lowest social welfare payments for single people to €150 a week in 2002 terms and to achieve this by 2007. In 2002 the sum of €150 is equivalent to 30% of gross average industrial earnings (GAIE).

This commitment was very welcome and was one of the few areas

of the anti-poverty strategy that were adequate to tackle the scale of the poverty, inequality and social exclusion being experienced by so many people in Ireland today.

Below we have calculated the projected growth in €150 between 2002 and 2007 when it is indexed to the estimated growth in GAIE.

This shows that **the lowest social welfare rates for single people should be at €199.60 by 2007. To reach this target we have set out a proposed scale of increase for social welfare for each of the**

intervening years.

The increase required in 2003 to honour the Government's commitment is an increase of €14 a week. We strongly urge Government to honour its commitment in this area and to provide this increase in Budget 2003.

The lowest social welfare rates for single people must rise by €14 a week if the Government is to honour its NAPS commitment.

CALCULATING HOW TO MEET THE NAPS TARGET ON LOWEST SOCIAL WELFARE RATES

Estimated Growth in Gross Average Industrial Earnings (GAIE) 2003-2007

| Year | 2003 | 2004 | 2005 | 2006 | 2007 |
|----------------------------|-------|-------|-------|-------|-------|
| Estimated % Growth of GAIE | +6.00 | +6.00 | +5.60 | +5.70 | +6.10 |

Source: 2004-2007 figures ESRI Medium Term Review (2001:69), 2003 figure from John Fitzgerald.

Estimating growth in €150 a week (i.e.30% of GAIE) for 2002-2007

| Year | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------|------|-------|--------|--------|--------|--------|
| % Growth of GAIE - | | +6.00 | +6.00 | +5.60 | +5.70 | +6.10 |
| 30% GAIE (€150 Updated) | 150 | 159 | 168.54 | 177.98 | 188.12 | 199.60 |

The overall gap to be addressed during the 5 year period is €80.80 (€199.60 – €118.80).

Proposed approach to addressing the Gap (in round figures), 2003-2007

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Min S. W. payment in €s | 118.80 | 132.80 | 147.80 | 163.80 | 180.80 | 199.60 |
| €amount increase each yr | - | 14 | 15 | 16 | 17 | 18.80 |

Many employees on low pay live in poverty

Government ministers have constantly repeated the mantra that a job is the solution to poverty. This mantra is untrue. While those who get jobs that pay good wages will move out of relative income poverty immediately, the situation is very different for many who are in low-paid jobs.

The growth in jobs over recent years has been dramatic and many have benefited from the rapid rise in the number of jobs available. However, it is important to realise that having a job is not, of itself, a guarantee that one lives in a poverty-free household.

The data from the ESRI's Living in Ireland Surveys from recent years show that **a substantial number of households headed by an employee are at risk of poverty.**

The percentage of this group living in relative income poverty stood at 7.4% in 2000, the most recent year for which statistics are available (cf. Table 2 on page 6). When we look at all those living in relative income poverty, 16.7% live in households headed by a person with a job. This is a remarkable statistic. Action is urgently required to address this problem. The most effective mechanism within the present system would

be to make tax credits refundable. We address this proposal below.

We have also seen that **almost 60% of those living in relative income poverty reside in households where the head of the household is not in the labour force. They are ill or have a disability or are elderly or on home duties.**

Jobs are not a solution to their poverty. The old mantra no longer applies in the majority of cases. Adequate social welfare payments are essential if this poverty is to be addressed in any meaningful way.

Tax credits should be made refundable

The move from tax allowances to tax credits was completed in Budget 2001. This was a very welcome move as it put in place a system that had been advocated for a long time by a range of groups including the CORI Justice Commission.

One problem persists, however, a problem that the old system of tax allowances also had. If a person does not earn enough to use up their full tax credit then they will not benefit from any tax reductions introduced by Government in its annual Budget. In effect this means that, under the present system, those with the lowest pay will not benefit in any way at Budget time.

A simple solution exists to rectify this problem: make tax credits refundable. This would mean that the part of the tax credit that an employee did not benefit from would be 'refunded' to him by the State.

A PPF Working Group has been examining the feasibility of making this happen but its work has been painfully slow.

Benefits of making tax credits refundable

Making tax credits refundable would have a number of major benefits.

- It would mean that in its annual Budget Government would have a mechanism to give everyone with a job the same tax cut (in cash terms).
- The beneficiaries from its introduction would all be those who are the lowest paid in Irish society.

