NATIONAL ECONOMIC AND SOCIAL COUNCIL

Alternative Strategies for Family Income Support

No. 47

NATIONAL ECONOMIC AND SOCIAL COUNCIL
CONSTITUTION AND TERMS OF REFERENCE

1. The main task of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government, through the Minister for Economic Planning and Development, on their application. The Council shall have regard, *inter alia,* to:

   (i) the realisation of the highest possible levels of employment at adequate reward,
   (ii) the attainment of the highest sustainable rate of economic growth,
   (iii) the fair and equitable distribution of the income and wealth of the nation,
   (iv) reasonable price stability and long-term equilibrium in the balance of payments,
   (v) the balanced development of all regions in the country, and
   (vi) the social implications of economic growth, including the need to protect the environment.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

3. Members of the Government shall be entitled to attend the Council's meetings. The Council may at any time present its views to the Government, on matters within its terms of reference. Any reports which the Council may produce shall be submitted to the Government and, together with any comments which the Government may then make thereon, shall be laid before each House of the Oireachtas and published.

4. The membership of the Council shall comprise a Chairman appointed by the Government in consultation with the interests represented on the Council,

   Ten persons nominated by agricultural organisations,
   Ten persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation,
   Ten persons nominated by the Irish Congress of Trade Unions,
   Ten other persons appointed by the Government, and
   Seven persons representing Government Departments comprising one representative each from the Departments of Economic Planning and Development, Finance, Agriculture, Industry, Commerce and Energy, Labour, and Environment and one person representing the Departments of Health and Social Welfare.

Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairman to regulate the numbers attending.

5. The term of office of members shall be for three years renewable. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office and their membership shall then be renewable on the same basis as that of other members.

6. The Council shall have its own Secretariat, subject to the approval of the Minister for Economic Planning and Development in regard to numbers, remuneration and conditions of service.

7. The Council shall regulate its own procedure.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

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by
Eithne Fitzgerald

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PART I

THE COUNCIL'S COMMENTS

ON

ALTERNATIVE STRATEGIES

FOR

FAMILY INCOME SUPPORT

PART I

THE COUNCIL'S COMMENTS[1]

INTRODUCTION

1. In a previous report for the Council, Professor Donnison identified the lifetime cycle of income as one of the main causes of inequality.[2] During this cycle families tend to be least well off when children are dependent, and during old age, i.e., periods during which the family unit has a relatively high proportion of dependants or non-earning members. Many of the existing social services have been devised mainly to help people in the trough of this cycle. These services include children's allowances, free education, health services and old age pensions. All families pass through this cycle and all families benefit from and contribute to the provision of services during the cycle. This report is concerned with that stage in the family life cycle when the children are dependant. This is a stage where many families experience financial stringency but especially those on low incomes and with a large number of children.

2. At present, cash support for families in Ireland is provided through a number of schemes. These include children's allowance, child tax allowance and social welfare payments in respect of dependants. To date there has been no overall assessment of these schemes to ascertain whether these forms of support are adequate or whether they constitute the most appropriate means of directing

[1]Following discussions by the Social Policy Committee and by the Council these comments were drafted by John Curry in the Council's Secretariat.

[2]NESC, Report No. 8, *An Approach to Social Policy*, pages 33-35.

financial aid to families. The Council therefore commissioned Ms Eithne Fitzgerald to identify a possible range of strategies for providing income support to families. The consultant's study is set out in Part II of this report.

3. In her study Eithne Fitzgerald is concerned with the level of cash support for all families in the State as well as with the particular problems of low-income families. Her report does not deal with the other ways in which the State helps families by providing free or subsidised services directly rather than by cash support, e.g., education, housing and health services.

THE CONSULTANT'S STUDY

4. In her study, Eithne Fitzgerald examines how the main forms of income support for families (income tax allowances for children, children's allowances and social welfare payments for child dependants) have developed and indicates the trends which have emerged over time in the real level of benefits provided. She also considers alternative strategies for aiding low-income families with a working parent, large families and single-parent families.

5. In *Chapter* 1, the consultant indicates that the value of income tax allowance for children has declined and in real terms is now at its lowest level since the foundation of the State. Furthermore the consultant argues that the tax threshold, i.e., the income at which a taxpayer becomes liable to pay income tax, has not been adjusted upwards over time to reflect the rate of inflation. The tax threshold has fallen for families with children, particularly large families. Since 1969-1970 the threshold for a childless married couple has risen 25% in real terms while that for a couple with two children has fallen to 90% of the 1969-1970 level and that for a couple with six children has fallen to 68% of the 1969-1970 level. Furthermore, tax allowances for children have fallen not only in real terms but also in relation to other personal tax allowances. Consequently, the present values bear little relation to the relative costs of maintaining children and adults. In 1970, for example, the child tax allowance represented 58% of a single person's allowance and 34% of that for a married couple. By 1979 the proportion had fallen to 20% and 10% respectively.

6. Between 1944, when the children's allowance scheme was introduced, and 1969 the value of the allowance was adjusted infrequently. While more frequent increases have occurred since 1969 these have failed to keep pace with inflation. The substantial increase in children's allowance in 1973 has not been maintained in real terms despite further increases in 1974, 1975, 1977 and 1979.

7. With the exception of disabled person's maintenance allowance, payments in respect of adult and child dependants are now paid with all social welfare and health cash payments. The amount payable varies depending on whether it is an insurance or assistance scheme, lower payments being made in the case of assistance schemes. The level of payment is also affected by the birth order of the children in the family (e.g., the first child attracts a higher level of payment) while higher rates are payable for children of widows, deserted wives, unmarried mothers and prisoners wives. Unlike children's allowance the amount payable per child decreases as family size increases. The real value of these payments in respect of children has been growing steadily over time and the recent trend towards across the board percentage increases in social welfare payments has ensured that the allowances for children grow at the same rate as social welfare payments in general.

8. In *Chapter* 2 the consultant examines family income support and the issue of poverty. Special tabulations derived from the Household Budget Survey lead the consultant to conclude that, "a significant number of families with a working parent are nevertheless poor and the larger the family, the more likely they are to be in poverty". Poor families are categorised into two broad groups i.e., those with a parent in employment and those dependent on social welfare payments.

9. Alternative strategies for helping the working poor are examined. The consultant concludes that the two most useful measures would appear to be an extension of the statutory minimum pay mechanism of Employment Regulation Orders to cover a wider range of low-paid poorly organised employments, and the introduction of a scheme of State income supplements for families with incomes below a certain level, roughly on the lines of the Family Income Supplement Scheme in

the United Kingdom. Under the FIS, which is payable to families with a working parent and at least one dependent child, half the difference between the family income and a specified amount related to family size is paid by the State.

10. For the families living on social welfare payments, the consultant points out that while there have been real improvements in the level of the payments, in absolute terms they are very low, and still mean in many cases an inadequate or barely adequate family living standard. Substantial improvements are needed in the basic level of these allowances. To help with the heavy clothing and other expenses at the beginning of autumn, a special double children's allowance in September is recommended for these families. This allowance would replace the existing cheap footwear scheme operated by Health Boards and the net cost is estimated to be £1.35 million.

11. In *Chapter* 3 the consultant deals with the question of horizontal equity and points out that at any given time it is a minority of adults who are bringing up children. Support for family incomes is a way of sharing the costs of bringing up these children, and of achieving a better match between incomes and outgoings for people at different stages in the life cycle.

12. The consultant indicates that family benefits in Ireland do not differentiate between children of various ages despite the fact that evidence is available which shows that family costs are closely linked with ages of children. The provision of supplements related to the ages of children in general is something which, in the consultant's view, might be considered in the medium term although care should be taken to ensure that the effect would not be to redistribute resources to the better-off families. The case for providing age-related supplements to families solely dependent on social welfare payments, however, is much stronger. In such families the additional cost of providing for older children out of very limited incomes may result in real hardship. The consultant has recommended that in the case of children of welfare recipients, two age bands be introduced, with higher payments for children aged 12 and over. An additional payment of £1 per week in respect of these children would cost approximately £3 million.

13. The cost of rearing children bears heaviest on large families which are at a particular disadvantage in financial terms by comparison with single persons and childless couples. Because the value of child tax allowances have been declining in real terms and also because the real value of children's allowance has fallen since 1973 the income gap between families, especially large families and other groups has been widening. Almost half (45%) of children are in families with four or more children. The consultant estimates that an extra £1 per month for each child in families of four or more children would cost less than £6 million while a similar payment for each child in families of six or more children would cost less than £2 million. The additional payments could be made with children's allowance.

14. In *Chapter* 4 the consultant considers another strategy for aiding families, i.e., the integration of income tax allowances for children with children's allowance. This would involve the abolition of income tax allowance for children and its replacement by a cash transfer of equivalent value at the standard rate of tax. This cash equivalent would be added to the existing children's allowance payments. Such a proposal, according to the consultant is attractive for a number of reasons:

(i) It would take income support for children out of the income tax code which in any case is essentially a revenue collection rather than a welfare system.

(ii) It would have the effect of unifying these two systems of State support for children in a single cash payment and would therefore be attractive from an administrative viewpoint.

(iii) The integration of the tax allowance and children's allowance would result in a child benefit of significant cash value. The present tax allowance is £218 per child and at the standard rate of 35%, this would be worth £6.35 per month. When added to the existing children's allowances which range from £3.50 to £5.50 per month the effect would be a monthly cash payment ranging from £9.85 (for the first child) to £11.85 (for the second and subsequent children).

(iv) The transfer of child allowances from the tax system to a direct cash payment could change the distribution of income within the family in many cases. On the one hand, since children's allowances are now payable to the mother, the payment under the integrated scheme would represent a more realistic independent income to the housewife than the present children's allowance. On the other hand, the effect would also be to reduce the take-home pay of the father. The introduction of an integrated scheme in Britain and Northern Ireland had to be carefully planned alongside wage round increases so that a sharp drop in take-home pay was not experienced.

15. The consultant indicates that an integration of child tax allowance and children's allowance would involve little additional cost if applied to families paying income tax and if the transfer occurred at the 35% rate. A net loss to the Exchequer would be involved, however, if the new benefit were to be received by persons who had not benefited from child tax allowances. These include persons whose incomes are below the tax threshold, social welfare recipients and those farmers who are exempt from paying income tax. The consultant puts forward three options:

(i) All families would be included and the cost is estimated to be £42 million.

(ii) All families whose income is assessed for tax together with families of social welfare recipients and farm families whose income would be below the tax threshold if it were assessed for income tax would be included. The estimated cost is £27 million.

(iii) The same as (ii) except child dependant allowances for social welfare recipients would be simultaneously reduced by £1 per week per child. The estimated cost is £12 million.

16. In *Chapter 5* the consultant examines the level of financial aid to one-parent families which account for 6.5% of all families. These include families of widows, widowers, single mothers and deserted wives. The consultant states that:

> "Families with one parent only are likely to experience much more financial hardship than families with two parents. Because of the difficulties involved in looking after children, many such families must depend on income from social welfare payments rather than earnings from employment."

The majority of one-parent families are headed by women and approximately nine out of ten such families are in receipt of weekly social welfare payments. The consultant gives examples of the incomes and transfer payments of specimen one-parent families and recommends greater State support for such families. The consultant also points out that the problems of one-parent families are not simply financial but are compounded by emotional problems, housing problems and the problems associated with rearing children singlehanded. Children in such families are more likely to be at risk than those in two parent families and may end up being taken into institutional care.

17. In *Chapter* 6 the consultant looks at family roles and income maintenance policy. She points out that State support varies depending on family roles, or assumed roles, for wives, widows, husbands and children. A 1978 EEC directive on equality of treatment in social security will ensure that equal treatment for men and women in the social welfare code in Ireland will be introduced over the next six years.

18. In *Chapter* 7 the consultant examines family allowances in the nine member states of the EEC. She points out that there are difficulties involved in comparing the level of support in different countries. Generous cash allowances may be matched by a tax system which takes little account of family size. Only Ireland, France and the United Kingdom provide allowances for dependent family members with social welfare payments such as unemployment benefits. In 1976, Ireland ranked sixth in the proportion of national income devoted to family allowances.

19. In *Chapter* 8 the consultant examines the issue of a mother's wage. While payment of a market level wage is deemed to be

impractical, the importance of the principle is recognised. The question of more frequent payment of children's allowance is also examined but ruled out on the grounds of administrative cost. Payment of children's allowance during pregnancy is also considered to be unjustified either in general or to promote the use of ante-natal services.

COUNCIL'S COMMENTS

20. The Council is aware of the many competing demands on resources and of the constraints on the ability of public expenditure to satisfy them. These considerations also apply in relation to social expenditure. Nevertheless, the Council considers that the question of family income support, warrants special attention. A significant redistribution away from family income support has occurred over the past decade because of a decline in the real value of children's allowance and child tax allowance. It is likely that this redistribution occurred, not as a result of a specific Government decision but because of the demands on public expenditure in other areas.

21. The Council also accepts that some of the transfer from family income support has clearly gone to families by way of increased expenditure in education, housing and health services. There is no clear indication, however, as to whether low-income families have benefited more than others from the expenditure. Only general indications can be drawn in this regard. In the case of education, for example, participation rates have increased dramatically since the mid-1960s[3] and this has been accompanied by a real increase in expenditure on education. There is evidence to suggest, however, that public expenditure on education does not benefit all sections equally right through the education system. In this context, the Council has already recommended in a previous report,[4] that, "increased expenditure is needed on education for compulsory age-groups", i.e., on that part of

[3]NESC Report No. 25, *Towards a Social Report*, page 88; Tussing A. D., *Irish Educational Expenditure—Past, Present and Future*, Economic and Social Research Institute, Dublin, 1978, Paper No. 92 Chapter 4.
[4]NESC Report No. 12, *Educational Expenditure in Ireland*, 1975, page 24.

the educational system where all sections of the community participate. While there is considerable public expenditure on housing, a previous Council report also indicated that many of the housing subsidies are regressive and it recommended that, "the present range of subsidies should be critically examined to determine what modifications would help to ensure that those in greatest need enjoy the greatest benefit".[5] In regard to health services, developments since the 1970 Health Act, especially improvements in the General Medical Service, have clearly benefited low-income families.

22. While the real value of child dependant allowances for social welfare recipients has increased, the real value of children's allowance and child tax allowance has fallen during a period of relatively high inflation. It is the low-income and large families that have been most affected and while the position of other families has also worsened, the relative impact on them was less. The Council therefore is particularly concerned with certain categories of families. These include families dependent on social welfare payments, large families, one-parent families, families with a working parent on a low income and farm families on low incomes.

23. The Council's recommendations would involve additional expenditure on family income support. In Council's comments on the 1978 Green Paper the constraints on public expenditure were recognised and it was recommended that any increase in Exchequer borrowing above the Government's budget should be contemplated only to finance economically productive expenditure.[6] It must also be recognised, however, that while the cost of social policies can be expressed in monetary terms the resulting benefits cannot. But this does not lessen their contribution to national development. The Council considers that by helping parents with their vital child-rearing tasks, an investment for the future is being made. The Council considers action in the area of family income support to be of such importance as to warrant a contribution to expenditure being met from either increased taxation, a change in the incidence of taxation, a redeployment of

[5]NESC Report No. 23, *Report on Housing Subsidies*, 1976, page 17.
[6]NESC Report No. 44, *Comments on Development for Full Employment*, 1978.

expenditure, or a rearrangement in favour of families of such increases in expenditure as may be decided from time to time.

24. In addition to the arguments already put forward, Ireland's demographic and economic structure is characterised by features which further justify the need for increased transfers for dependent groups. By comparison with other EEC countries, for example, Ireland has the highest birth rate, the highest burden of dependency[7] and the highest unemployment rate. The burden of child dependency is seen in proper perspective when expressed as a ratio between persons under 15 years of age and the labour force. On this basis Ireland has the highest dependency ratio[8] and clearly requires higher transfers to families than other EEC countries. If a higher level of social services for child dependants is to be provided then a higher level of taxation of some form will be required.

25. The Council wishes to distinguish between its views on short-term and long-term priorities. In the short-term, the Council considers, in view of expenditure constraints, that priority should be given to those categories of families which are most in need. For the long-term, the Council considers that, *inter alia,* the possibility of undertaking a complete overhaul of the present system of children's allowances and child tax allowance should be examined with particular emphasis on the need to help low-income families while ensuring that the effect would not disproportionately benefit the higher income families.

SHORT-TERM STRATEGY

Families Dependent on Social Welfare

26. While payments to families dependent on social welfare have increased in real terms in recent years the Council has already stated that:

[7]The ratio between the working population (persons aged 15-64) and the dependent age groups (0-14 and 65 and over).

[8]In 1975 the ratio between persons under 15 and the labour force in each member State of the EEC was as follows: Germany 53.4; France 58.7; Italy 72.4; Netherlands 74.7; Belgium 58.6; Luxembourg 50.3; United Kingdom 51.5; Ireland 87.0; Denmark 48.7; EEC 55.5 (Eurostat, *Labour Force Sample, 1975*; Eurostat, *Social Indicators of the European Community 1960-1975*).

"It is desirable that changes in levels of income maintenance should be such as to ensure that the recipients . . . share in the increases in the real income of the community."[9]

27. Two immediate measures could be adopted to alleviate the financial hardship of these families, i.e., an age-related supplement and a clothing/footwear allowance.

(a) **Age-Related Supplement**

While the cost of rearing children is related to age, this is not recognised in existing social welfare payments for child dependants. It is recommended that an additional £1 per week, at the very least, be given in respect of children over 12 years in families dependent on social welfare payments. The cost of the recommendation is estimated to be approximately £3 million per annum.

(b) **Clothing/Footwear Allowance**

Families dependent on social welfare payments are likely to experience difficulty in providing clothing for their children, particularly in the autumn when additional expenses connected with return to school and the provision of winter clothing are incurred. The Council recommends the payment of a cash grant, equivalent to the monthly children's allowance and payable in September, to help defray the cost of clothing/footwear needs of such families; this would be a more appropriate method than the existing discretionary cheap footwear scheme operated by Health Boards which could then be discontinued. The net cost of this recommendation is estimated to be approximately £1.35 million per annum.

One-Parent Families

28. The definitive British report on one-parent families[10] concluded that with only a few individual exceptions, one-parent families were considerably worse off financially than two-parent families. In her study, Fitzgerald gives examples of the incomes and transfer payments

[9]NESC Report No. 44, *Comments on Development for Full Employment*, 1978, page 9.

[10]*Report of the Committee on One-Parent Families*, HMSO, 1974, page 261.

of specimen one-parent families and the Council agrees that the level of support for such families is very inadequate. It recognises the special problems of one-parent families and suggests a number of ways by which the financial position of these families could be improved.

29. The Council welcomes the introduction in 1979 of an additional income tax allowance of £250 in recognition of the needs of such families. A case can be made, however, for giving heads of one-parent families an income tax allowance equivalent to that of a married couple while there are dependent children. It cannot be assumed, that in the event of widowhood, for example, family costs are automatically reduced. Some widows and widowers may incur expenditure on household tasks which in all likelihood would have been undertaken by their spouses. This allowance could replace the existing tax allowances for heads of one-parent families and the total cost is estimated to be approximately £3 million.

30. The Council accepts that in the operation of means-tests greater standardisation is required and welcomes the Government's commitment to remove existing anomalies. Nevertheless, while uniformity in the application of the means-test would be desirable, special consideration should be given to the different needs and circumstances of the various categories of people applying for assistance payments. There is a case for increasing the amount of income to be disregarded in qualifying for means-tested payments for single parents. At present, for example, a working single parent with one child is eligible for the full social assistance allowance of £21.00 per week provided her means are less than £8 per week. For every £1 means in excess of £8 her allowance is correspondingly reduced by £1.30 and once her means exceed £23 per week she is not eligible for the allowance. The Council recommends that the present amounts of income disregard, i.e., £6 per week per single parent and £2 per week per child, should be increased. Since data are not available on the number of single parents who are ineligible for means-tested payments because of the present income disregard ceiling, it is not possible to estimate the additional cost involved in increasing the present amounts of income disregard. The Council, however, believes that these amounts should be doubled. This would make part-time work a more

viable proposition and would enable many single parents to increase their total income. It would also allow them time to be with their children.

31. Special problems arise for deserted wives with children and these have already been alluded to in a previous report.[11] Such wives, for example, are not entitled to either deserted wives' benefit or deserted wives' allowance as long as they are receiving maintenance from their husbands. Despite the fact that the level of the maintenance may be lower than that of either the deserted wives' benefit or allowance, the wife is not entitled to receive the difference. Other problems arise where payment of maintenance is erratic. In a submission to the Minister for Social Welfare by the National Social Service Council on social welfare services it was recommended that:

> "... the provision of maintenance should not depend on whether desertion is established or not. The main criterion should be whether the wife is in fact receiving adequate financial support".[12]

This Council endorses the view of the NSSC and recommends that a deserted wife who has children should be entitled to the deserted wife's benefit or allowance and that the State should collect any maintenance due from the deserting husband.

Large Families

32. As already noted, the life-time cycle of income bears heaviest on large families which are at a particular disadvantage financially by comparison with single persons and childless couples. Because the value of both child tax allowances and children's allowance have fallen in real terms the income gap between families, especially large families, and other groups has been widening. It should be noted that the purpose of the children's allowance scheme introduced in 1944 was to overcome defects in the market rewards system, i.e., wages and

[11]NESC Report No. 38, *Universality and Selectivity: Social Services in Ireland*, pages 116-122.

[12]*Recommendations for Improvements in the Social Welfare Services*, National Social Service Council, October 1978, page 4.

salaries which in the normal course do not take account of variations in the family size of the wage earner. The Council believes that these considerations are still relevant and it therefore endorses the scheme of children's allowance as presently operated. In a previous report the Council has pointed out that, "the rearing of children brings with it financial burdens which society as a whole should share".[13] When introduced, the children's allowance scheme was specifically designed to help large families and hence allowances were paid only on third and subsequent children.[14] Second children became eligible in 1952 and first children in 1963. Recent trends indicate that the declining real value of the allowance has been greatest for large families. In the most recent (1979) improvements in children's allowances, increases for the first and second children have been far greater than those for third and subsequent children (Table A).

[13]NESC, Report No. 44, *Comments on Development for Full Employment,* 1978, page 79.

[14]Farley, D. *Social Insurance and Social Assistance in Ireland,* Institute of Public Administration, Dublin, 1964, page 71.

TABLE A

Actual and Percentage Increase in Children's Allowances by Family Size in April 1979

Number of Children	Old Rate (per month)	Rate from April 1979 (per month)	% Increase	Rate per child April 1979	Increase per child
	£	£		£	£
One child	2.30	3.50	52.2	3.50	1.20
Two children	6.40	9.00	40.6	4.50	1.30
Three children	11.25	14.50	28.9	4.83	1.08
Four children	16.10	20.00	24.2	5.00	0.98
Five children	20.95	25.50	21.7	5.10	0.91
Six children	25.80	31.00	20.2	5.17	0.87
Seven children	30.65	36.50	19.1	5.21	0.84
Eight children	35.50	42.00	18.3	5.25	0.81
Nine children	40.35	47.50	17.7	5.28	0.79
Ten children	45.20	53.00	17.3	5.30	0.78

33. The Council realises that family size is not necessarily synonymous with need but as the consultant has indicated, large families are much more likely to be in poverty than smaller ones. The Council believes therefore that there is a strong case for providing additional support for large families. Almost half (45%) of children are in families with four or more children and 14% are in families of six or more children. The consultant has indicated that an extra £1 per month payable for each child in families of four or more children would cost less than £6 million per annum. However, Council recommends that for a similar amount an additional £3 per month per child should be given to the large families i.e., those with six or more children.

34. The total cost of the recommendations in the short-term strategy which can be readily costed is approximately £13.35 million. This figure is made up as follows: Age-related supplement, £3 million; clothing/footwear allowance, £1.35 million; married person's tax allowance for heads of one-parent families, £3 million; allowance for large families, £6 million. The two recommendations which cannot be readily costed are the doubling of the income disregard for means-tested payments to single parents and the entitlement to deserted wives' benefit or allowance once desertion occurs.

LONG-TERM STRATEGY

35. The Council believes that the recommendations made in the short-term strategy will go some way towards alleviating the financial problems of certain categories of families. But in order to tackle the problem of family income support adequately and equitably a more fundamental overhaul of the present schemes of children's allowance and the child tax allowance needs to be seriously considered. Ideally, the Council believes that a move towards the integration of those two schemes would be desirable. This new scheme could be referred to as the family benefit scheme and would apply to all families.

36. The Council has already recommended in Report No. 37 that the Government consider the integration of income taxes and transfer

payments.[15] In recommending the integration of child tax allowance and children's allowance the Council is aware that this is but one element in the integration process. However, child tax allowances and children's allowances are closely related as the provisions of the 1979 Budget indicate.[16] The Council therefore believes that these two forms of income support may be considered separately from the more general income tax and transfer payments question. Many other countries, including the United Kingdom, have successfully replaced child-tax allowance by a cash allowance without integrating all tax allowances and transfer payments.

37. The introduction of a family benefit scheme for all families would have several advantages over the present system. These include the following:

(i) The present system of child tax allowance means that those with highest taxable income benefit most in absolute terms.[17] Some redistribution would therefore occur between families if the transfer of the child tax allowance were to take place at the standard tax rate of 35%. Those with lower tax rates would benefit while there would be redistribution away from those paying tax at higher rates.

(ii) The family benefit would be paid irrespective of the work status of the principal wage earner e.g., when an unemployed person returns to work the family benefit would still be retained.

(iii) The family benefit would effect a transfer of income within the family and would represent a more realistic independent income to the mother than the existing children's allowance.

(iv) The administrative procedures involved in operating two separate but related systems at present would be simplified.

[15]NESC No. 37 *Integrated Approaches to Personal Income Tax and Transfers*, 1978.
[16]The 1979 Budget provided for an increase in children's allowance and associated with this increase was a reduction from £240 to £218 in the tax allowance per child.
[17]For persons paying income tax at 50% the present child tax allowance of £218 is worth £109 per child while for those paying income tax at 25% the benefit is £54.50 per child.

38. Since the family benefit scheme involves the termination of the child tax allowance, it will result in an increase in the income tax liabilities of married taxpayers with eligible children and a consequential reduction in take-home pay. Careful consideration would have to be given to its introduction on a phased basis (e.g., to coincide with pay increases) so as to avoid repercussions regarding wage claims. It was for this purpose that the child benefit scheme was introduced on a phased basis in Britain and Northern Ireland. Since, in general, the reduction in take home pay will not involve a reduction in family income for those paying income tax at or below the standard rate (the former income tax relief being compensated by the enlarged family benefit) it would not be logical to offset the withdrawal of the tax relief by taxation adjustments such as reducing the rates, increasing personal allowances or widening the bands. If any such adjustments were made, they would increase the cost of introducing a family benefit scheme.

39. Furthermore, there would be considerable costs to the Exchequer if the transfers under the family benefit scheme were to accrue to families which are not benefiting from income tax allowances.[18] An immediate policy change is therefore not envisaged. However, taking into consideration its long-term advantages, the Council believes that this scheme is worthy of consideration.

40. In the long-term the Council believes that all families should be included in the family benefit scheme. Given the difficulties outlined above, it would be necessary therefore to extend the scheme on a phased basis to include families not liable for income tax. When families dependent on social welfare payments are included in the scheme the additional cost could be reduced by adjustments in social welfare payments in respect of child dependants. As the income tax net widens to embrace sections of the community with an income liable for income tax, all remaining families could be included in the scheme.

41. If a family benefit scheme were introduced there would be less need for a family income supplement along the lines suggested by the

[18]Fitzgerald estimates the cost at present to be £42 million per annum.

consultant to meet the needs of low-income families with a working parent. Under the family benefit scheme, family support would be catered for irrespective of the work status of the principal wage earner and the problem of low-income from employment is something which might be more appropriately tackled by other means. In the event that the family benefit scheme was not considered practicable, a family income supplement should then be considered.

42. It is apparent in this report that the Council is first of all concerned with short-term strategies to aid certain categories of families. But given the Council's commitment to review existing services it advocates that serious consideration be given to an integration of the existing children's allowance and child tax allowance schemes into a family benefit scheme. It accepts the principle of such a proposal and recommends that it be seriously considered as a long-term strategy for directing financial support to all families with dependent children.

RESERVATION BY Dr. C. H. MURRAY AND J. McCARRICK

1. We agree with the recommendations in paragraphs 27, 29, 30 and 31 of this Report. We have reservations, however, regarding the recommendations in paragraph 33, and in paragraph 35 *et seq.*

2. Paragraph 33 recommends an increase in the children's allowance for each child in families of six or more children. The children's allowance is a "universal" social service. The Council said, in Report No. 38, that it intended to publish a report on the issues of universality and selectivity in the social services. This report is nearing completion and should come before the Council later this year. The Council's views on the issues of universality and selectivity will inevitably affect its attitude to such a major universal service as children's allowances, the full year cost of which is now running at £69 million.

3. In considering alternative strategies for family income support, we would have preferred the Council first to consider the position it

would adopt on the issue of universality versus selectivity in the social services, particularly in respect of children's allowances. Only in this way would the Council be sure that its recommendations on family income support had regard to its own criterion (paragraph 25 of this report) that "priority should be given to those categories of families which are most in need". Instead the Council has not alone taken the present universal system of children's allowance as given, but has recommended an increase in these allowances—though admittedly in respect of larger families only.

4. We have the same problem in regard to paragraph 35 which recommends as part of a long-term strategy, the introduction of a new family benefit scheme, based on the integration of children's allowances and the child tax allowances. The new family benefit scheme would thus accept, and build on, the present system of the "universal" children's allowances scheme.

5. In addition we have reservations about the element in the proposed family benefit scheme representing the replacement of the present child tax allowance by a cash transfer. In Report No. 37 the Council recommended that the Government consider the integration of income taxes and transfer payments. The present Council recommendation deals with *one* element in *one* of three approaches to such integration outlined in the earlier report. If a piece-meal approach towards an integrated system is to be adopted, we would have preferred the Council to have first considered the arguments for and against it. It is true that the present system of child tax allowance is regressive in the sense that those with highest income benefit most in absolute terms. This is an unavoidable feature of the *present* system of personal income taxation, with graduated rates of tax, and allowances (including allowances for children) permitted in arriving at taxable income; the suggestions contained in Council Report No. 37 were designed, *inter alia,* to remove this regressive element. If it were considered that the regressiveness of the child tax allowances should be singled out for early attention, we would prefer that, initially at least, the solution should take the form of a flat tax credit in respect of children.

RESERVATION BY MR. T. F. Ó COFAIGH

I do not subscribe to the unqualified endorsement in paragraph 32 of the scheme of children's allowances as presently operated.

I consider that there is an over-riding priority to concentrate the limited resources available on helping those families most in need; changes within the system of children's allowances itself, or as between that system and other social services, which are based on acceptance of the present universality of the system would, for example, be at variance with that priority. I must dissociate myself therefore from the recommendations in paragraphs 30, 33 and 35 (et seq).

NOTE BY SENATOR T. K. WHITAKER

I support the recommendations in paragraphs 27, 29, 30 and 31 and I share the Council's view (paragraph 33) that there is a strong case for increasing the children's allowance for large families.

I am not, however, satisfied that an adequate case has been made for the integration of the children's allowance and the income tax child allowance into a family benefit scheme of general application (paragraphs 35 to 41) and I do not join in this recommendation.

My view is that collecting unnecessarily large amounts through taxation in order to make unnecessary payments through the social welfare system raises unnecessary political and economic difficulties. I would prefer that the income tax child allowance should continue to run side by side with the children's allowance but should be adjusted—as was the original intention and practice—so as to neutralise the advantage of improvements in the children's allowance in the case of the better-off taxpayers. Universality would thus be qualified by retaining an appropriate measure of selectivity.

PART II

ALTERNATIVE STRATEGIES FOR FAMILY INCOME SUPPORT

by

Eithne Fitzgerald

INTRODUCTION

This report sets out to examine the various ways in which the State can help support the income of families. The report does not go into the other ways the State helps families, by providing free or subsidised services direct rather than cash, e.g., education, child health services, housing. The main focus is on existing and possible alternative ways of modifying the cash incomes of families.

In the last few years, there have been many changes which have affected family incomes. On the one hand, there have been general rises in average living standards in line with the growth in the economy. There has been an expansion in some public services for families, e.g., the introduction of free post-primary education. On the other hand, changes in the income tax code in recent years have led to a relative disimprovement in the position of families with children. The real value of children's allowances has also declined over the last five years. These changes have focused attention on the comparable living standards enjoyed by those with and without children. This report will quantify the changes which have been taking place in the real value of cash support for families. It will examine the State's role in correcting the differences in living standards enjoyed by families of different sizes. It will also look in particular at the position of those families who have not shared in the general improvement in incomes.

There is an increasing awareness in this country and elsewhere of the problem of family poverty and of the resulting deprivation among children. The work done by groups like CARE in this country[1] and the National Children's Bureau and the Child Poverty Action Group in the United Kingdom have all focused attention on this problem.

There are families where incomes have not kept pace with the amount needed to provide adequately for the family and the children,

[1]See the CARE memorandum, "Children Deprived", 1972.

and where the numbers to be fed and clothed out of a limited income, results in financial hardship. There are other families where the problems are not simply financial and where parents may have severe difficulties in coping with the care of their children, but where giving more money could go a long way towards easing the stress under which these families live.

As well as the fundamental issues of family poverty and of compensation for family size difference, there are a number of other reasons why an examination of the issues involved in supporting the income of families would be useful at the present time.

The children's allowance scheme has been the subject of much discussion in recent years. Those on one side of the debate have argued that it should be made more selective and should concentrate on helping poorer families. Those on the other side have argued its merits in helping parents, at every income level, as against non-parents, and its value in directing cash help to poor families where there is a working parent. The present debate here about the children's allowance scheme is an example of the wider question of the relative attention to be devoted to horizontal redistribution e.g., levelling for family size across all income groups and vertical redistribution, i.e., narrowing the gap between income groups.

The recent controversy on the taxation of married women has raised questions about dealing with people as individuals or as family members. The changing role of women in society and in particular their increased participation in the labour market raises many questions for income support policy, e.g., when should wives be considered dependent, what payments are appropriate in respect of widowhood, how should parents caring full time for children be treated?

The implementation of equal pay calls for a new look at the extent to which the State should take on the role of differentiating the incomes received by those with and without family responsibilities, a role crudely played up to now by differing rates of pay for men and women.

Recent developments in the United Kingdom give a discussion of family income support an added topicality. There, income tax allowances in respect of children have been phased out completely, and since April 1979 have been fully incorporated in a single weekly Child Benefit payment of £4 per week per child payable to the mother. If, as a result of these charges, a significant difference emerges in the

level of family income support between North and South, it could become an important political issue.

This report will concentrate on families in the sense of one or both parents with dependent children. Issues such as family care for the elderly, have been considered outside its scope.

The principal ways in which family income is supported in Ireland, are first, through personal allowances in respect of family members in the income tax code; secondly, through the children's allowance scheme and, thirdly, by means of family-differentiated benefits in the social welfare schemes. The State as an employer has also been paying additional children's allowances to people working in the public service. Of course, families also benefit from a very wide range of public services—notably free education, child health services, and subsidised housing.

Chapter 1 shows the development of the different schemes of cash support for children, and indicates the trends in the real level of cash support for families. Chapter 2 examines the question of family poverty, and outlines possible ways of directing help specifically to poor families. Chapter 3 looks at the need for help to be given to families as such, at all income levels. Chapter 4 looks at a specific proposal, the replacement of income tax allowances for children by a cash payment of equivalent value. Chapter 5 deals with one parent families. Chapter 6 looks at family roles and income maintenance policy. Chapter 7 gives details of family allowances in other member countries of the EEC. Chapter 8 looks at the issue of wages for mothers, at the question of frequency of payment of children's allowance, and at the question of family allowances during pregnancy, and present conclusions.

CHAPTER 1

HISTORICAL BACKGROUND AND TRENDS IN THE LEVEL OF BENEFITS

This Chapter examines how the three main forms of cash support for families—personal allowances for children in the tax code, children's allowances, and family differentiated social welfare payments—have developed, and shows the trends that emerge over time in the real levels of benefit provided.

What we have today reflects the piecemeal changes over the years, responding to current pressures and events, and constrained by current resources. These periodic improvements in the face value of benefits have been contending with a steady erosion by inflation. The form and value of the benefits we have today are not based on an attempt at scientific assessment of family needs as were, for example, the Beveridge scales in the UK.[1] Nor is it true to say, in any realistic assessment of the process whereby the magic numbers are decided, that the levels of benefit represent society's considered judgement of what support should be given to families. It is instructive, however, to look at trends in the real value of support provided, and to see if families as a group have been losing ground over time.

(1) Personal Tax Allowances

Personal allowances in respect of family members have existed in the income tax code from the very beginning. However, it is only in relatively recent years that there has been any great appreciation of tax allowances as being the equivalent of cash transfers. Now, since the vast majority of those assessed for tax actually do pay tax, people

[1]National Insurance and Allied Services, Sir William Beveridge, HMSO 1942.

generally are now very conscious of the cash value of any tax allowances they receive. A comprehensive discussion of the role of income tax allowances has already been made by Brendan Dowling in a report for the NESC.[2]

The gross amount of personal allowances in the income tax code in recent years is as follows:

	£m.
1970/1971	253.3
1971/1972	309.4
1972/1973	360.3
1973/1974	378.4
1974/1975	618.0
1975/1976	725.9

Source: Table 84, Report of Revenue Commissioners, 1975/1976.

The breakdown of personal allowances in 1975/1976 was as follows:

	£m.
Married allowance	305.7
Single and widowed allowances	242.1
Working wife	22.1
Housekeeper	1.6
Children	138.4
Dependent relatives	13.3
Age allowance	2.5
Total	725.7

Source: Table 83, Report of Revenue Commissioners, 1975/1976.

[2]NESC Report No. 37: *Integrated Approaches to Personal Income Taxes and Transfers.*

If child allowances were valued at the bottom rate of tax, 20%, they would have represented some £28 million in revenue foregone to the Exchequer in 1975/1976. If the average rate of tax at the margin was roughly the standard rate of 35%, the cost to the State of these child tax allowances would be just under £50 million in revenue foregone.

History and Trends in the Level of Allowance

For a majority of the population up to the last twenty years or so, the level of personal allowances in the income tax code, was fairly academic, as the majority of people had incomes below the exemption limit. The tax allowances were considered as part of the tax collection mechanism solely, not seen as a form of cash help to families. Attention should be focused then on the more recent period, when the majority of families have been in the tax net.

The form of child tax allowances has been varied a number of times. Up to 1932, the size of the allowance varied with the number of children. From 1944 to 1954, and again from 1969 to 1974, a "clawback"[3] operated, to recoup from taxpayers the benefits of successive increases in the children's allowance scheme. From 1966 to 1974, a higher allowance was payable for children aged over 11. These variations in the level of tax allowances have been a source of difficulty in administration, and a source of confusion to taxpayers. Between 1974 and 1979 the child tax allowances reverted to a simple flat rate per child. In 1979 a "clawback" was reintroduced.

The real value of income tax allowances in respect of children has been declining more or less steadily over time. In real terms, the child tax allowance is now at its lowest level since the foundation of the State.[4]

The table below charts the more recent decline in the value of the tax allowance for children since 1960/1961. The tax savings involved have shown a corresponding decline.

[3]Under the various "clawback" arrangements, a taxpayer receiving a children's allowance in respect of any child got a reduced tax allowance for that child. The effect of this was to confine the net gains from different improvements in children's allowances to families below the income tax threshold, and to families not assessed for tax. The 1973 clawback applied not to all taxpayers, but to those with a family income of over £2,500 a year.

[4]See Table 1, appendix to this Chapter.

TABLE 1.1

Income Tax Allowances and Tax Savings in respect of Children, Selected Years 1960-79.

	Amount of tax allowance per child	Real value, February 1979 prices*	Tax saving per child at standard tax rate,** February 1979 prices
	£	£	£
1960/61	120	559	146 (26¼%)
1965/66	120	455	119 (26¼%)
1970/71	135/150 (aged over 11)	408/453	106/118 (26¼%)
1975/76	230	374	97/143 (26%/38.5%)
1976/77	240	336	87/129 (26%/38.5%)
1977/78	240	288	57/72/100 (20%/25%/35%)
1978/79	240	266	53/66/93 (20%/25%/35%)
1979/80	218	218	54.5/76.3 (25%/35%)

*For consistency, tax allowances in each year have been valued at the price index prevailing in the February immediately before the start of the tax year.