Taking the minimum wage out of the tax net

Another proposal to address the low pay and poverty issue is to remove the minimum wage from the tax net. There are a number of ways this could be done. It could be done by increasing the tax credits for a single person and for a couple or by increasing the PAYE tax credit.

However, from the viewpoint of tackling poverty, it is very significant that almost all the benefit would go the better off 60% of the

population while nothing would accrue to the poorest 30%.

It is clear that both approaches have advantages but, **in terms of tackling poverty, making tax credits refundable is a far better targeted measure. Government should indicate its intention to move in this direction immediately.**

Merits of making tax credits refundable

- Every beneficiary of tax credits can receive the full value of the tax credit.
- It would improve the net income of employees whose incomes are lowest, at modest cost.
- No additional administrative burden need be placed on employers or the Revenue Commissioners.

Ongoing review of poverty, social welfare, low pay and related issues is essential

The scandalous situation of recent years which has seen the rich/poor gap widen and the numbers living in relative income poverty rise dramatically should never be repeated. To ensure there is no repetition an ongoing review mechanism is required.

The Social Welfare Benchmarking and Indexation Working Group (SWBIG) in its final report strongly urged that **regular and formal review and monitoring of the range of issues covered in its Report should be provided for**. The Group believed that this could best be accommodated within the structures in

place under the National Anti-Poverty Strategy and the National Action Plan for Social Inclusion.

The SWBIG Report envisaged that such a mechanism could involve:

- **review of any benchmarks/targets and indexation methodologies adopted by Government to ensure that the underlying objectives remain valid and are being met;**
- **assessment of such benchmarks/targets and indexation methodologies against the various criteria set out in the Group's terms of reference to ensure their con-**

tinued relevance;

- **assessment of emerging trends in the key areas of concern - e.g. poverty levels, labour market performance, demographic changes, economic performance, competitiveness, etc.;**
- **identification of gaps in the area of research and assessment of any additional research undertaken in the interim.**

CORI Justice Commission strongly endorses this position and urges Government to ensure that such a mechanism is established forthwith and that it keep these issues under constant review.

'Direct provision' for asylum seekers is unacceptable

Asylum seekers are among the most excluded and marginalised in Ireland yet they are treated in a very unjust way by Irish society. The single most important issue in this context is the fact that they are denied access to employment. Removing this restriction would have a major impact on reducing their poverty and exclusion. We have addressed this issue in a previous publication and will return to it again.

In the context of poverty there is another issue that also raises major questions, i.e. the issue of direct provision.

At present a person who has access to some resources in kind or in cash, through the social welfare system or otherwise, has these taken into account in determining entitlement to Supplementary Welfare Allowance.

Many asylum seekers are being

provided with full board accommodation, all meals and other services. This is known as 'direct provision'. In such cases the weekly allowance is €19.10 per adult and pro rata for children.

This is completely inadequate and far below what is required to live life with dignity. We strongly urge Government to increase this allowance to €50 a week for adults in the forthcoming Budget.

Data deficits must be addressed

There are major gaps in the data available on poverty in Ireland. **For example**, there are very little data available on **minority ethnic groups**.

The ESRI's Living in Ireland Survey, does not specifically identify households headed by **people with disabilities**. Nor does the data identify people with disabilities within households, making it impossible to identify the number of people with

disabilities living in poverty. This issue should be addressed within the context of the Data Strategy developed as part of the National Anti-Poverty Strategy process.

There is also a strong case for switching to the use of median income as the more appropriate measure of poverty (as Eurostat has done) and providing **all** data in this format while continuing to monitor the impacts on mean income distribution as well.

"The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes."

John Maynard Keynes (1936)

This Government has widened the rich/poor gap by €243 a week over the past five years

This Government's Budget decisions during its first five years in office have widened the rich/poor gap by €243 a week.

An analysis of the impact Government decisions have had on people's take-home income shows that each of this Government's five previous Budgets has widened the rich/poor gap substantially. The gap has now widened to the point where *single* people on £40,000 (€50,790) a year have gained **€243 a week more** in their disposable income than long-term unemployed people over the past five years.

In making these calculations we have included both pay increases and tax reductions as well as social welfare increases. We have also included the impact of the new savings scheme which better off people can access but which is beyond the reach of Ireland's poorest people.

The impact of Government decisions on the take-home income of *couples* has been almost as striking.

Chart 1 shows how much better off people are following the five budgets of the Fianna Fáil/PD Government during its first term of office. (For ease of reference we have included the £ and the € values.) In making these calculations, it is essential that wage increases be included, as well as tax cuts and social welfare increases. Unemployed people gain nothing from tax reductions or wage increases. Consequently, when assessing their position, it is essential that pay increases be included in the calculations.