**The standard tax rate takes into account earned income relief, where applicable.

The tax threshold—the income point at which a person begins to pay tax—has fallen for families with children despite the increases in recent years in allowances for all married couples. This fall has been worst for the largest families. While the tax threshold for a childless couple has increased by a quarter in real terms since 1969/1970, that for a couple with two children has fallen to 90% of the 1969/1970 level, and for a family with 6 children, to 68%—just two thirds—of the 1969/1970 level.[5]

Tax allowances for children have fallen not only in absolute terms but have fallen relative to other personal allowances. The present relative values bear little relation to the relative costs of maintaining children and adults. While in 1970, the tax allowance for a child was 58% of the single allowance, and 34% of that for a couple, the current proportion are 20% and 10% respectively. A family with five children has a tax exemption less than one and a half times that of a childless couple.

One factor contributing to the decline in the value of allowances for children in the income tax code has been a partial substitution, through the clawback mechanism, of children's allowances paid to the mother for income tax allowances. The next section examines trends in the levels of children's allowances.

(2) Children's Allowances

Children's allowances are now paid to over 400,000 families in respect of more than a million children. The allowance is payable monthly to the mother, if she has children under 16 or children aged 16-18 who are still at school, or who are apprenticed,[6] or who are dependent because of a handicap. The allowance is currently £3.50 per month for the first child, and £5.50 for each other child. The allowance is payable to all families, without a means test, and it is non-contributory. The annual cost to the state is £66.6 million.[7]

[5]See appendix to this Chapter, Table 2(B). The decline in relative terms of the support for children is examined in detail for the whole post war period in Ó Muircheartaig, "The Changing Burden of Personal Income Tax in Ireland and the Social Valuation of Income". JSSISI 1976/1977.

[6]Apprenticeship is defined quite narrowly for the purpose of the scheme, the crucial factor being the degree of training involved.

[7]1978 expenditure of £52 million plus full year cost of £14.6 million for 1979 budget changes.

History of Scheme

Children's allowances were introduced in August 1944, for families with three or more children. The reasoning behind their introduction can be seen in the following quotation, taken from the first report of the Department of Social Welfare:

> The promotion of schemes of family welfare is a comparatively late development in the history of social welfare in this country. The earlier schemes show concentration on making provision against the immediate risks which threatened the economic security of the individual and his dependants and survivors. When considerable advances had been made in this direction, it was possible to turn to the apparently less pressing problem of raising the standard of living of the family. It became clear that measures were required to remove the relative disadvantages in material circumstances which harassed parents of families, and thus to mitigate the handicaps arising from parenthood. Any reduction in the economic difficulties besetting parents in the raising of families would, in the long term view, have favourable repercussions on other national problems, such as the decline in the population, the low marriage rate, late marriages, and emigration.

The children's allowance scheme was non-contributory from the beginning and there has never been any means test. An income tax clawback between 1944 and 1954, however, confined the net benefit to parents below the income tax threshold, the vast majority of parents at the time.

In 1952 an allowance for the second child was introduced. The administrative procedures were revised, the allowance became payable monthly, and the benefits were increased. These changes coincided with the general removal of food subsidies. By the introduction of an allowance for the second child, 216,000 children benefited, 67,000 of them in families which did not previously qualify for an allowance.

The rates were increased once more in 1957. According to the Third Report of the Department of Social Welfare (page 7) these increases were to compensate for the removal of subsidies on bread and butter.

In November 1963, an allowance for the first child was introduced, and set at 50p a month. The allowance for third and subsequent children was increased. These changes coincided with the introduction of Turnover Tax. An extra 300,000 children benefited by the introduction of the allowance for the first child, 74,000 of them in families where previously no allowance had been payable. Children's allowances were increased again in 1969 and 1970.

In 1973, the allowances were again increased, by £1.50 a month for each child, and extended to cover children aged 16 to 18 in full time education. This brought in an extra 70,000 children. The number of children under 16 in respect of whom allowances were claimed also grew significantly following the increase in the value of the monthly allowance. Tax allowances for children of parents earning over £2,500 a year were reduced, to confine the net gain from the improved allowances to families below this income level or outside the tax net.

In July 1974, title to children's allowances was vested in mothers instead of fathers. Up to then, mothers had been nominated to receive the children's allowance in about 80% of cases.

All previous income tax clawback was abolished in 1974. The allowances were increased again in 1974, 1975, 1977, and 1979. The 1979 increase has followed the partial removal of food subsidies. About a third of the cost of this increase is being recouped by reducing the income tax allowance for children.

Trends in the Value of Children's Allowances

In the first twenty-five years of the scheme, children's allowances were only increased three times, and these increases and extensions of the scheme coincided with particular measures which adversely affected the income of families. However, during these years, inflation was low, and in no case did the value of the allowance depreciate by more than 20% in the periods between increases.[8]

The trends in the value of the allowance since 1969 are of more immediate relevance. In this period, a more regular pattern of increases has emerged, with seven increases in the allowance since 1969.

Table 1.2 shows the total children's allowance which would be received by different families, valued in real terms at May 1978 prices.

[8]See Tables 4 and 5 in the appendix to this Chapter.

TABLE 1.2

Total Children's Allowances Received by Families of Different Sizes, 1969-1979, at Constant (May 1978) Prices

	Family With		
	2 children per month £	4 children per month £	6 children per month £
1969	5.73	17.21	28.69
1970	5.48	17.82	30.16
1971	4.87	15.83	26.81
1972	4.48	14.56	24.64
1973	10.05	25.13	40.21
1974	9.62	22.54	35.46
1975	8.39	20.75	33.11
1976	7.11	17.59	28.07
1977	6.79	17.07	27.35
1978	6.40	16.10	25.80
1979*	8.26	18.38	28.46

*These have been converted to May 1978 prices by using the May 1978-February 1979 change in the Consumer Price Index. For the years up to 1977, the average annual CPI figure has been used.

While the allowances have been increased fairly frequently it can be seen that from 1973 in particular, the value of the allowances has failed to keep up with inflation. In the case of the largest families shown, the value of the children's allowance they now receive is less than it was at the beginning of the decade.

The substantial increase in allowances in 1973 has not been maintained. The children's allowances which any family receives are now worth less than they were in 1973. The larger the family, the greater has been the fall in the value of the allowances. A family with six children now get allowances worth just 71% of what they were getting in 1973.

Of course the data on the changes in the real value of children's allowances can be shown in different lights, depending on the choice of starting date. Over the years since their introduction in 1944, there have been significant improvements in the children's allowances scheme, in contrast to the more or less steady decline in the value of tax allowances for children.

Combined Value of Child Support Through Income Tax and Children's Allowances

As has been said, over the years changes in the children's allowances scheme have been specifically linked to reductions in income tax allowances for children, designed to limit the benefit of improvements in children's allowances to be enjoyed by income taxpayers. And while it has been clear that it is the larger family which has fared worst in both the income tax and social welfare codes, the net trends in support for families, taking income tax and children's allowances together, is not always immediately clear.

Table 5 in the appendix to this chapter sets out the detailed calculations of the combined value of this support.

Table 1.3 summarises the position. **Over the last ten years the real value of the combined State income support in respect of children has declined, by over 10% for the first two children, and by over 20% for later children in a family. This disimprovement has been greater, the larger the family.**

TABLE 1.3

Annual value of Combined Income Tax Allowances for Children and Children's Allowances to Standard Rate Taxpayer, at February 1979 Prices

Year	Standard Tax Rate	1st Child £	2nd Child £	3rd and Later Children £
1969	26.25%	132	162	181
(1969)	(35%)	(170)	(197)	(216)
1979	35%	118	142	142
1979 as % of 1969		89%	88%	78%

Children's Allowances To Be More Selective?

As a universal scheme payable to all families and involving substantial and conspicuous expenditure—an estimated £52 million a year in 1978—the children's allowance scheme has attracted periodic attention as an area where cuts in public spending might be achieved.

The use of the tax clawback has meant more selectivity where benefits have been increased. Most recently, there was the suggestion in the Green Paper of 1978 that children's allowances be treated as taxable income. This proposal was criticised by the NESC in its Comments on the Green Paper[9] as follows:—

> "The effect of making children's allowances subject to tax is to distribute an extra £8 million away from families with children . . . What is involved in the proposal is a further disimprovement in the relative overall position of families with children, compared with single persons or childless couples. However, the rearing of children brings with it financial burdens which society as a whole should share."

The January 1979 White Paper showed the Government's acceptance of the view that it would not be appropriate to tax children's allowances at present. Nevertheless, it is clear from the quotation from the White Paper below that the Government feels that the expenditure involved should in some way be more selectively applied.

> "As regards the proposals to tax children's allowances, response to the Green Paper suggested that with the low tax thresholds in this country, this proposal would reduce the disposable income of low income families and would bear unequally on different sections of the community since relatively few farmers are assessed for income tax. It was contended that if the objective were to make the system more progressive, a better approach would be to reform the child tax allowances under the income tax code. While there have been general expressions of approval for the principle underlying this proposal, which is to channel more of the available funds to those in greatest need, there is no indication that treating allowances as taxable income would be

[9]NESC Report No. 44, *"Comments on Development for Full Employment"*, paragraph 7.15.

regarded as an appropriate way of achieving this result and accordingly the Government do not propose to proceed with this suggestion."[10]

Child Dependant Allowances for Social Insurance and Social Assistance Recipients

Allowances for adult and child dependants are now paid with all social welfare and health board weekly payments, with the exception of Disabled Person's Maintenance Allowance. In any given week, almost 300,000 children benefit by these allowances. On a long term basis, excluding unemployment and disability benefit claims of under six months duration, and excluding the farmer's dole as being a special case, nearly 160,000 children have these benefits paid in respect of them. In any given week, about a quarter of all children qualify for these allowances, about half of these on a long term basis.

The amount which is now payable depends on the benefit involved—whether it is insurance or assistance, and on the position of the child in the family. Higher rates are payable for children of widows, deserted wives, unmarried mothers, and prisoners' wives. Unlike children's allowances, the amount paid per child declines with family size. The amounts payable vary between £3.10 and £5.70 per child per week. [11]Presumably, the reason behind the declining payment per child in larger families is first, economies of scale, and second, an attempt to limit the advantages of large families of living on social welfare rather than working. The interaction with the children's allowance which moves in the opposite direction, gives the following level of combined weekly child support.

	1st Child £	2nd Child £	3rd Child + £
Unemployment benefit	5.46	5.92	5.07
Unemployment assistance	4.91	5.37	4.37

[10]*Programme for National Development 1978-1981*, January 1979, paragraph 6.19.

[11]For a discussion of this variation, see NESC No. 38, pages 55-57.

History and Trends in Level of Benefit

Prior to the establishment of the Department of Social Welfare in 1947, and the subsequent consolidation of existing social welfare schemes in the 1952 Social Welfare Act, provision for dependants in the social welfare code varied greatly from one scheme to another. The limited unemployment benefit scheme in certain employments introduced in 1911, did not provide for dependants until superseded by a wider unemployment scheme in 1921. Sickness benefit under the old National Health Insurance scheme did not provide any allowance for dependants at all until it was restyled Disability Benefit in 1952. Unemployment assistance, introduced in 1933 and Widow's pensions, introduced in 1935, did provide allowances in respect of dependants. The means limits were however fixed, not graduated according to the number of dependants. Where child dependant allowances were payable prior to 1952, there was no discernible pattern—some were flat rate per child, some declined with family size, and those payable with unemployment assistance varied erratically with the number of family members. The definition of a dependant child also varied. For widows, for example, it referred to children under 14 years, or aged 14 to 16 if at school.

In 1952, the previous legislation was consolidated and rationalised and allowance for adult dependants (where appropriate) and child dependants up to a maximum of two were introduced for all schemes except old age pensions.[12] Allowances in respect of third and later children were introduced in 1960.

In 1964, allowances were introduced for dependent children of old age pensioners. In 1969, the age limit for dependent children of widows was raised from 16 to 21 in the case of children undergoing full-time education. The general limit for dependent children of recipients of weekly social welfare payments was raised from 16 to 18 in 1970. In 1971 the child dependant allowances for widows and deserted wives were raised to a significantly higher level than that for other welfare recipients. In 1974, an adult dependant allowance was

[12]Up to 1974, no allowance was payable to a non-contributory old age pensioner in respect of a dependent wife or husband. Since 1911, however, a husband or wife of a pensioner could qualify for pension in his or her own right if pension age had been attained. The old age (contributory) pension scheme introduced in 1961 did allow for a dependent spouse.

introduced for dependants of old age (non-contributory) pensioners who were under pension age.

The Infectious Diseases Maintenance Allowance, introduced in 1953 primarily as an anti-TB measure, and administered by the Health Boards, has always provided for allowances for dependent adults and children. The Disabled Person's Maintenance Allowance, a means-tested scheme for people with long term illnesses or conditions, administered by the Health Boards, is now the only income maintenance scheme not to provide benefits in respect of adult or child dependants.[13]

Trends in Levels of Benefit Provided

The amount payable in respect of a dependent child of a welfare recipient varies, according to whether it is an insurance (contributory) or assistance (means-tested) payment; whether it is a payment to a single parent (widow, deserted wife, unmarried mother, prisoner's wife), to "long-term" welfare recipients, or to recipients of a "short-term" benefit;[14] whether it is the first or second child, or a third or subsequent child.

Table 1.4 below gives the amounts payable in respect of dependent children for selected years since 1952.

As with social welfare payments generally, the real value of these supplements for children has been growing fairly steadily over time. The shift in the last few years away from lump sum uprating of benefits and towards across the board percentage increases has ensured that the supplements for dependent children grow at the same rate as social welfare payments generally. The amount now paid for a child varies between 24% and 33% of the personal rate for an adult, and the relative sums given in respect of children have improved somewhat over the years, particularly in the case of children of lone mothers.

Conclusion

Over the last ten years, the value of State cash support for families

[13]This scheme covers 28,000 people, about one-third of whom are married presumably a sizeable number with dependent children.

[14]"Long-term" benefits are old age and blind pensions, retirement pensions, and invalidity pensions. "Short-term" benefits are disability and unemployment benefit, unemployment assistance, and supplementary welfare allowance.

TABLE 1.4

Child Dependant Allowance for Social Welfare Recipients (£ per week)

	Insurance				Assistance			
	Single Parent		Other		Single Parent		Other	
	1st+2nd	3rd+	1st+2nd	3rd+	1st+2nd	3rd+	1st+2nd	3rd+
1953	.35	—	.35	—	.30	—	.25	—
1960/1962	.50	.25	.50	.25	.50	.25	.50	.25
1963/1968	.65	.40	.65	.40	.50	.25	.50	.25
1970	.90	.65	.90	.65	.75	.50	.75	.50
1975 (April)	3.15		2.65	2.20	2.95		2.35	1.80
1976 (April)	3.70		3.10	2.60	3.40		2.75	2.10
1977 (April)	4.25		3.55	2.95	3.90		3.15	2.40
1978	4.90		4.15	3.40	4.50		3.65	2.75
1979	5.70		4.80† 4.65*	3.95† 3.80*	5.20		4.25† 4.10*	3.20† 3.10*

†"Long-term" benefits.
*"Short-term" benefits.

has fallen more or less steadily. Income tax allowances for children have been declining in real terms and are now at their lowest level since the foundation of the State. The value of these allowances relative to those for adults has fallen dramatically, and it is the larger families whose relative position has disimproved most. While the children's allowance scheme has improved over the years, the value of the allowances has fallen in real terms since 1973. Again, it is for the larger families that the decline has been greatest. For a family with six children, the allowances are worth a quarter less than they were in 1973. **Taking tax and children's allowances together, all families have experienced a real decline over the last ten years.**

The benefits paid for children of welfare recipients have improved over the years. They are now increased in line with the general percentage uprating of social welfare benefits, which has meant a small improvement in real terms each year.

APPENDIX TO CHAPTER 1

Tables relating to the trends in cash support for families

Table 1—Income tax allowances for children 1925-79 and value at May 1978 prices

Table 2—Income tax thresholds for different families 1969-79

(a) Current money values

(b) Constant (February 1979) money values

(c) Tax thresholds for different families as a proportion of those for a married couple

Table 3—Children's allowances 1944-79, current prices

Table 4—Children's allowances 1945-79, constant prices

Table 5—Combined annual value of income tax allowances for children and children's allowances, 1969-79

(a) current prices

(b) constant (February 1979) prices

Table 6—Child dependant allowances payable in various social welfare schemes, 1953-79, current prices

Table 7—Personal and adult dependant rates of social welfare payments—insurance and assistance rates for unemployment and widows, 1961-1979, current prices.

TABLE 1

Income Tax Allowances for Children 1925-79—Value at 1978 Prices

Year	(A) Income tax allowance per child	(B) (A) at May 1978 Prices	(C) Standard Tax Rate	(D) Value of (B) at standard tax rate (including earned income relief)
		£		
1925/6	£36 (a), £27 (b)	386/289	20%	
1930/31	£36 (a), £27 (b)	428/322	15%	
1935/6	£50	654	22½%	
1940/41	£60	594	32½%	
1945/6	£60 (c), £43 (d)	414/297	37½%	
1950/51	£60 (c), £43 (d)	379/271	32½%	
1955/6	£100	497	37½%	
			% with earned income relief	£
1960/61	£120	524	35% (26.25%)	138
1961/2	£120	509	31.67 (23.75%)	121
1963/4	£120	489	31.67 (23.75%)	116
1964/5	£120	477	31.67 (23.75%)	113
1965/6	£120	447	31.67 (23.75%)	106
1966/7	£120 (e), £150 (f)	425/516	35% (26.25%)	112/135
1967/8	£135 (e), £150 (f)	413/500	35% (26.25%)	108/131
1968/9	£135 (e), £150 (e)	450/478	35% (26.25%)	118/125
1969/70	£135 (e) (g), £150 (f) (g)	430/445	35% (26.25)	113/117
1970/71	£135 (e) (g), £150 (f) (h)	370/411	35% (26.25%)	97/108
1971/2	£135 (e) (i) £150 (e) (i)	328/365	35% (26.25%)	86/96
1972/3	£155 (e) (i) £170 (e) (i)	347/380	35% (26.25%)	91/100
1973/4	£155 (e) (j) £170 (e) (j)	312/341 (227/258) (see (j))	35% (26.25%)	82/90 (60/68)
1974/5	£200	343	26%-35%	89-120
1975/6	£230	326	26%-38.5%	85-126
1976/7	£240	289	26%-38.5%	75-111
1977/8	£240	254	20%-25%-35%	51-64-89
1978/9	£240	240	20%-25%-35%	48-60-84
1979/80	£218	200	25%-35%	50-70

Column (B) in this table has been calculated using average calandar year changes in the Consumer price index, with the exception of 1979/80 where the May 1978—February 1979 price change has been used to relate it to the 1978 figure

(a) 1st child.
(b) 2nd and subsequent children.
(c) 1st and second child.
(d) 3rd and subsequent children.
(e) child under 11.
(f) child aged 11 and over.
(g) These amounts were reduced by £10 for the second and subsequent children qualifying for children's allowance.
(h) Reduced by £15 for second and £19 for 3rd and later children with children's allowance.
(i) Reduced by £15 for second and £23 for 3rd and later children with children's allowance.
(j) Reduced by £42 for children of parents earning over £2,500 a year.

Column B: The clawback reductions in respect of 2nd and later children from 1969-72 have not been included in this column.

Columns C and D: To simplify the calculations, earned income relief was taken as a simple ¼, and the effects of marginal relief and upper limits ignored. ¾ of the standard rate gives the effective standard rate for the majority of personal income tax payers.

TABLE 2

Income Tax Thresholds for Different Families 1969-1979

(A) Current Money Values

	Single Person £	Widow £	Married Couple £	Couple + 2 Children £	Couple + 4 Children £	Couple +6 Children £
1969/1970	332	365	565	932	1,285	1,639
1970/1971	374	399	649		1,255	1,584
1971/1972	399	424	674	944	1,244	1,563
1972/1973	449	474	744	1,072	1,444	1,816
1973/1974	449	474	744	1,072	1,444	1,816
1974/1975	500	550	800	1,200	1,600	2,000
1975/1976	575	635	920	1,380	1,840	2,300
1976/1977	620	685	1,010	1,490	1,970	2,450
1977/1978	665	735	1,100	1,580	2,060	2,540
1978/1979	865	935	1,730	2,210	2,690	3,170
1979/1980	1,115	1,185 1,435*	2,230	2,666	3,102	3,538

*Widow/er with dependent children.

Note: All income has been assumed to be earned, and earned income relief, where applicable, added to the relevant personal allowances. The children have been assumed equally divided between those under and those over 11, and the clawback on children's allowances has been included.

(B) Constant Prices (February 1979 Money Value)*

	Single Person £	Widow £	Married Couple £	Couple + 2 Children £	Couple + 4 Children £	Couple +6 Children £
1969/1970	1,061	1,167	1,807	2,981	4,111	5,243
1970/1971	1,130	1,205	1,960	2,794	3,790	4,785
1971/1972	1,096	1,165	1,851	2,593	3,417	4,294
1972/1973	1,128	1,191	1,869	2,694	3,629	4,563
1973/1974	1,025	1,083	1,699	2,448	3,297	4,147
1974/1975	1,006	1,107	1,610	2,414	3,220	4,024
1975/1976	935	1,032	1,495	2,243	2,990	3,738
1976/1977	868	959	1,414	2,086	2,758	3,430
1977/1978	798	882	1,321	1,896	2,473	3,048
1978/1979	959	1,036	1,918	2,451	2,983	3,515
1979/1980	1,115	1,185 1,435**	2,230	2,666	3,102	3,538
1979/1980 as % of 1969/1970	105.1%	102.0% 123.0%**	123.4%	89.4%	75.5%	67.5%

*To be consistent, all values have been calculated using the February price index immediately before the start of the income tax year.

**Widow or widower with dependent children.

(C) **Tax Thresholds for Different Families Compared to Married Couple**

	Single Person %	Widow	Couple	Couple + 2 Children	Couple + 4 Children	Couple + 6 Children
1969/1970	58.8	64.6	100	165.0	227.4	290.1
1970/1971	57.6	61.5	100	142.5	193.4	244.1
1971/1972	59.2	62.9	100	140.0	184.6	231.9
1972/1973	60.3	63.7	100	143.8	194.1	244.1
1973/1974	60.3	63.7	100	143.8	194.1	244.1
1974/1975	62.5	68.8	100	150.0	200	250.0
1975/1976	62.5	69.0	100	150.0	200	250.0
1976/1977	61.4	67.8	100	147.5	195.0	242.5
1977/1978	60.5	66.8	100	143.6	187.3	230.9
1978/1979	50	54.0	100	127.7	155.5	183.2
1979/1980	50	53.1-64.3	100	119.6	139.1	158.7

TABLE 3

Monthly Value of Children's Allowances, 1944-79 at Current Prices

	1st Child	2nd Child	3rd+Child
	£	£	£
1944-1951	—	—	.54
1952-1956	—	.55	.87½
1957-1962	—	.77½	1.10
1963-1968	.50	77½	1.32½
1969	.50	1.50	2.00
1970	.50	1.50	2.25
1971	.50	1.50	2.25
1972	.50	1.50	2.25
1973	2.00	3.00	3.75
1974	2.30	3.30	4.05
1975	2.30	3.60	4.35
1976	2.30	3.60	4.35
1977	2.30	4.10	4.85
1978	2.30	4.10	4.85
1979	3.50	5.50	5.50

TABLE 4

Monthly Value of Children's Allowances in May 1978 Prices, 1945-79

	Allowance Per Child £			Total for Family with: £		
	1st	2nd	3rd+	2 Children	4 Children	6 Children
1945	—	—	3.74	—	7.48	14.96
1951	—	—	3.16	—	6.32	12.64
1952*	—	2.96	4.71	2.96	12.38	21.80
1956	—	2.62	4.17	2.62	10.96	19.30
1956*	—	3.55	5.04	3.55	13.63	23.71
1962	—	3.16	4.48	3.16	12.12	21.08
1963*	1.99	3.08	5.27	5.07	15.61	26.15
1968	1.59	2.47	4.22	4.06	12.50	20.94
1969*	1.48	4.45	5.93	5.93	17.79	29.65
1970*	1.37	4.11	6.17	5.48	17.82	30.16
1971	1.22	3.65	5.48	4.87	15.83	26.81
1972	1.12	3.36	5.04	4.48	14.56	24.64
1973*	4.02	6.03	7.54	10.05	25.13	40.21
1974*	3.95	5.67	6.96	9.62	22.54	35.46
1975*	3.27	5.12	6.18	8.39	20.75	33.11
1976	2.77	4.34	5.24	7.11	17.59	28.07
1977*	2.44	4.35	5.14	6.79	17.07	27.35
1978	2.30	4.10	4.85	6.40	16.10	25.80
1979*	3.22	5.05	5.05	8.26	18.36	28.46

*Year in which face value of allowances was increased.

TABLE 5

Combined Annual Value of Income Tax, Child Allowances and Children's Allowances, 1969-79

(A) Current prices

	Low Rate Tax (25% or 26.25%)			Standard Rate Tax (35 or 38.5%)		
	1st	2nd	3rd+	1st	2nd	3rd+
69/70	41.44	50.81	56.81	53.25	61.75	67.75
0/1	41.44	49.50	57.45	53.25	60	67.6
1/2	41.44	49.50	56.4	53.25	60	66.2
2/3	46.69	49.50	56.4	60.25	60	66.2
3/4	64.69/53.66*	67.50/56.48*	74.4/63.38*	78.25/63.55*	78/63.3*	84.2/69.5
4/5	79.60	91.60	100.6	97.60	109.60	118.60
5/6	87.40	103	112	116.15	131.75	140.75
6/7	90	105.60	114.6	120	135.6	144.6
7/8	87.60	109.20	118.20	116.6	133.2	142.2
8/9	87.60	109.20	118.20	116.6	133.2	142.2
79/80	96.50	120.5	120.5	118.3	142.3	142.3

(B) February 1979 prices (Rounded)

69/70	132	162	181	170	197	216
70/1	125	149	173	160	180	203
71/2	113	135	154	146	164	181
72/3	117	124	141	151	150	166
3/4	147/122	153/128	169/148	178/144	177/144	191/158
4/5	160	184	202	196	220	238*
5/6	141	167	181	188	213	228
6/7	125	147	160	167	189	202
7/8	105	131	141	133	159	170
8/9	97	121	130	123	147	157
79/80	97	121	121	118	142	142

*Earning over £2,500 a year.

TABLE 6

Child Dependant Allowances Payable in Various Social Welfare Schemes
(at current prices)

	INSURANCE				ASSISTANCE			
	Single Parent		Other		Single Parent		Other	
Year	1st+2nd	3rd+	1st+2nd	3rd+	1st+2nd	3rd+	1st+2nd	3rd+
1953	.35	—	.35	—	.30	—	.25	—
1954	.35	—	.35	—	.30	—	.25	—
1955	.35	—	.35	—	.35	—	.25	—
1956	.40	—	.40	—	.35	—	.25	—
1957	.40	—	.40	—	.40(1st) .35(2nd)	—	.30(1st) .25(2nd)	—
1958	.45	—	.45	—	.40(1st) .35(2nd)	—	.30(1st) .25(2nd)	—
1959	.45	—	.45	—	.40(1st) .35(2nd)	—	.30(1st) .25(2nd)	—
1960	.45	—	.45	—	.45(1st) .40(2nd)	.17½	.35(1st) .30(2nd)	—
1961	.50	.25	.50	.25	.50(1st) .45(2nd)	.25	.40(1st) .30(2nd)	.5
1962	.50	.25	.50	.25	.50	.25	.50	.12½
1963	.65	.40	.65	.40	.50	.25	.50	.25
1964	.65	.40	.65	.40	.50	.25	.50	.25
1965	.65	.40	.65	.40	.50	.25	.50	.25
1966	.65	.40	.65	.40	.50	.25	.50	.25
1967	.65	.40	.65	.40	.50	.25	.50	.25
1968	.65	.40	.65	.40	.62½	.37½	.62½	.37½
1969	.77½	.52½	.77½	.52½	.62½	.37½	.62½	.37½
1970	.90	.65	.90	.65	.75	.50	.75	.50
1971	1.00	1.00	.90	.65	.90	.90	.75	.50
1972	1.50	1.50	1.35	1.00	1.35	1.35	1.15	.75
1973	2.15	2.15	1.85	1.50	2.00	2.00	1.65	1.25
1974	2.55	2.55	2.20	1.80	2.40	2.40	1.95	1.50
1975 (April)	3.15	3.15	2.65	2.20	2.95	2.95	2.35	1.80
1976 (April)	3.70	3.70	3.10	2.60	3.40	3.40	2.75	2.10
1977 (April)	4.25	4.25	3.55	2.95	3.90	3.90	3.15	2.40
1978	4.90	4.90	4.15	3.40	4.50	4.50	3.65	2.75
1979	5.70	5.70	4.80/4.65*	3.95/3.80*	5.20	5.20	4.25/4.10*	3.20/3.10*

*The first rate applies to "long term" benefits, the second to "short term" benefits.

TABLE 7

Personal and Adult Dependant Rates of Social Welfare Benefits—Insurance and Assistance Benefits for Unemployed and Widows

	SOCIAL INSURANCE			SOCIAL ASSISTANCE		
	Unemployment Benefit		Widows (contributory) pension	Unemployment Assistance (Urban)		Widows (non-contributary) pension
Year	Personal Rate	Adult Dependant	Personal Rate	Personal Rate	Adult Dependant	Personal Rate
	£	£	£	£	£	£
1961	1.62½	1.00	1.62½	1.07½	.80	1.42½
1962	1.62½	1.00	1.62½	1.20	.92½	1.42½
1963	1.87½	1.25	1.87½	1.32½	1.05	1.67½
1964	2.12½	1.50	2.12½	1.45	1.17½	1.80
1965	2.12½	1.50	2.12½	1.70	1.42½	2.30
1966	2.62½	2.00	2.62½	1.95	1.67½	2.65
1967	2.62½	2.00	2.62½	2.20	1.92½	2.80
1968	2.87½	2.25	2.87½	2.62½	2.30	3.17½
1969	3.25	2.62½	3.25	3.07½	2.80	3.67½
1970	4.10	3.15	4.10	3.60	2.80	4.25
1971	4.95	3.45	5.00	3.95	3.10	4.65
1972	5.55	3.75	5.60	4.35	3.40	5.15
1973	6.55	4.25	6.60	5.35	3.90	6.15
1974	7.75	5.05	7.80	6.35	4.60	7.30
1975	9.40	6.10	9.50	7.70	5.55	8.85
1976	10.90	7.10	11.00	8.90	6.45	10.25
1977	12.45	8.10	12.60	10.20	7.40	11.75
1978	14.35	9.35	14.60	11.75	8.55	13.60
1979	16.05	10.45	17.00	13.15	9.60	15.80

CHAPTER 2

FAMILY INCOME SUPPORT AND THE ISSUE OF POVERTY

Supporting the income of families has two functions. First, it helps those who are poor because of the number of dependants they have. Second, it helps restore the balance in the relative standard of living enjoyed by those with children as against those without dependants to support. It is the first function which will now be examined.

SECTION 1

Who are the poor?

If family income support is seen as an instrument in the fight against poverty, it is necessary to ask, who are the poor, and does their poverty arise from family circumstances.

To try and answer this question, a study was carried out on the data collected in the 1973 Household Budget Survey, the last such survey collecting data on household incomes to have covered the whole country.

This study draws on files prepared by Dr. Damian Hannan and Dr. David Rottman of the ESRI for a wider analysis of the Household Budget Survey material. My thanks is due to them, and in particular to John McGregor of the CSO who did the programming.

The study tries first to get a common basis for comparing families of different size and composition. Each family is redefined in terms of the number of equivalent adults it contains. The scales used to convert a family with children of different ages to a given number of equivalent adults are based on studies of average spending of families with children of different ages, compared to all adult families.[1]

[1]For a further discussion of equivalence scales see NESC No. 11 Preliminary Report on Income Distribution and Chapter 3 below.

Because of the delay it would involve to derive appropriate adult weights for families using Irish data, scales calculated for Britain were used as an approximation.

The weights used are as follows:

One adult	.6
Couple	1.0
Child aged 15 or under	.25
Each additional adult	.5

Studies in the UK[2] indicate that research of this type is not particularly sensitive to the exact weighting system used for different family members. As a result, it was felt that rounding the equivalence values found by McClements[3] would give a reasonable approximation to the results which might be obtained by the theoretically more desirable approach of deriving first equivalence scales based on Irish household spending patterns, and then applying these.[4]

What these values used imply is that a married couple with an income of £100 a week are as well off as a single person with £60 or a couple with two children with £150 a week.

This method allows one to rank the relative poverty of a single pensioner on £20 a week and a family with six children on £60 a week. The approach taken is similar to that of the Royal Commission on Income and Wealth in the UK in its study of lower incomes.[5]

The families were then arranged into groups according to the level of equivalent income per person. Special analysis was then made of the lowest 20%, the lowest 25%, and the lowest 30% of the equivalent income distribution.

[2]See Royal Commission on Income and Wealth, Report No. 6 "Lower Incomes", Appendix E.

[3]Equivalence scales for children, DHSS 1975—See Chapter 3, page 93.

[4]It is worth noting that the way the HBS data files were kept involved a great deal of work in creating units suitable for the present study. It is hoped that future household surveys will be coded in a way which will facilitate further research on the wealth of data collected.

[5]See Layard, Piachaud and Stewart The causes of Poverty, Background Paper No. 5 for the Royal Commission (HMSO 1970); and Report No. 6 Lower Incomes, Royal Commission on Income and Wealth (HMSO 197B, CMND 7175).

This approach to poverty is first of all a relative one. It concentrates on those families in the community whose incomes are lowest—that is low relative to their fellow citizens, not relative to an absolute standard. There is widespread agreement that people may not just be poor because they have not enough to eat, but also because they cannot participate in the normal lifestyle of their community.

It is also possible to relate the information on family poverty to an absolute standard, however this is arrived at. While the poor, in the sense, of say, the bottom 30% of the income distribution, will always be with us, it is also valuable to know how many families have an income below £x per equivalent adult per week, where £x is considered to be the borderline of poverty.

The major difficulty is in getting agreement where to draw a poverty line. The approach taken by people like Rowntree in the past was to add up the cost of a minimum budget, specifying standards of food, clothing, etc. There are problems in agreeing what items should be included in any such subsistence budget, and then in assuming that such rational purchasing is actually made by the poor. Another approach is to base the poverty line on existing welfare scales. But such a poverty line can only say how many of those not eligible for welfare payments are in poverty, but can say nothing about the adequacy of the scales themselves.

But while there are theoretical difficulties in defining in any exact way who is poor, in practice an examination of the circumstances of the poorest 20-30% of families, together with information on the absolute income levels of those families, gives a reasonable working view of who are the poor.

The poorest 20% of families in the survey included all those with income per equivalent married couple of less than £11.20 a week in 1973. This amount was just under the amount paid at that time to a pensioner couple, each of whom drew a non-contributory pension.

In current (February 1979) money values, this represents an income of £24.64 a week for a couple, or of £14.78 a week for a single person. The poorest 30% of the equivalent income distribution covered all those with income per equivalent couple of less than £13.60 in 1973. This group covers all families with equivalent incomes less than 20% above the then old age pension level. At current (February 1979) money values this is worth £29.91 for a couple or £17.95 for a single

person. There can be little doubt that incomes as low as these constitute poverty.

The detailed analysis of who constitutes the poor is obtained in Table 2.1 and 2.2. The information which most concerns this present report is that relating to families with children. For this purpose, children are persons aged under 18. Table 2.1 shows the families with children within the poverty group, taking the poorest 30% of households. As can be seen from Table 2.2, the composition is fairly similar if 20% of families is taken as the cut off point.

TABLE 2.1

Richer and Poorer Families by Family Composition and Work Status of Parent

With Working Parent	Richest 70%	Poorest 30%
	%	%
Couple, 1 Child	356 (6.6)	42 (1.8)
Couple, 2 Children	524 (9.7)	57 (2.5)
Couple, 3 Children	395 (7.3)	81 (3.5)
Couple, 4 or more Children	566 (10.5)	279 (12.1)
One Parent Family	77 (1.4)	18 (0.8)
Without Working Parent		
Couple, 1 Child	15 (0.3)	35 (1.5)
Couple, 2 Children	*(—)	16 (0.7)
Couple, 3 Children	*(—)	28 (1.2)
Couple, 4 or more Children	*(—)	78 (3.4)
One Parent Family	91 (1.7)	43 (1.9)
Other Householders	3369 (62.3)	1636 (70.7)
Total Sample	5402 (100%)	2313 (100%)

*Numbers less than ten.
Source: 1973 Household Budget Survey, special tabulation.

Level of income of household covered

Average equivalent income for all households in the sample came to £23.19 a week—that is, the average income per family in 1973

TABLE 2.2

Households Classified by Family Type and Relative Poverty based on Equivalent Income, 1973

Family Type	Income group		Income group	
	Top 80% of equivalent income distribution (Income per equivalent couple over £11.20 a week)	Bottom 20% of equivalent income distribution (Income per equivalent couple under £11.20 a week)	Top 70% of equivalent income distribution (Income per equivalent couple over £13.60 a week)	Bottom 30% of equivalent income distribution (Income per equivalent couple under £13.60 a week)
	80%	20%	70%	30%
1. One adult over 65	241 (3.9)	246 (16.0)	142 (2.6)	345 (14.9)
2. One adult under 65	379 (6.1)	175 (11.4)	348 (6.4)	206 (8.9)
3. Couple, head over 65	228 (3.7)	151 (9.8)	149 (2.8)	230 (9.9)
4. Couple, head under 65	378 (6.1)	50 (3.3)	358 (6.6)	70 (3.0)
5. Couple, 1 child, head working	375 (6.1)	23 (1.2)	356 (6.6)	42 (1.8)
6. Couple, 1 child, head not working	17 (0.3)	33 (2.2)	15 (0.3)	35 (1.5)
7. Couple, 2 children, head working	548 (8.9)	33 (2.2)	524 (9.7)	57 (2.5)
8. Couple, 2 children, head not working	*(—)	14 (0.9)	*(—)	16 (0.7)
9. Couple, 3 children, head working	444 (7.2)	32 (2.1)	395 (7.3)	81 (3.5)

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	80%	20%	70%	30%
10. Couple, 3 children, head not working	*(—)	27 (1.8)	*(—)	28 (1.2)
11. Couple, 4 or more children, head working	696 (11.3)	149 (9.7)	566 (10.5)	279 (12.1)
12. Couple, 4 or more children, head not working	*(—)	74 (4.8)	*(—)	78 (3.4)
13. One parent family, head working	85 (1.4)	10 (0.7)	77 (1.4)	18 (0.8)
14. One parent family head not working	110 (1.8)	24 (1.6)	91 (1.7)	43 (1.9)
15. Other households, head working	974 (15.8)	190 (12.4)	841 (15.6)	323 (14.0)
16. Other households, head not working	1690 (27.3)	302 (19.7)	1530 (28.3)	462 (20.0)
	6182 (100)	1533 (100)	5402	2313 (100)

Total Sample: 7715.
Source: 1973 Household Budget Survey, special tabulation.
*Numbers less than ten.

corresponded to a living standard for a married couple of £23.19 a week. Overall unadjusted disposable income per family in the survey was £36.16 a week.

As might be expected, the largest identifiable group of poor households are those consisting of an elderly person or an elderly couple. But while the great majority of families with children fall into the better-off category, there is a significant minority of such families who are in the poverty group. And it is striking that most of the families who are in poverty are ones where the breadwinner has a job. Larger families are more likely to be in poverty than smaller ones.

Taking the lower definition of who is poor (the lowest 20% of the adjusted income distribution) families consisting of two parents, one of whom is working, and dependant children, constitute 15% of the poverty group. Taking the higher definition (the lowest 30% of the adjusted income distribution) one in five poor households is of this type.

One parent families form only 1% of the sample. While the numbers involved are small and subject to sampling error, very few actually appear below the poverty line as defined here.

The large residual group of households could be further disaggregated. This consists of households with three or more adults, e.g., where there are children aged over 18, or a grandmother living with the family.