We have included the wage increases contained in the national agreements (*Partnership 2000* and *The Programme for Prosperity and Fairness*) for the relevant years so that legitimate comparisons can be made. The numbers on Chart 1 are the gains over the full five years. Overall, it illustrates how much people's take-home incomes have increased over five budgets of the Fianna Fáil/PD Government during its first five years in power. **The outcome shows**

a dramatic widening of the rich/poor gap, as each of the five budgets gave substantially more to those who were better off than to those who were the poorest in Irish society.

Single people who are long-term unemployed are €33 (£26) a week better off; those with incomes of £15,000 (€19,046) a year are €122 (£96) a week better off; while those on £40,000 (€50,790) are €262 (£206) a week better off.

After five budgets, **couples** who are long-term unemployed are €62 (£48) a week better off. Couples with one income earning £15,000 (€19,046) are €123 (£97) a week better off, while those on £40,000 (€50,790) are €241 (£190) a week better off. Over the same period, couples with two incomes earning a total of £15,000 (€19,046) a year are €136 (£107) a week better off, while those with two incomes totalling £40,000 (€50,790) are €334 (£263) a week better off.

The gap between rich and poor has now widened by €243 a week. Chart 1 shows that **the disposable income of single people who are long-term unemployed and those on €50,790 (40,000) a year has widened by €229 (£180) a week. The latter can also gain €14 (£11) a week from the Government's Special Savings Investment Scheme, bringing their total gain up to €243 (£191) a week.**

The impact of Government decisions on the take-home income of *couples* has been almost as striking. After five budgets, couples who are long-term unemployed are €61 (£48) a week better off, while couples with one income on £40,000 (€50,790) are €241 (£190) a week better off. The latter also benefit from the Savings Scheme, so the gap between them has widened by €194 (£153) a week.

Widening the gap between the better off and the poor

is unfair, unjust and bad for social cohesion. In making its decisions, Government has failed to honour the aims and objectives of the Programme for Prosperity and Fairness. These committed Government to building a fairer and more inclusive society.

In late 2000, when inflation had substantially outstripped the projections on which the PPF was negotiated, Government negotiated with the employers and trade unions to get an improved deal for those in jobs. No such adjustments were made for Ireland's poorest people. This meant that in a difficult budgetary period it was the poor who paid. This must not be allowed to happen again in the Budget of 2003.

CORI Justice Commission Briefing

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Justice is a harmony which comes from fidelity to right relationships with God, people, institutions and the environment.

The CORI Justice Commission publishes regular briefings on a wide range of public policy issues.

The Justice Commission's core areas of work are:

- Public policy
- Enabling and Empowering
- Spirituality
- Advocacy and Communication

CORI Justice Commission has been a recognised social partner within the Community and Voluntary Pillar of Social Partners, since 1996.

Comments, observations and suggestions on this briefing document and/or on any other aspect of the Commission's work are always welcome.

Basic Income is a Better Answer

The CORI Justice Commission has argued, for a long time, that the present tax and social welfare systems should be integrated and reformed to make them more appropriate for the changing world of the 21st century. To this end CORI has argued for the introduction of a Basic Income System.

What is a Basic Income

A Basic Income is an income that is unconditionally granted to every person on an individual basis. It is a form of minimum income guarantee that avoids many of the negative side effects inherent in social welfare payments. A basic income differs from other forms of income support in that:

- It is paid to individuals rather than households.
- It is paid irrespective of any income from other sources.
- It is paid without conditions.
- It is always tax-free.

The need for change

The present social welfare system has failed to eliminate income poverty in Ireland. Despite the resources of recent years, a very large proportion of Irish society still lives in poverty. Irish society needs a radical approach to ensure the inclusion of all Irish people in the benefits of present economic growth. Basic Income is such an approach.

Green Paper on Basic Income

The publication of the Government's Green Paper on Basic Income provides a unique opportunity to have this issue discussed in a fair and honest way in the months ahead.

We strongly urge Government to support such a public discussion and encourage all those interested in building a fairer and more just future to participate fully in this ongoing debate.

Ten reasons to introduce a Basic Income system

- It is work and employment friendly.
- It eliminates poverty traps and unemployment traps.
- It promotes equity and ensures that everyone receives at least the poverty level of income.
- It spreads the burden of taxation more equitably.
- It treats men and women equally.
- It is simple and transparent.
- It is efficient in labour-market terms.
- It rewards types of work in the social economy that the market economy often ignores, e.g. household work, child-rearing etc.
- It facilitates further education and training in the labour force.
- It faces up to the changes in the global economy.