As far as the present report is concerned, the main finding of interest is that there is a significant number of families with a working parent who are nevertheless poor, and the larger the family, the more likely they are to be in poverty. These families of working poor constitute up to one fifth of the poverty group (on the wider definition of poverty), and account for 6% of all households.

SECTION 2

Strategies for helping poor families with a working parent

Poverty is not confined to families where there is no one at work. There is a strong case to be made for helping all poor families, on the basis of their poverty alone, whether the cause of poverty is unemployment, low wages, or heavy family responsibilities. It is also often argued that welfare schemes should be as work-neutral as possible to reduce the disincentive to work involved in a welfare system which only pays out when the breadwinner has no job.

This section discusses a number of different ways in which these working families might be helped. There are first various possible schemes of state cash supplementation of the incomes of these families. Those outlined are Family Income Supplement, on the lines of the British scheme; a similar scheme involving a guaranteed minimum family income; earned income tax credit, as being discussed in the US; more radical tax and transfer schemes, as outlined in a previous Council report, 'Integrated Approaches to Personal Income Tax and Transfers'; and finally the alternative of simply increasing the amount of help given under the existing children's allowance scheme. Ways of helping these families through the wage system are then examined, both the question of a national statutory minimum wage, and more limited use of minimum pay legislation for particular employments. The question of helping low income farm families through action on incomes from farming is considered too broad for the scope of the present report.

(i) Family Income Supplement

This scheme was introduced in Britain and Northern Ireland in 1971, originally as an interim measure pending the introduction of a full tax credit scheme. Although there have been periodic statements that it is intended to abolish the scheme, because of its original interim character, it has been recognised that abolition would not be feasible until other ways of helping the families involved were found, and these could be considerably more expensive than the present scheme.

The main interest of the scheme for Ireland is in the administrative design rather than in the levels of benefit, which are low, with a correspondingly low number of recipients.

Family Income Supplement or FIS is payable to families with a working parent and at least one dependent child. The State pays the family half the difference between their actual income and a specified amount, which is related to family size. No payment is made to families with income above the specified amount. At present the specified amount is £43.80 for a family with one child, and increases by £4 a week for each child after that. The maximum FIS payment is £9.50 for a one child family, going up by £1 a week for each extra child.

Income assessment for the scheme is by payslips. Once awarded, a grant of FIS runs for one year, irrespective of any change in circumstances. It is administered by the Supplementary Benefits Commission on behalf of the Department of Health and Social Security.

The FIS scheme which gives 50% of the difference between actual income and a specified amount, can be contrasted with schemes giving a smaller or a larger percentage of this difference. A scheme giving, for example, 25% of the difference between earnings and a specified amount would give a greater incentive to earnings, and a lesser incentive to any under declaration of income, than does FIS. But for a given specified amount, such a scheme would give only half the cash help available to families under a 50% rate, Alternatively, a scheme with a 25% rate would need a much higher specified amount, and would be a much more expensive scheme, if it were to provide the same level of cash support as a 50% FIS scheme.

While the FIS scheme in theory incorporates a 50% 'Marginal tax rate' or rate of withdrawal of benefit as income rises, in practice the award of benefit for a full year irrespective of changes in circumstances means there is no disincentive to any extra earnings in the short run.

The final income received by a family in a FIS-type scheme depends on the level of original income. For example, if £50 were the specified amount, a family with earnings of £30 would be brought up to £40, while a family who already had £40 a week in earnings would be brought up to a level of £45.

Practical experience of FIS in Britain

FIS is a fairly small scale scheme, with only 89,000 recipients—on a population basis, equivalent to about 8,000 recipients for any corresponding scheme here. This is only a small fraction of the numbers receiving Supplementary Benefit, which is the means tested

social assistance scheme in Britain for families without a job, and which provides closely comparable living standards. Among working families, the Department of Health and Social Security estimate a 75% take up rate, although they point out this is subject to a margin of error as a result of sampling[6]. On the one hand, the scheme has been criticised for its low take up by people like professional social workers and the Child Poverty Action Group; on the other hand, it is the belief of the Department that those who do not avail of the scheme are mostly those with only a minimal entitlement anyway. They feel that the simple means assessment and simple form of postal application encourages a reasonably high level of take-up. Apart from that vexed question, there appears to be no major administrative problems with the scheme.

The FIS income limits are low relative to average male earnings. It is not surprising therefore that 40% of FIS recipients are one parent families, mainly headed by women who have part time jobs. The remainder of the recipients are mainly unskilled workers, agricultural labourers, and other traditionally low paid workers. There are few large families who benefit. The low level of benefit relative to male earnings, together with the closeness of total family income under this scheme to the levels payable by way of supplementary benefit, are probably the chief reasons why the numbers to avail of the British FIS scheme are so low.

(ii) Guaranteed minimum family income

To contrast with the 50% of the income gap supplied by a FIS scheme like the British one, we can look at schemes which fill 100% of the gap between actual income and a specified amount, effectively giving a guarantee of a minimum family income equal to the specified amount.

In theory, our existing schemes of means tested social assistance are of this form, providing a guarantee of a minimum income to the recipients which coincides broadly with the maximum rate of payment. In practice most people who are working are automatically disqualified from receiving social assistance payments. Even if this were not the case, the low level at which these payments stand relative to earnings

[6]Report of the Supplementary Benefits Commission 1977, page 86.

means that these benefits could hardly be considered a realistic way of channelling money to low income working families. Presumably however, welfare payments do effect some kind of floor under family incomes, since few people would work for less take home pay than they could get by signing on for unemployment assistance.

What would the effects be of a guaranteed minimum family income scheme of, say, £60 a week for a family with two children with a working parent? First, like FIS, such a scheme, should have a maximum payment. Otherwise there would be nothing to prevent someone working for £1 a week, and collecting the other £59 from the State. However, even with a maximum payment of say £20, this scheme would still have an effect on the labour market. Traditional criticisms of schemes of this kind have focused on the implied marginal tax rate of 100%, and on the resulting disincentive to work. Another serious effect would be on the employers' willingness to pay good wages. In this example, an employer with a job worth between £40 and £60 a week would only offer it at £40 a week and let the State pay all the rest. Similarly, there would be great scope for collusion between employers and employees to reduce wages, or declared wages, for existing jobs in this money interval, and to therefore increase the proportion of the guaranteed income to be provided by the State. Such temptations exist to a much lesser extent in a FIS-type scheme, with the State giving only 50% of the difference.

(iii) Earned Income Tax Credits

These credits (EITCs) are an American idea. Under this scheme, an employee with income below a certain level receives a 10% bonus in his paypacket. The cost of the bonus is deducted by the employer from his monthly remittance of PAYE tax to the Government. Provided there are few enough employees qualifying for the EITCs in any given employment, the administration of payments is extremely simple and does not involve any separate paying mechanism for the Government.

The success of a payment mechanism of this kind depends on the vast majority of those to benefit being employed in reasonably large undertakings. As such, it would seem to be impracticable in this country where a sizeable proportion of the workforce and particularly of the lower paid are employed in small undertakings.

A further problem is the scope which such a scheme would offer for

collusion between employer and employee as to the declared level of earnings. Unscrupulous employers could use such a scheme just to subsidise low pay rates, rather than passing on the benefit to the employee and his family.

The 10% supplement to existing earnings shows another variation in the type of formula used to calculate benefit levels in schemes for working families. Unlike FIS, where benefit paid tapers off as you move up the income scale, this type of formula pays out more to the better off of those eligible.

(iv) Negative Income Tax/Tax Credit Schemes

This type of scheme is fairly similar to FIS. In the traditional negative income tax (NIT), the tax system is used to pay out benefits to people below the income tax threshold in an exact mirror image of the tax collection mechanism for people above the tax threshold. For example, a married couple with two children, having only the usual personal tax allowances, now begin to pay tax at an income of £2,210[7] a year. With negative income tax, such a family with an income of £2,000 would not only not pay tax, but would receive a payment from the tax authorities of 20% of the difference (i.e., the bottom rate of tax times the difference between their income of £2,000 and the tax threshold of £2,210). This is exactly equivalent to giving them the full cash value, had they been taxpayers, of the unused part of their tax allowances. Of course there is no necessary reason why such a scheme should begin at the tax threshold, or why it should incorporate as a refund rate, the standard rate, or the bottom rate, in use for tax collection[8] Essentially, a NIT Scheme is then identical to a FIS type scheme except that the essence of NIT is that the tax system be used as the benefit paying mechanism.

Tax credit schemes are analytically identical to negative income tax, except the focus here is on a basic payment rather than on positive or negative tax rates or the tax threshold breakeven income level. A tax credit scheme replaces income tax allowances with a cash payment of equivalent value, and then, since tax allowances are abolished tax becomes payable on all income.

[7]1978/9 tax year.

[8]The use of the same rates and threshold levels does, however, avoid problems of overlap of the tax and tax credit systems.

The cash payment may be withheld and held against tax due, with only the unused portion being paid out, hence the term 'tax credit'.

In 1972, the British Conservative Government published detailed proposals for a tax credit scheme, which were examined in detail by a parliamentary Select Committee. These proposals were rejected by the incoming Labour Government, mainly because of the amount of extra expenditure involved (£1300m at 1972 prices) and because this expenditure would largely benefit the better off. To retain existing tax rates, and to give a weekly credit which would have been of any significance in the relief of poverty, would have proved extremely expensive. The British scheme would have been administered through the Inland Revenue rather than the employer.

The question of tax credits had already been dealt with extensively in Brendan Dowling's report for the Council 'Integrated Approaches to Personal Income Taxes and Transfers' (NESC No. 37). This report examined three separate approaches—a non-refundable tax credit scheme, a refundable tax credit scheme, and an individual grant and tax scheme.

The second and third of these schemes are dealt with briefly here.

(v) **Refundable tax credits**

This is a simple form of negative income tax, whereby the tax system is used to pay money to those below the income tax threshold. The mechanism used is to replace existing tax allowances (whose value to the taxpayers varies with the marginal tax rate) by a flat rate credit which can be offset against tax due. If a person's tax liability is less than his credit, he receives the balance as a cash grant. The existing social welfare system remains broadly unchanged.

A tax credit scheme like this is a way of directing money to people with low incomes, irrespective of their work circumstances. At present, apart from children's allowances, income maintenance payments are not normally paid to families where the head is working, and social welfare payments depend on the claimant coming within one of a number of specified categories—unemployed, sick, widowed, aged over 66, etc.

Refundable tax credits are essentially just an administrative mechanism. The force of any particular tax credit proposal depends on

the size of credit and the range of tax rates involved. For example, a high level of credit coupled with high tax rates would for a given level of cost, favour people on lower incomes, while a low credit coupled with low tax rates would benefit higher income families. Brendan Dowling's proposal (NESC No. 37, Chapter 5) was based on 1977 tax allowances and social welfare benefit levels. This proposal would have cost £52 million on the basis of no substantial loss to existing taxpayers. Because of the increase in personal tax allowances since 1977, similar proposals designed to give a minimum of losers would be expected to cost substantially more now.

(vi) **Individual tax and grant scheme**

This type of scheme is a further extension of the refundable credit idea. Under such a scheme, an individual payment would be made in respect of every person (rather than just a credit to be offset against tax) and tax would be payable on all income. The cash payment to each citizen would replace social welfare benefits and provide a minimum standard unrelated to the work status of the individual. People now drawing social welfare would receive instead this regular cash payment and would be free to top this up by working if they so chose.

Again, like the refundable tax credit scheme, the effect of an individual tax and grant scheme would depend on the tax rates and the basic payments involved, and could be made progressive or regressive depending on the values chosen.

A scheme of this kind was drawn up by Brendan Dowling in NESC No. 37 (Chapter 6) and was costed at £80 million. The various proposals outlined in NESC Report No. 37 were designed, in line with the brief of that report, with the principal intention of rationalising the interdependent income tax and income maintenance systems, rather than with the main aim of improving the level of income support for families. Unlike the other schemes discussed so far, these proposals are aimed both at people who are working and those who are not.

A very real obstacle in the way of implementing tax credit or individual grant schemes here is the lack of experience in other countries to go on in evaluating what the practical difficulties can be. While these schemes have the merit of great simplicity and have a strong intuitive appeal, there are obvious fears about offering certain cash hand-outs in the hope of receiving the expected increase in revenue, which is by no means certain to materialise.

There are also fears that such schemes might be unduly inflexible and that they would be unable to respond adequately to unforeseen income needs.

While the Government welcomed the publication of Brendan Dowling's proposals, and agreed that the issues raised merited serious discussion, they have also emphasised some of the problems they saw in implementing such proposals. They have said they are not convinced that the numbers affected by deficiencies in the present system are such at present to warrant the complete overhauling of existing structures which would be involved.[9]

(vii) **Children's allowances**

Children's allowances, and the tax exemption offered by income tax child allowances are obviously very important for some families in helping them manage on inadequate incomes. But if this were the sole purpose of these allowances, they would be a wasteful way of meeting this need. While a sizeable number of large families are in poverty, by no means all are. If increasing, say, children's allowances is put forward as a way of helping families in the worst-off section of the population, it is a simple but inefficient way of doing this, since the benefit spills over to a substantial number of families outside the poverty group.[10]

It is true that children's allowances have a high take up rate, and are a very acceptable way of giving cash help to families. There are other strong arguments for helping families with children as such, which will be discussed in the next chapter. But any argument that children's allowances should be improved should not rest simply on their value to poorest families, as there are more cost effective ways of giving such help.

The level of children's allowance which would be needed for all in order to eliminate family poverty, would probably lead to a tax payers revolt and to inflationary pressures which might mean that in real terms no transfer of resources from richer to poorer actually took place.

Poverty arising from inadequate pay levels

Some families may be poor mainly because the breadwinner is badly

[9]Government statement, 10 March 1978.

[10]See Mc Clements, The Economics of Social Security, page 135.

paid. This present report does not examine how pay levels generally or in particular areas might be increased through higher productivity, improved technology or a more highly skilled work force. These are very broad areas. Neither does the report look at the general distribution of incomes between wages and profits. Instead, it just looks at the question of statutory minimum pay rates.

Statutory minimum pay rates

National minimum pay rates are laid down by law in some countries, notably the US, France, and the Netherlands.

Existing Minimum Pay Legislation Here

In Ireland, the determination of pay and conditions of employment at present is normally left to the forces of the labour market and of collective bargaining by employers and employees. However, about 9% of the labour force are covered by statutory minimum pay and conditions. These pay rates and conditions are specified in Employment Regulation Orders drawn up on the recommendation of a Joint Labour Committee for the employment concerned, and are enforced by the Department of Labour. Registered Agreements in certain sectors, e.g., the building industry, have a similar function.

The initiative for the Employment Regulation Orders has usually come from the industries involved. The Department of Labour's role is essentially that of enforcing an inherited[11] series of EROs rather than actively seeking employments where this type of protection might be necessary, although the Minister for Labour does have the power to ask for an ERO to be made.

The Employment Regulation Orders are fairly strictly enforced and judging by the amount of arrears collected from employers, £30,000 from non-agricultural employers and £10,000 from employers in agriculture in 1977, such enforcement is clearly necessary.

The ERO system does not provide comprehensive cover for non-unionised workers—38% of all workers. The pay levels set by order would not be considered high by reference to adult male pay rates, and

[11]While some of the orders date back many years, new orders prepared in 1977 and 1978 cover agriculture (replacing the Agricultural Wages Board) and catering.

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The initiative for the Employment Regulation Orders has usually come from the industries involved. The Department of Labour's role is essentially that of enforcing an inherited[11] series of EROs rather than actively seeking employments where this type of protection might be necessary, although the Minister for Labour does have the power to ask for an ERO to be made.

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in particular little effective protection is provided for young workers. For example, adult workers over 21 in one section of the buttonmaking industry have a statutory minimum of £35.95 a week, while corresponding workers at age 16 receive £20.45 a week. This could compare with a fairly typical basic for a semi-skilled man of £55-£60 a week.

There is no information available as to how far the minimum pay levels set are effectively also prevailing rates.

In the case of the industries covered by EROs, there does not seem to be any evidence that the existence of a statutory minimum has led to any great loss in potential employment, although some of the industries are experiencing a natural decline anyway. The absence of any great loss of potential employment would tend to suggest that either the statutory minimum wages were set close to actual wages for the employments concerned, or that the existence of wages below the statutory minimum represented a simple abuse of monopoly power on the part of the employers.

More Widespread Use of Minimum Pay

The rather piecemeal development of the ERO system suggests there is room for a wider extension of it to comparable poorly organised employments like, for example, small retail shops. Most trade unionists would agree that such an extension is no substitute for extending the degree of trade union organisation, but some trade unions are not at present geared to any great expansion in many of the areas involved, one reason being the high cost of servicing members where there are only a few people in the particular workplace. Experience to date with EROs suggests that they have a useful function in guaranteeing certain minimum standards, however basic in some employments, and in protecting workers from exploitation.

A National Minimum Wage

Rather than confining minimum pay rates to specific industries or types of work, an overall national minimum wage is sometimes advocated as a way of helping the lower paid, wherever they may be working.

This proposal was examined by a special committee of the Irish

Congress of Trade Unions in 1974,[12] and was rejected.[13] A summary of their arguments is as follows. First, in relation to the relief of poverty, a single minimum wage figure would not distinguish clearly between people with different family responsibilities, and what would be adequate for one worker might be completely inadequate for another worker with different family responsibilities. Second, if a national minimum wage resulted in the erosion of differentials, and if action was taken then to restore these differentials, no relative improvement would take place in the position of the lower paid, and the result could be simply a higher level of inflation. Third, the establishment of a national minimum wage would weaken the influence of trade unions and reduce their role in pay bargaining.

A national minimum wage would also have repercussions on employment levels. Evidence in the US is, for example, that the national minimum wage leads to higher youth unemployment as these workers might normally accept employment at less than full adult rates of pay. In this country, a national minimum wage set at around the general level for adult male workers would undoubtedly lead to a loss of jobs in industries employing a large proportion of women workers or young workers, who receive much lower rates of pay.

It is not at all clear where society would want to draw the line between exploitation, on the one hand, and on the other, employment at admittedly low wages, which is nevertheless preferable to no employment at all. A minimum adult wage of say £60 a week could wipe out most industrial jobs now performed by women, and to judge by current attitudes in these industries people are prepared to hold on to such jobs even though the pay is low. On the other hand, a national minimum wage of the order of £35 a week could ensure minimum standards of pay in traditional female employments but would have virtually no impact on rates of pay of adult men, which is the main determinant of family income as most breadwinners are men. The dual labour market for men and women which exists in spite of employment equality legislation makes it very difficult to lay down an adequate single national minimum pay rate.

It can be argued that social welfare payments effectively place a

[12]See Trade Union Information, Summer 1974, for the full report of the Committee.

[13]The 1979 Conference of ICTU supported the notion of a minimum wage.

floor under the wages people are prepared to work at, and adequate levels of social welfare payments may be the best way to ensure that nobody is forced to accept employment paying less than a minimum amount. There is no direct evidence in this country as to how effective social welfare payments are at placing a floor under wages, although there is much vocal complaint about unwillingness to work being the cause of unemployment.

A study in the UK[14] has shown that 5% of those at work would have the same or a greater income if out of work. However, the proportion of people who were unemployed rose, the closer the income while unemployed would be the income received if at work. This evidence would indicate that while in general, the level of unemployment payments places a floor on the level of earnings a worker is prepared to accept, there are a minority of workers who work for less than this minimum.

In Irish labour market conditions, a national minimum wage does not seem feasible as either it must be set so low as to be ineffective, or else at higher levels it would lead to increased unemployment. As a means of trying to secure an adequate income for families of differing sizes and composition, a single national minimum wage is a blunt instrument.

Conclusion

This section has examined various ways of improving the incomes of poor families with a working breadwinner. First of all, various mechanisms for channelling state cash support were examined.

It has been argued that increasing children's allowances for everyone, whatever the merits of that action on other grounds, would be an inefficient way of directing help to these particular families, and would be an expensive way to give this help. Other forms of income supplements confined to families below a given income limit were discussed.

The main differences between the various forms discussed lies in the choice of benefit formula, and in who would administer the scheme. Raising wage levels through legislation on minimum pay levels was

[14]See *Royal Commission on the Distribution of Income and Wealth,* background paper No. 5, table 6.7.

also discussed. For the reasons given previously, it is not felt that national minimum pay legislation would be useful or practicable. It is, however, recommended that more widespread use be made of the existing Employment Regulation Order machinery for setting minimum pay rates in a wider range of low paid jobs than covered at present. But the principal way in which low income working families can be helped is through state supplements payable on top of their earnings.

The preferred benefit formula and administering agency for such supplements are now discussed.

Benefit formula

The main formulas discussed involve giving the recipient a proportion of the difference between his actual earnings and a specified amount. The proportion could be as low as, say, 25%, or could give 100% of the difference, effectively guaranteeing the family an income equal to the specified amount. The higher the proportion of the difference given, the more effective would be the expenditure in reaching the target group, and the more help would be received by each family. But at the same time, the higher would be the implied "marginal tax rate", and disincentive to earn more, and the more incentive would be there for the employer to pay lower wages. If there was a low rate of supplementation, the arguments would go in the other direction, and the scheme would give relatively little help but at low marginal tax rates. There is also the possibility of using a benefit formula like Earned Income Tax Credits where the supplement is 10% of existing earnings.

It is considered that a benefit formula paying half the difference between actual income and a specified amount gives a reasonable compromise.

The problems of disincentives, poverty traps and high marginal tax rates could be minimised by allowing benefits to stand for a period, say, six months or a year, irrespective of changes in circumstances.

Who should administer the supplements?

The schemes discussed covered ones where the benefits would be paid by the social welfare authorities (Family Income Supplement), where it would be paid by the employer (earned income tax credit), and the various tax credit or negative income tax schemes which would use the tax system as a benefit paying system. Of these alternative benefit mechanisms, one run by the Department of Social Welfare would be preferred. Schemes administered mainly through the employer are difficult to operate in a country with many small employers, and of course such a scheme could not deal with the self-employed. In small employments, it would be open to a good deal of collusion between employers and employees, resulting in an under declaration of income. The tax system as at present set up is not geared to widescale use of a benefit system—indeed in Chapter 4 the question of moving one form of benefit, child tax allowances, outside the tax system altogether is examined. The tax system at present is geared to making occasional refunds, not systematic weekly payments. The integration of tax and benefit paying mechanisms could mean that income maintenance policies become subordinate to policies designed primarily to bring in revenue. There would be serious practical difficulties in moving to a non-cumulative tax structure, as would be envisaged by integrated tax and benefit arrangements, since at present there are tax bands in fairly close proximity to each other—25%, 35%. Non-cumulative assessment in practical terms would mean a single rate of tax over the broad range of incomes. The question of helping working families by a limited negative income tax, confined to child tax allowances, on the lines of the British child credit scheme, is discussed below in Chapter 4.

This section has discussed the principle of helping low income working families, and has examined the different mechanisms by which this might be achieved. No specific scheme of income supplementation has been specified or costed. It is felt that such an exercise if it is to be of any practical value is a matter in the first instance for the Government, in the light of the most up-to-date information available of the numbers and circumstances of these families.

SECTION THREE

Helping families on welfare payments

About half a million individuals and families receive weekly social welfare or health board payments each week; these families include some 300,000 children. For many families—where the breadwinner is unemployed for a long period, where he is chronically ill or

handicapped, where a mother is bringing up a family on her own—the social welfare payment is the only long-term source of income which the family has, and the family's living standard and the circumstances in which the children grow up are directly related to the amount of weekly income which the State provides. Nearly 160,000 children—one in eight of all children—are living in families who are living on social welfare payments as their main long-term source of income.

It is often said that social welfare payment levels have shown a steady improvement in real terms over time. This is certainly true; over the last five years, for example, the average improvement in real terms has been around 2½% a year. But to look simply at percentage rates of improvement can distract attention from the crucial fact that most benefits are still very low in absolute terms. A 2½% increase in real terms on an inadequate payment can only give a marginal improvement.

There has also been a good deal of comment on the level of payments for the unemployed, focusing attention on those drawing redundancy payments and pay-related benefit in addition to the flat-rate payment. The implication of much of this comment has been that these payments are too high and are a disincentive to work. It has been shown in a number of papers[15] that relatively few of the unemployed in fact receive such supplements (and indeed weekly redundancy payments are to be abolished). Most families with a breadwinner unemployed have to struggle to manage.

It is worthwhile simply restating the level of income offered to different families to live on. Readers can judge for themselves, with their own knowledge of the cost of food, rent, clothing, bus fares, heat, ESB and other expenses for a family, the standard of living which it is possible to achieve on incomes such as these.

Unemployed family, couple, four children	
—benefit	£43.40
—assistance	£37.15

[15]cf. Jim Murray "Unemployment Payments', National Social Service Council, January 1977 and January 1978. Only 25% of relevant families get pay-related benefit.

widow or deserted wife, and two children	
—contributory pension or benefit	£28.40
—non-contributory pension or allowance	£26.20
—Supplementary Welfare Allowance	£20.90

Food costs alone now come to £3-£4 per head at present price levels, for a pretty basic diet centred on mince and sausages. The margin left after food and rent in families with incomes like those above leaves little room for other necessities like fuel, clothing and ESB, let alone any occasional lapse from careful budgeting. For families whose only long-term source of income is a social welfare payment, an occasional treat for the children or a night out for the parents is completely out of the question.

The Appendix to this chapter gives details of how social welfare recipients spend their incomes, and of the kind of food they buy.

Even spending just half their incomes in food alone, the evidence shows that families living on social welfare have diets which are low in protein and fresh food, and high in cheap fillers.

There is clearly a need for a substantial improvement in the basic levels of social welfare payments. This is particularly true for those families who rely on social welfare payments for their income over a long period, for whom the strain of having to cope week in week out to manage on inadequate incomes is very great.

There are a number of other specific issues relating to these families which are worth noting.

The level of payments here for one parent families does not seem to reflect adequately the cost of maintaining a household for such families, which is not significantly lower than maintaining a household with 2 adults.

The level of supplementary welfare allowance is particularly low. This scheme has already been commented on in detail in a previous report.[16]

Families who fail to qualify for any of the benefits for particular categories must make do with this low benefit.[17]

[16]NESC No. 38. *Universality and Selectivity: Social Services in Ireland*, pages 150–155.

[17]About 2,000 families, and 2,000 people without dependants, were receiving home assistance (forerunner of supplementary welfare allowance) as a main source of income in 1974 (See NESC No. 25, page 156).

The amounts paid for dependent children do not allow for the higher costs as children get older. A parent may be getting as little as £3.10 a week to maintain a teenage child who costs as much or maybe more than an adult, with heavy demands on food and clothing. A particular gap relates to unemployed teenagers of 16 or 17. They do not qualify for the dole themselves until they reach 18, they do not qualify for children's allowances unless they are at school or apprenticed, and £3.80 a week as an addition to their parents' unemployment benefit, or £3.10 a week extra on their unemployment assistance may be the total amount offered to feed and clothe such young adults.

Providing clothes and shoes for growing children is a particular problem for families living on welfare benefits. September can be a particularly bad time of the year, with all the expenses of the return to school, with winter clothes and winter shoes. It has been suggested that an extra payment in September would help out at this time. Another suggestion is bringing back the date of commencement of the free footwear scheme from November to September, although the long-term merit of continuing this particular benefit in kind is questionable. A cash grant, payable in September, which would incorporate the value of footwear vouchers, might be a better way of organising it. Such a grant should be payable to the mother, perhaps by way of an increased children's allowance. Such a grant, if it consisted say of doubling the children's allowance for that month for children of welfare recipients, would cost about £1.5 million or £1.35 million after deduction of the present cost of the free footwear scheme.[18] The cost would be slightly lower again if the children of those drawing disability benefit on a short-term basis were excluded, as a precaution against any September epidemics. Some additional measure of special help with shoes and clothing expenses could be offered through the Supplementary Welfare Allowance Scheme to those people, mainly recipients of Supplementary Welfare Allowance, who might lose out overall on the scheme proposed above.

Other issues specifically linked to the situation of one parent families will be discussed in Chapter 5.

A previous report from NESC[19] discussed how the structure of social

[18]This estimate assumes that these families receive the same average children's allowance as families in general.

[19]NESC No. 38 *'Universality and Selectivity: Social Services in Ireland"*, page 51.

assistance services places an effective ceiling on the amount which social welfare recipients can live on, a ceiling which can vary with the category to which the recipient belongs, and which is generally extremely low. The £1 for £1 reduction in assistance if someone has income of their own effectively traps these families in poverty at or around the level of the standard assistance benefit unless they are in a position to get a job and so move off assistance altogether.

Any long term strategy for helping families who live on welfare payments must of course include an attack on unemployment, the underlying reason why many of these families must rely on welfare benefits. The Government have committed themselves to achieving full employment as a primary objective of economic and social policy. But even the total achievement of full employment will not remove the need for welfare payments for many families, like those where the breadwiner is disabled, or families being reared by the mother alone. For those families, the major priority must be a substantial improvement in the beet levels provided.

APPENDIX TO CHAPTER 2

THE STANDARD OF LIVING OF FAMILIES ON SOCIAL WELFARE PAYMENTS

The following table shows how households living on social welfare payments spent their incomes in 1973.

EXPENDITURE PATTERN OF SOCIAL WELFARE HOUSEHOLDS, 1973

	Social welfare households		All households
	Pensioners %	Unemployed, etc. %	%
Food	44.9	41.5	32.1
Drink	3.2	4.4	4.6
Tobacco	5.6	8.4	4.5
Clothing and footwear	8.0	9.1	10.7
Fuel and light	11.2	7.8	4.8
Housing	8.2	6.4	7.2
Household non-durable	2.0	2.3	1.7
Household durables	2.6	3.9	4.8
Miscellaneous goods	2.1	3.1	3.1
Transport	2.1	5.9	11.9
Services and other expenses	10.1	7.2	14.6
Total	100.0	100.0	100.0
Average weekly expenditure	£11.21	£22.85	£41.03
Average number of persons per household	1.52	4.30	4.01

Social welfare households are households with more than 75% of their income from State social welfare payments.

Source: Donal Murphy "1973 Household Budget Survey, special features and results", 1976, JSSISI.

FOOD SPENDING BY SOCIAL WELFARE FAMILIES, 1976

Baskets of Food items calculated using 1976 Household Budget Survey Material and NPC 1976 grocery prices. Average weekly quantities purchased by 3 Household Groups in 1976.

	Lowest Gross Income (under £10)	Head of Household out of work	All Households
Number of households in sample (adjusted)	146	168	1,993
Total persons in household	1.087	5.212	4.043
Age of household head	69.063	43.765	48.856
Disposable weekly income	£11.347	£46.682	£64.070
Food expenditure per week	£5.972	£21.313	£21.780
Food expenditure as % of disposable income	52.6%	45.7%	34.0%

FOOD SPENDING BY SOCIAL WELFARE FAMILIES, 1976

Lowest Gross Income	Head of Household out of work	Average of all Households
ilk 7 pts	Milk 25 pts	Meals away from home
ief and veal ½ lb	Potatoes	Beef and veal 2 lb
hite bread 2½ large pans	Beef and veal 2 lb	Milk 23 pts
other meat 1 lb	White bread 9 large pans	All other meat 3½ lb
tatoes 3 lb	All other meat 3½ lb	Potatoes 9½ lb
tter ¾ lb	Meals away from home—	White bread 6½ large pans
gs ½ dozen	Butter 2¼ lb	Butter 2 lb
ıer bacon ½ lb	Sweets 9 chocolate bars	Sweets 12 chocolate bars
ı 1½ packets (¼ lb)	All other food—	All other food
ȝar 2 lbs	Eggs 1½ dozen	Eggs 1½ dozen
als away from home	Soft drinks 2 ¼ bottles Squash	Soft drinks 2 ¼ bottles of Squash

Lowest Gross Income	Head of Household out of work	Average of all Households
Rashers 2 oz	Other bacon ¾ lb	Other bacon 1 lb
All other food	Sausages 1½ lb	Biscuits 3 6 oz packets
All other vegetables 1 lb	Sugar 4½ lb	Rashers ½ lb
Mutton ¼ lb	Tinned vegetables 3½ tins (15½ ozs)	Sausages
Sausages ½ lb	Rashers ½ lb	Cakes 2 Swiss rolls
Biscuits 1 very cheap pkt	Tea ¾ lb	Sugar 4 lb
Cakes ½ Swiss roll	Cakes 2 Swiss rolls	Lamb ½ lb
Sweets 1½ chocolate bars	Biscuits 2½ 6 oz packets	All other vegetables 2½ lb
Lamb—negligible quantity	All other vegetables 2 lb	Tea 3 packets (¼ lb)
Jam ½ lb	Breakfast cereal 1¼ pkts cornflakes (Giant-Size)	Pork ½ lb
Other bread ¾ small brown loaf	Pork ½ lb	Tinned vegetables 2½ tins (15½ oz)
Fish ¼ lb whiting	Lamb ¼ lb	Mutton ½ lb
Tinned vegetables 1 8 oz tin	Fish ½ lb whiting	Cereal 1 pkt. cornflakes (Giant-Size)
Cheese 2 oz	Apples 4½	Cheese ½ lb
Cabbage ½ head	Cheese 6 oz	Apples 5
Apples one		Fish ½ lb whiting
Soft drinks ¼ bottle Squash		Ham 2 ozs

Source: National Prices Commission, Report, November 1978, page 31.

CHAPTER 3

SPREADING THE COST OF CHILDREN: HORIZONTAL EQUITY

Margaret Wynn in her influential book "Family Policy" has identified three main stages in an individual's life cycle when he is likely to be in poverty—as a young child, as a parent of growing children, and finally, in old age. Social policy attempts to smooth some of the natural fluctuations in living standards over the family cycle, and one of the most important ways is the help given to children and their parents. Social services like free education, child health services, children's allowances, and tax allowances for children help spread the cost of raising children over the community as a whole, and to soften the relative poverty in childhood and at parenthood.

At any given time, it is a minority of adults[1] who are bringing up children although parenthood is a stage through which most people pass. A small number of parents, those with the larger families, are caring for a disproportionate number of those children—the 25% of families with four or more children account for 45% of all children. As the financial burden of bringing up children is so unevenly distributed at any given time, state help to families is a very important way of redistributing real living standards.

As equal pay is made effective over the next number of years, wage levels will cease to differentiate between people with different family responsibilities, now fairly crudely achieved by divergences in earnings between men and women. The Commission on the Status of Women, in recommending the implementation of equal pay, saw as the logical corollary a much greater state role in differentiating between families with and without children, with increased children's allowances and tax

[1]At present, from about 1.9 million adults over 20, about 800,000 are parents of children under 16.

allowances for dependent children.[2] In particular, the Commission recommended the introduction of an annual allowance of £125 a year (December 1972 money values—equivalent to £300 a year today) for a mother with one child under 5 years or if she has two or more children, one child under 7 years.[3] This recommendation has not been acted on.

The objectives of sharing the financial burdens of parenthood, and of redressing inequalities in living standards arising from different numbers of dependent members in different families, are valid social goals at all income levels. Fair treatment of people at each income level requires some adjustment or compensation to be made at each income level for family responsibilities—such adjustments should not be confined to the lowest income groups alone. This is already recognised in universal schemes of children's allowances, of free education, in income tax allowances for dependant family members whose value actually increases for higher income groups, and in family differentiation of means tests for virtually all social services, with the main exception of the limited eligibility for hospital service and the hospital and specialist treatment scheme introduced in April 1979.

Measuring the relative costs of children

In recent years, a number of techniques have been devised for examining the relative cost of families of different sizes and composition. These relativities, called equivalence scales, relate the income required by different families to reach the same standard of living as a reference household, usually taken as a married couple. The principal technique now used looks at expenditure by different family types on various goods, in different commodity groups, and the income equivalence scales are a weighted average of the scales for each commodity group, e.g., food, clothing, housing, fuel. The technique is an extension of normal consumer theory in economics, and adjusting the income required for a change in family composition is analagous to adjusting the income needed when prices change, to maintain a given

[2]See paragraph 397, page 158 of the Commission's Report.
[3]*Ibid.* paragraph 401.

standard of living.[4]

These equivalence scales are similar in character to the consumer price index. Like the CPI, the scales have normally been calculated for the average of all income groups, but what limited research has been done suggests that the scales do not vary greatly when calculated separately for different income groups.

Because of the technical complexity of the job, coupled with limited time, no exercise was undertaken to calculate equivalence scales based on Irish spending patterns. It is understood that such research will shortly begin in the ESRI. Instead, the scales presented here are the result of work on British families' spending patterns. Provided accuracy to 3 decimal places is not expected of these figures, they should form a fairly close approximation to the scales to be expected here, at least in urban areas, for a number of reasons. The common currency area between the two countries up to 1979 has meant a broadly similar price level, with the important exception of goods like food, where subsidy policy is different, and housing which is a special case. In Britain food is cheaper and housing more expensive than here, resulting in lower food spending and higher housing spending by families of any given size in Britain compared to families here. For all other goods, the close match between the proportion of income spent in Britain, and the proportion of income spent here,[5] for families of any given size, indicates common underlying spending preferences. The net effect of higher food prices and lower housing prices here is to increase slightly the relative costs of bringing up children here. This is because the UK research has shown little evidence of any economies of scale in food, while some economies do exist with regard to housing.

The relative costs of families

The table below shows equivalence scales based on a study done for the Department of Health and Social Security, based on spending

[4]Techniques for developing equivalence scales are still at an early stage of development. For a discussion of the theoretical and practical problems involved in estimating and using such scales, and for a review of alternative techniques, see "A review of methods of estimating equivalence scales used in comparing the living standards of different households". Background Paper No. 3 (mimeo), Supplementary Benefits Review, Department of Health and Social Security, London 1978.

[5]These have been compared for 1973 from the UK Family Expenditure Survey and the Irish Household Budget Survey.

patterns of all families in the UK in 1971 and 1972.[6] These scales should be taken as approximate rather than precise.

Single Adult	.61	
Married Couple	1.00	
Child Aged		
0-1	.09	
2-4	.18	
5-7	.21	
8-10	.23	Average for all
11-12	.25	children, .23
13-15	.27	
16-18	.36	
3rd Adult	.45	
4th Adult	.40	

These results imply that on average a household with one person costs 60% of that of a married couple at the same living standard. A family with three children aged 10, 12, and 14 would require on average 75% more income than a married couple alone in order to have a similar standard of living. Put another way, a single person with an income of £60 a week is as well off as a married couple with £100 a week and a couple with three children aged 10-14 with £175 a week to spend.

This study found no clear evidence of economies of scale in larger families. While some economies exist with regard to housing, in terms of the overall income scale it was unimportant.[7] Other studies have found some slight economies of scale in larger families, and the study quoted above shows economies when there are three or five adults in a household, due mainly to sharing the costs of housing, services, and fuel.

Comparison of family benefits with family costs

The first striking thing is the strong evidence that family costs are closely linked to the ages of the children. Family benefits in Ireland do not differentiate between children of different ages. The same benefits

[6]Leslie McClements "Equivalence Scales for Children" DHSS 1975, Journal of Public Economics, 1977.

[7]See McClements, The Economics of Social Security, page 103.

and allowances apply here to a baby, and to a teenager costing as much as an extra adult to feed and clothe. As can be seen in the Chapter on family allowances in the member states of the EEC, higher family allowances for older children are being introduced in a number of countries. In Britain, the main age-related benefit for children is in supplementary benefit, a means-tested payment for the lowest income families. Pressure in Britain to give higher family allowances for older children has been resisted on the grounds that this would benefit mostly the better off families whose mothers are now in a position to get a job, now that the family is older.[8]

Providing age supplements for children generally, as, for example, with higher children's allowances or tax allowances for older children is something worth considering in the medium term. It may, however, be true, although to a lesser extent than in Britain where more wives work that this would help the better-off families. In any case, because of the natural spacing of families, any special help for larger families generally such as is discussed below should include many of the older children. It should cover most of the older children living in families where no extra income is coming in, either from the earnings of grown children or from a mother's job.

The age supplements for children generally are something to be considered in the light of whether they would redistribute resources to better off groups. The case for giving age-related help to families whose only income is social welfare benefits is much stronger.

The extra cost of providing for older children in these families out of very limited incomes causes severe hardship.

The degree of refinement shown in the cost of a child at different ages in the table on page 58 would not be practicable to implement.[9] Particular administrative problems could arise as children moved from one age band to another. In Britain, the Supplementary Benefits review has been examining ways of reducing the number of age bands involved in that scheme.

[8]In Ireland only 13-14% of married women over 30 have jobs (Labour Force Survey 1977).

[9]In any case, the limitations of the technique, together with the usual sampling error, mean that these figures should be interpreted with caution as giving broad estimates of the order of magnitude rather than precise information on the cost of children at individual ages.

A maximum of two age bands is suggested with a higher payment for children aged 12 and over. Assuming children to be equally distributed in all age groups, about a third of all children of welfare recipients could gain. The Exchequer cost of an increase of £1 a week in the allowance for these children, assuming a 20% contribution towards the cost of insurance improvements,[10] would be £3 million a year. If groups like smallholders, and people drawing disability benefit for casual sick absences were excluded, as not being dependant in the same way on social welfare for their basic living standards, the cost would be lower. (The cost of such a payment in relation to UA smallholder's children alone is £1 million.)

Family Support Related to Family Size

The table overleaf shows the percentage of family income contributed on average by children's allowances for families of different sizes. While it is highest for the larger families, overall it forms a low proportion of family income. While these allowances are often crucial in helping families to budget, the low proportion of income which they form shows that they can not in any significant way be said to equalize the real living standards of families of different sizes.

Children's allowances of at most £5.50 a month, for the 2nd and subsequent children—£1.27 a week— are worth little more than a gesture as far as the achievement of full horizontal equality is concerned. Adding in the weekly value of income tax allowances, assuming they are valued at the 35% tax rate, gives a total level of State support which ranges from £2.28 a week for the first child to £2.74 a week for subsequent children. In the context of average weekly earnings for adult men in industry of just under £90 a week, it is clear that the combined tax and children's allowance schemes result in just a marginal differentiating of net family incomes by the level of family responsibilities, and one which in no way reflects the full relative costs of maintaining families of different sizes.

Since parents have children by and large by choice, it is not to be expected that society should compensate them in full for the cost of

[10]As the Exchequer only contributes 20% of the cost of all social insurance payments it is assumed in costing this recommendation that 80% of any extra costs arising for social insurance recipients would be met by increases in the rate of social insurance contributions.

bringing up their children. But few would disagree that the amount of help now given, in particular to the larger families, falls far short of what should be given. As a group, families, in particular large families, are disadvantaged compared with single people and childless couples, and what is worrying is that with declining child tax allowances in real terms, and with children's allowances which have been declining in real value since 1973, the gap between families and other groups has been widening.

The importance of children's allowances as a proportion of total income for families of different composition is shown in Table 3.1

TABLE 3.1

Children's Allowances and Disposable Income, all Households, 1973

Family Type	Average children's allowance per week (A)	Average weekly disposable income (B)	(A) as % of (B)
	£	£	%
2 adults, 1 child	.254	34.207	.7
2 adults, 2 children	.727	37.389	1.9
2 adults, 3 children	1.372	38.995	3.5
2 adults, 4 or more children (Average 4.95 children)	2.610	41.645	6.3
3 adults	.024	36.326	.1
3 adults with children (Average 2.84 children)	1.563	43.068	3.6
4 adults	.079	49.189	.2
4 adults with children (Average 2.58 children)	1.492	46.787	3.2
Other households with children (Average 2.69 children)	1.877	59.083	3.2
All Households	.712	36.164	2.0

Source: —1973 Household Budget Survey

Note:—In this table, a child is taken as up to age 14, whereas children's allowances are payable up to age 16, or age 18 where the child is in full time education, apprenticed, or handicapped. There is no appreciable difference between urban and rural areas in the proportion of disposable income accounted for by children's allowances.

It is recognised that any measures which improve the level of cash support for all families are expensive—each extra £1 a month per child costs about £13 million a year. It is understandable that Governments faced with this level of cost have tended to look for more selective ways to help families, concentrating on the worst off. Nevertheless, even though such policies may be expensive, measures to reverse the erosion of cash help to families as such and to narrow the gap between families and other households, are not ones which can be postponed indefinitely.

Helping the Larger Families

Many children experience the relative poverty involved in living in a large family. While there are clearly many other compensations associated with living in a large family, there is generally a struggle on the part of parents to provide enough for 6 or 7 children from an income which is just adequate for the average 2 or 3 child family.

Because average family size at any given time is fairly small, as it includes families at the beginning and the end of the family cycle, it is often not appreciated exactly how many children are brought up in

TABLE 3.2

FAMILY SIZE

Families Claiming Children's Allowances in Respect of Children under 16 on 31 December 1977 by Number of Children under 16.

Families: Number of Children	Families: Number of families	Percentage of all families %	Cumulative percentage of families %	Number of children in families of each size	Percentage of Children in each family size %	Cumulative percentage of children %
1	110,128	26.8	26.8	110,128	10.1	10.1
2	117,154	28.5	55.3	234,308	21.6	31.7
3	84,593	20.6	75.9	253,779	23.4	55.1
4	51,339	12.5	88.4	205,356	18.9	74.0
5	25,601	6.2	94.6	128,005	11.8	85.8
6	12,347	3.0	97.6	74,082	6.8	92.6
7	5,689	1.4	99.0	39,823	3.7	96.3
8	2,594	0.6	99.6	20,752	1.9	98.2
9	1,111	.3	99.9	9,999	.9	99.1

Number of Children	Number of families	Families: Percentage of all families %	Families: Cumulative percentage of families %	Number of children in families of each size	Percentage of Children in each family size %	Cumulative percentage of children %
10	528	.1	100	5,280	.5	99.6
11	198	—	—	2,178	.2	99.8
12	91	—	—	1,092	.1	99.9
13	24	—	—	312	—	—
14	10	—	—	140	—	—
15	—	—	—	—	—	—
Total	411,407	100	100	1,085,234	100	100

On average these families have 2.64 children under 16.

Source: Department of Social Welfare.

large families. At the present time almost half—45% of children—are in families with 4 or more children (see Table 3.2). But looking at the number of children who at some stage will be members of a large family, it can be shown that in 1971 two-thirds of the children of the generation of mothers completing their families in 1971, had come from families with five or more children.[11]

Measures to help larger families will benefit at some stage a large proportion of any generation of children. But at any given point these measures can be fairly inexpensive since the majority of families at any time are the smaller ones where earnings and existing children's allowances are usually adequate to meet their needs.

An extra £1 a month for each child in families of 4 or more children would cost £5.8 million a year. An extra £1 a month for each child in families of six or more children would cost £1.8 million.

Table 3.3 shows the distribution of existing spending on children's allowances, by size of family. It can be seen that families with one, two, and 3 children account for just under half of all expenditure.

To summarise, it is an important task for social policy to try and equalise the financial burdens faced by parents and non-parents at each income level. This helps spread the cost of bringing up the next generation over society as a whole, and not simply concentrate it on the minority of adults who are bringing up children at any one time. It is also an important way of spreading an individual's income over his lifetime, as he passes through the stages of childhood, young adulthood, parenthood, parent of a grown family, and retirement, each stage bringing with it changes in real living standards. The present levels of child support reflect very inadequately the relative costs of maintaining families of different sizes. Particular help needs to be given to larger families, and to families relying on welfare payments who have teenagers to maintain.

[11]Calculated from Tables 2 + 3, Volume X, Census of Population, 1971, giving details of family size by age of mother and duration of marriage. "Mothers completing their families" is taken as married women aged on average 45-49, (e.g. married 10-14 years and aged 35-39 on marriage). 45% of those mothers had a completed family size of 5 or more.

TABLE 3.3

Distribution of spending on children's allowances by families size, for children under 16

Number of Children	Number of Families	Monthly Allowance £	Annual Expenditure £	% of Total Spending	Cumulative %
1	110,128	2.30	3,039,532.8	6.34	6.34
2	117,154	6.40	8,997,427.2	18.78	25.12
3	84,593	11.25	11,420,055.0	23.84	48.96
4	51,339	16.10	9,918,694.8	20.70	69.66
5	25,601	20.95	6,436,091.4	13.43	83.09
6	12,347	25.80	3,822,631.2	7.98	91.07
7	5,689	30.65	2,092,414.2	4.37	95.44
8	2,594	35.50	1,105,044	2.31	97.75
9	1,111	40.35	537,946.2	1.12	98.87
10	528	45.20	286,387.2	.60	99.47
11	198	50.05	118,918.9	.25	99.72
12	91	54.90	59,950.8	.13	99.85
13	24	59.75	65,247	.14	99.99
14	10	64.60	7,752	.02	100.01
15	—	69.45			
Total	411,407		47,908,093	100	100

Note:—This table is based on December 1977 figures of children and families and on 1978 children's allowance levels. Children aged 16-18 still at school account for another £4 million of expenditure.

CHAPTER 4

THE ABOLITION OF INCOME TAX ALLOWANCES IN RESPECT OF CHILDREN

A number of countries have abolished income tax allowances in respect of children, and have substituted in their stead higher family allowances payable to the mother. These countries include Britain, West Germany, Sweden, and Israel.

In theory, if everyone is in the tax net, this type of proposal costs nothing to implement. What is involved is simply replacing a transfer effected through the tax system by a more visible transfer effected through the children's allowance scheme.

This proposal seems attractive for a number of reasons. It takes income support for children out of the tax system, which was essentially designed as a revenue-collection and not a welfare system. It unifies the State support for children in a single cash payment, not the separate tax and children's allowance schemes. This unification results in a child benefit with a significant cash value. Valued at the bottom 25% tax rate, the existing child tax allowance is worth £4.55 per month per child. Valued at the traditional standard rate of 35%, it is worth £6.35 a month per child. When this is added to existing children's allowances worth from £3.50 to £5.50 per child per month, the result is a benefit which is well worth receiving. For example, the child tax allowance valued at £6.35 per month added to the children's allowance, given a monthly payment ranging from £9.85 per month to £11.85 per month per child. Payments at this level can more readily be said to represent 'a mother's wage' than the existing children's allowances on their own.

A further reason favouring the introduction of such a scheme here is the contrast which exists now between the systems of child support in Northern Ireland and in the South. From April 1979 the unified child credit in the North is worth £4 a week per child. Although this is

balanced somewhat by the absence of income tax allowances, it does contrast unfavourably with the level of direct cash support given in the South which goes from £3.50 to £5.50 per child per month.

The transfer of child allowances from the tax system to a direct cash payment to mothers changes the distribution of income within the family by reducing the breadwinner's—usually the father's—take home pay and increasing that of the mother. The British publicity for their child benefit scheme which involved such a move described it as the 'wallet to handbag transfer'. Realistically a move like that which reduced the husband's take-home pay although it left total household unchanged, could run into opposition from those affected. In Britain, the phasing out of the child tax allowances had to be carefully planned alongside normal wage round increases, so that nobody would experience any sharp drop in take-home pay. In the absence of a central National Pay Agreement, such phasing might cause some difficulties, although it could for example be linked in with any changes in personal tax allowances.

The proposal involves real costs where the cash benefit would be received by people not previously benefiting from the child tax allowances. These would include children whose parents did not earn enough to bring them into the tax bracket; children of social welfare recipients and children of farmers exempt from paying tax.

If the majority of the taxpaying families are not to lose, the conversion of income tax allowances to a child credit should take place at the 35% rate. This would mean that families paying tax at higher rates would lose out somewhat, and taxpaying families with marginal tax rates of 25% would gain slightly from the scheme, in addition to those already mentioned. The proposal would eliminate the present regressive nature of child tax allowances, worth more to higher rate taxpayers.

The costs involved would vary significantly depending how the various groups now outside the tax net would be treated. As a result, a number of different options are outlined.

Option 1

Abolish all income tax child allowances and increase children's allowances by £6.36 a month per child for all families—estimated cost £42 million.

Option 2
Abolish all income tax child allowances. Increase children's allowances by £6.36 a month per child for all families whose income is assessed for tax, for all families drawing social welfare payments, and for farm families whose income would be below the tax threshold if it were assessed for tax.—Estimated at £27 million a year.

Option 3
As option 2, except reduce child dependant allowances on social welfare payments simultaneously by £1 a week per child.—Estimated cost £12 million a year.

Option 1 gives the full value of the child benefit in lieu of tax allowance to families for whom tax allowances are not at present relevant. It is therefore very expensive. It would also be difficult to justify on grounds of equity.

It would be completely unacceptable that those farm families who have complete tax exemption should benefit in full from such a conversion of tax allowances into cash transfers. About £21 million of the cost of the proposal would be attributable to farm families, the vast majority of whom are completely exempt from tax, and very many of whom would not be net gainers from the scheme if they were paying tax on their incomes in the same proportion as industrial workers.

Some people might argue that proposals of this kind cannot be given any serious thought as long as most farmers remain outside the tax net. But the reverse of this argument can also be put—why should reforms of this kind always have to be deferred because of the failure to tackle the question of farmer taxation. If a scheme of this kind were actually implemented, steps would be taken quick enough to try and recoup some of the windfall gain to farm families outside the tax net.

Option 2 assumes that farmers with incomes above the corresponding tax thresholds for employees would be excluded from the scheme. The cost given assumes that one third of farm children would still benefit from the full extra £6.36 a month per child.

Option 3 shows a further reduction in cost achieved by substituting part of the improved children's allowance for the existing child

dependant allowances for social welfare recipients. This was done when a similar abolition of tax allowances for children took place in Britain, to substitute part of the increased children's allowance for existing child dependant allowances for social welfare recipients. A reduction of 50p a week per child on the social welfare dependant's allowance would mean a net gain of £4.19 per child per month rather than £6.36 a month per child if such modification did not take place. This would cut the cost of the scheme by £8 million, while a reduction of £1 a week per child on the social welfare benefits, as in option 2, would mean these families would benefit by £2.03 per child per month from the change over, bring down the cost by £15-£16 million. The simultaneous reduction of social welfare child benefits, matched by an increase in children's allowances, would give a system of income support for these families which would be more neutral as to whether they worked or not.

It is possible to play around with further variations on the basic proposal, and in that way adjust the cost. If the cost for example of option 3 was considered too high for immediate use, it could be phased in gradually over a longer period.

It must be emphasised that all these costings are extremely rough and ready, in the absence of firm data on the numbers, income and family composition of those families below the income tax limits, and on those in the reduced rate tax bands. (The appendix shows the basis for the costings). Moving over to an integrated system of family support would remove any future possibilities of linking the level of child support to family income by way of the tax mechanism. It would preclude any further use of tax clawbacks of children's allowance increases intended specifically for low income families. It would simplify the administration of income tax. It would eliminate the need at present for as many as 50,000 mid-term adjustments in tax liability each year, on the birth of a new child. Existing children's allowances machinery could be used for paying the increased level of benefit, at no extra cost.

On balance, the integration of tax allowances and children's allowances in a higher level of monthly cash allowance is recommended.

APPENDIX, CHAPTER 4

COSTING OF PROPOSALS ON INTEGRATED CHILD BENEFIT

Because of the lack of up-to-date information on which to base costings, these must be taken as very tentative, giving rough orders of magnitude rather than precise calculations.

Numbers of children to benefit—option 1

The total number of eligible children can be taken as the number currently getting children's allowances, which is 1,181,000 (December 1977).

Of these children, no net gain or loss would occur for the children whose parents are paying tax at the standard rate of 35%. Taxpayers paying tax at a reduced rate or below the tax threshold altogether would gain somewhat from the scheme. Taxpayers paying tax at the margin at 45% or higher rates would lose out by the scheme.

In 1975/6, the latest date for which figures are available, tax allowances were granted in respect of some 602,000 children.[1] Changes in the income tax code since 1975/6 would mean that the numbers of children whose parents now pay tax could be somewhat different. For the purpose of the calculations, it has been assumed that there are broadly 500,000 children outside this taxpaying group. The cost of giving an extra £6.36 a month to all these children would be 38 million a year.

Assuming that say a quarter of taxpayer parents have a marginal tax rate of 25%, the cost of their gain from the scheme would be £3.25

[1]The figure of 602,000 is taken by dividing the amount given for tax deductions for children in 1976 (item E, table 83, Report of the Revenue Commissioners 1976) by the mean standard deduction of £230 per child. These figures relate to assessments, and exclude PAYE people below the tax threshold.

million a year, based on a gain of £21.80 a year per child. The savings to the State from the 45% and higher rate taxpayers can be assumed to be negligible.

This gives a total cost of £41-42 million a year.

Option 2

A large part of the cost in option 1 relates to the children of farm families who are not assessed to tax, and therefore do not benefit at present from income tax allowances for children. On the basis of an average of $1\frac{1}{2}$ children per farm family (the average in the 1973 Household Budget Survey), it is estimated there are 270,000 children living in farm families.[2] Option 2 assumes that only those who would not pay tax anyway were their income assessed for tax, would show any net gain from the scheme. For the purposes of estimation, it is assumed this means one-third of farm families only gain from the scheme.

Option 3

This option substitutes some of the gain from the increased children's allowances for some of the existing allowance for dependants paid with social welfare benefits. About 300,000 children are included in the weekly total of social welfare recipients, but the parents of some of them, particularly those drawing disability benefit on a short term basis, would be net taxpayers over the year as a whole. Roughly 160,000 children have parents drawing a social welfare payment on a long term basis.[3]

[2]Based on 179,000 households in the farming socio-economic groups, table 18, volume VII 1971 census.

[3]Roughly calculated by excluding children of parents drawing UB, UA, or DB, for less than six months of the year.

CHAPTER 5

ONE-PARENT FAMILIES

About 5% of children under 16 live in one-parent families, and about 6½% of families are headed by one parent.[1] One-parent families as such are not usually distinguished in our statistics, and it is difficult to get a break down. The estimated number of one-parent families receiving a regular weekly social welfare benefit is as follows:—

Widows with children	12,000
Deserted wives with children	3,000
Single mothers	3,300
Lone parents drawing unemployment benefit and assistance	800
Total (rounded)	19,000

This is from an estimated 22,000 one parent families.

Families with one parent only are likely to experience much more financial hardship than families with two parents. Because of the difficulties involved in looking after children, many such families must depend on income from social welfare payments rather than earnings from employment. The majority of one-parent families are headed by women—it is estimated that the number of widowers with dependent children is likely to rely heavily on welfare payments because of the traditional role of women in caring for children. Furthermore, since women's earnings from employment are generally low, the financial

[1]Census of population 1971, Vol VII, Table 12.

return from employment will not usually be large where women do work especially after deducting the expenses of substitute child care, and other employment-related costs. While the numbers involved are small, the number of male lone parents who are unemployed on a long term basis, i.e. drawing unemployment assistance, at around 350, seems disproportionately high.

Recent studies in the UK show that one-parent families are very likely to be poor and form a significant part of all poor families. For example, a study[2] for the Royal Commission on Income and Wealth showed that 58% of one-parent families, compared with 14% of two-parent families, were in poverty, and that children in one-parent families accounted for one fifth of all families with children who were in poverty. These conclusions might be even stronger in this country, with a lower proportion of lone parents in employment.

Present income support for one-parent families consists mainly of the social welfare benefits for widows, deserted wives, and unmarried mothers.[3] The child allowances under these schemes are higher than those payable to other social welfare recipients, for example, in the contributory single parent schemes, they are £5.70 per child per week compared with £4.65 each for the first two children, and £3.80 each for subsequent children for recipients of, for example, unemployment benefits. They benefit in addition from the normal children's allowances and income tax child allowances received by all families. Widows and widowers receive a higher rate of personal allowance than single persons—at present £1,185 as against £1,115 for a single person, and £2,230 for a married couple. A welcome addition is the introduction in 1979/80 of an extra personal allowance of £250 a year for one-parent families with dependent children. A housekeeper allowance of £165 can be claimed by lone parents in respect of someone to mind their children. In the case of deserted wives and unmarried mothers, they must be working full time throughout the year in order to claim this allowance.

[2]The Causes of Poverty, Background paper No. 5, by Layard, Plachaud and Stewart, HMSO 1978.

[3]For a detailed description of these schemes, see NESC No. 38, Universality and Selectivity, Social Services in Ireland, Chapter 8.

Comparison of state support and income of different one parent families

It is difficult to disentangle the State aids now payable in respect of one-parent families as such, from those payable in respect of widowhood, whether or not there are dependent children involved, and from those available in respect of children generally. In comparing the financial position of one-parent families and two-parent families, it must be remembered that two-parent families have an extra adult to support—the comparison must be based on some measure of equivalent income, not of actual income. No reliable figures are available on the cost of substitute child care, and a rough guess must be used. The cost of providing such care is extremely variable, depending on whether or not children are at school, whether they are cared for by relatives, by another mother in her own home, in a commercial nursery, or by a full-time minder who is entirely dependent on her earnings.

The following tables, which are illustrative only, show the incomes and transfer payments received by various specimen one-parent families. While we do not know how many families may be close to the specimen types, the pattern shown by the various tables offers an interesting insight into the way we support our one-parent families. An assumption must be made about the cost of child care, and it is costed here at £15 a week in wages[4] plus an employer's social insurance contribution of £1.30 a week (8.75%).

These examples raise a number of important issues.

First, as can be seen in Table 1, is the low level of State help given to widowers. The tax allowances for widowed people,—the extra personal allowance, housekeeper allowance, and one-parent family allowance—together come to just over £3 a week for someone paying tax at 35%. This hardly compensates such a person for the cost involved in running a family household, costs which do not diminish greatly on the death of the second parent. The housekeeper allowance, for example, would hardly cover the cost of social insurance

[4]This illustrative figure does not imply that £15 a week is adequate wages for the job of child care. This low figure is taken to cover situations where the minder cares for a number of other children, spreading the cost, and cases where only part-time care is needed for school going children.

EXAMPLE 1

Widower with two children, receiving average industrial earnings*

	£ per week	(£ per year)
Earnings	86.50	(4,498)
Children's allowances	2.08	
Gross Income	88.58	
Tax allowances		
—Personal		(1,185)
—One parent		(250)
—Children		(436)
—Housekeeper		(165)
Tax paid	−14.46	(751.7)
Social insurance paid	− 3.84	
Net Income	70.28	
Other outgoings		
Housekeeper's wages, say	−15.00	
Social insurance for housekeeper	− 1.30	
Net Disposable Income	53.98	
Costs and State transfers arising from one parent status		
Cost of child care	16.30	
Weekly value of special tax reliefs		
—widower's supplement	.47	
—one parent family allowance	1.11	
—housekeeper allowance	1.68	
Total Tax Reliefs	3.26	

*The earnings figure is the latest available, viz., June 1978. The tax rates etc. are those in force for 1979/80.

EXAMPLE 2

Widow with two children, working full-time and receiving average female industrial earnings, also receiving contributory widows pension

	£ per week	£ per year
Widow's pension	28.40	
Earnings	47.32	
Children's allowance	2.08	
Gross Income	77.80	
Tax allowances		
—Personal		1,185
—One parent family		250
—Children		436
—Housekeeper		165
Tax paid	10.68	
Social insurance paid	Nil	
Net Income	67.12	
Other outgoings		
Housekeeper's wages, say	15.00	
Social insurance for housekeeper	1.30	
Net Disposable Income	50.82	
Costs and state transfers arising from one parent status		
Cost of child care	16.30	
Weekly value of tax allowance		
—widow's supplement	.47	
—one parent family	1.11	
—housekeeper	1.68	
Relief from social insurance	2.10	
Child allowance element of widow's pension	11.40	
Total transfers	16.76	

EXAMPLE 3

Widow or deserted wife, on non-contributory pension, 2 children

	Not working £ per week	Working part time £
Income from employment	Nil	23.66
Tax paid	—	—
Social assistance allowance	26.20	9.30
Net income	26.20	32.96

Any costs arising from part time work must be offset against the higher income for the woman working part-time.

EXAMPLE 4

Separated wife who does not qualify for deserted wife's allowance, 4 children

	£
Supplementary Welfare allowance	27.10

If she is receiving maintenance from her husband, the amount of such maintenance, or £27.10, whichever is the greater.

contributions. Unlike widows, widowers as such do not normally qualify for any social welfare pension.[5]

Contributory widow pensioners fare relatively well if they are in a position to work, particularly those without children. The tax allowance in respect of a housekeeper is very low—at £165 now. It has only risen by £65 since 1949, and in itself is no compensation for the costs of alternative child care. There is some compensation, however, when a

[5]The main exceptions are widower's pension which may be payable under the occupational injuries scheme, or a widower's pension payable to an invalid who was financially dependent on his late wife.

widow can get a full pension in addition to her earnings (see example 2). A working widow who does not, however, qualify for a contributory pension gets very inadequate compensation for expenses from the tax system. And because of the gap between pay rates for men and women, working widows or other single parents must often try and raise their families while getting little over half the earnings of the average man.

A working single parent drawing a non-contributory social welfare payment receives a very low disregard for her expenses in working—£2 a week per child, in addition to the standard disregard of £6 a week for earnings from any source. This is hardly realistic given the cost of making satisfactory child care arrangements.

Example 3 above illustrates the kind of poverty trap which can operate in particular for one-parent families. The state benefits are in themselves low. Supplementing these benefits by working gives little net improvement, as most of the earnings are offset against the State benefit, and there are extra costs to be met when working. Even working full time, a woman who is only earning average women's wages will find it a struggle to provide for a family as well as having little time to spend with them as a result of working a full day.

A more generous disregard of earnings from employment for these families would allow them supplement the State pension by earnings and so help them to improve their own living standards. It would also make part-time work a more realistic financial option, giving these parents an incentive to earn some money while at the same time leaving some time to spend with their children.

There has been no equivalence scale research done on the relative costs of maintaining one-parent families as against two-parent families. Nevertheless, despite the extra payments for children in these families in the social welfare code, the costs incurred by these families in running a home do not seem to be adequately catered for in the rates of benefit. While the principle of the special one-parent families tax allowance is very welcome the practical help it provides, worth just £1.68 a week to the standard rate tax payer, is fairly small. The level of income for the special one-parent family benefits (example 3) are low enough themselves. The level of payment for a single parent who does

not qualify for one of these payments but must rely on supplementary welfare allowance is particularly inadequate.

One particular anomaly is the case of separated wives who are receiving maintenance from their husbands. Even if the level of this maintenance is below what they would get in deserted wife's allowance were he not paying maintenance, they are entitled to receive the difference and be brought up to the deserted wife's allowance level. Other problems arise when maintenance is erratic. As argued already in a previous Report,[6] the whole area of responsibility for the maintenance of separated families needs to be re-examined. Giving the wife her full benefit, and letting the State collect any maintenance due might be a more satisfactory solution.

Where a husband is drawing a social welfare payment which includes an allowance for his wife and children, but does not maintain them adequately, the wife may apply for the adult and child dependant portions to be paid to her. Because the adult dependant portion is low, as it is the personal rate which is assumed to cover shared household expenses, the result is a very inadequate level of allowance for the wife. Provision should be made for giving her either the full benefit or at least the full personal rate element in such cases.

The problems faced by one-parent families are not simply financial ones. Many parents have to cope in conditions of great stress, with the loneliness and isolation of bringing up a family singlehanded. This can be compounded by emotional problems, housing problems, and a wide range of other difficulties.

Many more children growing up in such families are likely to be at risk than children in two-parent families. Some of these children may end up being taken into care by the local authorities, due to the inability of parents to cope with the multiple problems of their situation. Income maintenance policy towards these families can play an important role in ensuring that these children can receive adequate material and emotional care within their own families. If a parent feels she cannot cope with the day in day out problems of living on a frugal State income, she may give up altogether, and hand her children into care. Or

[6]NESC, No. 38, Chapter 8.

she may take up full-time employment to improve her financial circumstances, and the financial pressure to do so may be such that she makes less than adequate provision for the care of her children in an environment which will give them the stability and continuity and a caring relationship which these children in particular need. This does not imply that most lone parents can or will neglect their children. But the extra pressures on these parents, and the possible resulting problems for their children, are factors which the State cannot afford to neglect. On these grounds, there is a case for special consideration for these families, over and above the treatment they would receive if strict comparability with other social welfare recipients were the only criterion.

CHAPTER 6

FAMILY ROLES AND INCOME MAINTENANCE POLICY

In Ireland, income maintenance programmes are largely based on a traditional concept of sex roles.

A man drawing a weekly social welfare payment normally receives an increase for his wife. In the case of insurance benefits, this is irrespective of whether his wife is working or not, but for assistance payments, the presence of a working wife would usually mean that he would not satisfy the means test. A wife who is living with her husband is assumed to be automatically dependent on him.

The income maintenance system does not generally allow for role reversal. A working wife can only claim an increase in benefit in respect of her husband if he is an invalid, not if he is financially dependent on her by choice.

A married woman receives a reduced rate of unemployment and disability benefit, and qualifies for unemployment benefit for a maximum of a year,[1] compared with fifteen months for others drawing such benefits. Married women may not normally receive unemployment assistance. The original justification for these distinctions seems to have been that such women would be expected to rely on their husbands for financial support. More recently, concern has been expressed at married women's high claim rates, for benefits.[2]

While there is a widespread provision for widowhood in the social welfare code, benefits for widowers are almost non existent. While originally widows drawing widows pension had to have at least one dependent child, or to have reached an age limit—first 50 years, then 48 years, then 40, this age limit has been abolished for a number of

[1]From April 1979.
[2]Page 77 of Green Paper *Development for Full Employment.*

years now. A wealthy widow of an insured man, with a job of her own and no dependants, can draw a widow's pension, while no benefit is available for a widower with a young family—he is expected to work, while a widow is not necessarily expected to, whether she has children or not.

In general, both social assistance and the tax system work on the principle of the aggregation of the income of husband and wife. The result can be to give more favourable treatment to two single persons than to a married couple.

Benefits are usually based on the family rather than the individual, and paid to the husband. The main exception has been the non-contributory old age pension where each of a couple can qualify for a pension in their own right, on the basis of half the joint means. In social insurance while the husband's contributions cover himself and his presumed dependent wife and children, a working wife can also build up an insurance record to cover herself as an individual. This cover does not extend to her husband and children unless she is a lone parent or is supporting an invalid husband.

Up to recent times, the views about family roles and aggregation of family income embodied in the income tax and social insurance codes have reflected the actual situation of the vast majority of families, that of a breadwinner husband, and a financially dependent wife whether or not she had young children to care for.

More recently changes in the pattern of family living, the more active involvement of married women in the labour force, the growth of the women's movement in Ireland and of concern about sex stereotyping, mean there is a need for reappraisal. In many ways our treatment of the family in income tax and social welfare legislation is now very different from that in other European countries. A directive on the equal treatment of men and women in social security legislation has now been adopted (19 December 1978) by EEC member states and is to be implemented over a period of 6 years.

Even if the changes in women's roles in Ireland have been much slower than in other countries, it is still important that our social welfare system be able to accommodate such change and be aware that change is likely to accelerate over the next few years. It is also important that the system should allow a range of choice, even if the choice of the majority at present is in the traditional pattern.

A recent UN conference on the maintenance of Family Income[3] devoted a great deal of discussion to the implications for tax, social security, and social assistance, of changing roles within the family. In most of the countries represented, the trend has been for tax and social security (social insurance) authorities to deal with people as individuals, independently of the circumstances of their partners. Allowances in respect of dependent (but not of working) partners are made,[4] and survivor's, mainly widow's pensions payable on the other partner's insurance record are found everywhere. But it is increasingly seen that a woman's social security cover, in particular pension cover, is something she will earn in her own right. The social security cover a married woman receives by virtue of her husband's insurance status is seen as declining in importance as a source of social security protection.

Aggregation of Income

For means-tested assistance benefits, all the countries support the principle of aggregation of income. These payments are seen as clearly need-related, while social security benefits are seen more in terms of earned benefits, and the equal treatment of people irrespective of sex and marital status. In social security and tax, the widespread practice of informal marriage in Europe makes the implementation of aggregation rules based on formal marriage impossible to implement.

In Ireland, the aggregation principle for income tax has come under heavy criticism from the Married Persons' Tax Reform Association, who claim that married couples where both work outside the home pay substantially more tax than do single couples. Their claim is now the subject of a constitutional action. The Minister for Finance has defended the present position as being fairer to couples with only one earner, who are in general less well off than couples where both earn. As a compromise, he has proposed an "income-splitting" solution, where each of a couple, whether working or not, is deemed to have earned half the joint income. A detailed discussion of the issues relating to income tax would be outside the scope of this report.

[3]European Social Development Programme Expert Group on Policies for the Maintenance of Family Income, Dun Laoghaire, 28 August-September 1978.

[4]In Ireland, however, an insured man may get an increase of benefit for his wife even if she is herself employed and not financially dependent on him.

Means-Tested Benefits

The aggregation of needs and of income in assessing a couple's claim for means tested payments finds general acceptance. It would be difficult to defend a system of individual assessment which gave benefits based on their personal means to, for example, wives of well-off husbands.

If our means-tested benefits are to provide equal treatment for men and women, there should be provision for payments to male lone parents such as widowers and deserted husbands. Men of 58 or over, as well as women aged 58 and over, would be eligible for a weekly social assistance allowance without having to satisfy a test of availability for work. The general prohibition on married women receiving unemployment assistance would also have to go. In the context of a means-tested scheme where the means of husband and wife are always aggregated there seems no justification for excluding married women as such from assistance.

Where neither one of a couple is working, either partner should be entitled to make the claim, with the other partner as dependant. The use of a system whereby each could claim as an individual on half the joint means would lead to some extra cost. At present rates this would give 15% more to a couple than the current system. It would ignore the economies of scale in a shared household—the relation between rates for single people and couples here correspond broadly to research findings in the UK on such economies. Couples where both were available for work would fare better under such a system than couples where one partner had the care of dependent children. In Britain, the discussion on sex roles in the Supplementary Benefit Scheme has so far favoured the limited step of allowing a couple a choice as to who should be the principal claimant rather than full individual claims for each of a couple.

Social Insurance

With recent and proposed extensions of insurance cover, insurance benefits will become in time very much the principal source of income maintenance for families whose earnings are interrupted or cease. Up to April 1979, insurance contributions have been differentiated slightly by sex. From then, contributions will be fully pay-related, and there will be no distinction on grounds of sex or marital status. It is difficult to

defend unequal entitlement to personal benefit based on sex or marital status where no such distinction exists in making contributions. In the UK, experience with reduced rate benefits, and contributions for married women has not been very satisfactory, and this is being phased out.

There are a number of anomalies in the present treatment of the sexes in the social insurance code—the low limited rate and limited duration of unemployment benefit for married women; the provision of benefits for widows, irrespective of circumstances, but only exceptionally for widowers; the treatment of wives as automatically dependent, whether working or not, while husbands are considered dependent only if they are invalids. But in general the system is based on the principle of individual entitlement related to contributions rather than an investigation of family circumstances, and wives can qualify for benefits in their own right irrespective of their husbands' position.

Allowances for family members

Since 1953, social insurance benefits have provided increases in respect of wives and the first two children. Since 1960, they have included increases in respect of each child in the family. It may not be strictly logical to provide family related benefits based on flat-rate contributions, in replacement of earnings which did not account for family size either. Where benefits rise with family size, there will always be points where if a man's family is large enough it will not pay him to work. This is an issue which has received a lot of media attention, particularly in Britain where large families receiving, say, £100 a week in benefits have been the subject of hysterical headlines of the "Scrounger of the Week" variety.[5]

It is clear that a man with 12 children who can draw £74 a week in basic unemployment benefit would want a job paid well above the average for semi-skilled or unskilled work if it is to be worthwhile taking up a job offer. But that argument is not the whole picture. While £74 a week may be a sizeable absolute sum, relative to the needs of a couple with 12 children, it allows a bare subsistence standard of living. Any reduction in the sums payable in respect of dependants would cause severe hardship among the worst off, those with the largest

[5]See New Society, November 1978 on media treatment of this issue.

families. There would be no guarantee that either an increase in the labour supply, or a reduction in unemployment would result.

One alternative would be to support families in a way which was neutral as to whether a parent was working or not. In Britain, for example, the increases in Child Benefit, payable to all families, are being accompanied by reductions in the level of child support payable under National Insurance. Our traditional approach has been the other way round, to concentrate whatever money was available on the poorest children, the children of welfare recipients, rather than spread it around too often among children in general. The cost of replacing allowances for children of welfare recipients by an equivalent payment made to all children, irrespective of whether or not a parent was working, would be enormous. The amount now paid per child varies from £5.70 a week for children of widow contributory pensioners, down to £3.10 a week for the third and later children of unemployment assistance recipients. Even at the lower figure this would cost £124 million a year, and the distributional effect of such a move would be to benefit largely the better off families. But there might be room for incorporating part of the child allowance in an increased monthly cash allowance arising from converting income tax allowances for cash equivalents (see Chapter 4).

Women as Dependants

At present, husbands automatically receive allowances for wives, and widowhood as such is grounds for awarding a pension. The State supports wives and widows who stay at home, irrespective of whether they have children or others to care for. In circumstances where a single person might be considered simply unemployed and required to register for work, no such proof of financial dependency is required of married women or widows.

This reflects the position in Ireland where up to recently relatively few married women worked outside the home and instead made a career out of home making and the care of their children. Opportunities for work outside the home were and still are limited and with large families and a lengthy period of child rearing, the numbers returning to work when their children were grown was small up to recent years. The proportion of married women with a job here is 14% while in the UK it is 55% (29% part-time, 26% full-time).

Other European countries with a much stronger tradition of working wives have fairly similar provision to ourselves in paying benefits to wives and widows without requiring them to register for work outside the home. If we were to base welfare payments for such women here on employment rather than marital status, we would be going ahead of the mainstream of European tradition. Deciding eligibility and arranging payment would be more costly to administer than at present. While more strictly logical than existing arrangements and while it would eliminate some existing distinctions based on sex and marital status, such benefits would be outweighed by the inconvenience involved, and there seems little point in asking people to register for jobs which are not likely to be there.

Conclusion

Any new policy developments in relation to family roles and income maintenance will be determined mainly at EEC level. The recent adoption of a directive on equal treatment suggests that full equal treatment for men and women in social welfare will be introduced here over the next six years.

CHAPTER 7

ILY ALLOWANCES IN THE MEMBER STATES OF THE EEC

is chapter examines monthly cash allowances payable to families C countries.

ere are difficulties in comparing the level of family support in ent countries. Generous cash allowances may be matched by a system which takes little account of family size. Only Ireland, ce and the UK provide allowances for dependent family members social welfare payments like unemployment benefits. One country support families through subsidised school meals or housing wances rather than cash family allowances. The EEC has nmissioned a study by Jonathan Bradshaw of the University of York examine all forms of support for children in the EEC countries at a gle reference date in 1979 to provide a full valid basis for nparison.

It is nevertheless useful to examine the level of cash allowances paid the EEC countries—the comparison with our level of family support striking. Because of the different systems operating in each country, e position in each country is described one by one, and then some eneral conclusions are drawn. The reference date is 1 July 1976, the ate of the latest published details for each country,[1] and the value ave been adjusted to Irish £'s using market exchange rates on that ate.

Denmark

A universal system of family allowances operates, financed entirely y the State. The allowances are index linked. They are payable in espect of children aged 0-16, and were worth £12.50 per child per nonth in 1976.

[1]See Comparative Tables of Social Security Systems in Member States 1976, EEC Commission.

United Kingdom

Family allowances called child benefits are now payable in respect of all children, and are financed entirely by the State. The child benefit scheme which is being introduced is planned to replace income tax allowances for children. The rates are £3 per child per week from November 1978, and £4 per child per week from April 1979. An additional £2 a week is payable for the first child in a one parent family. These amounts are equivalent to £13 per month now, and £17.33 per child per month from April next.

The general age limit of 16 is extended to 19 for children in full time education. Allowances for children are also payable with social insurance benefits and the means-tested supplementary benefits scheme. In 1976, a person drawing unemployment benefit received £3.50 a week for the first child and £2 a week for each other child. The main family allowances scheme was worth £6.50 a month for each child after the first at that date.

Ireland

Non-contributory children's allowances payable to all families are now £3.50 a month for the first child and £5.50 for the subsequent children. In 1976 the rates were £2.30, £3.60, and £4.35. The age limit is age 16, or 18 if in full-time education. Allowances for dependent children are also payable under social insurance and assistance schemes, ranging from £3.10 to £5.70 a week per child.

Netherlands

This scheme is provided for children of insured people, and is financed by a 3.25% levy on employers, with some State subsidy. The age limit is 16, or 27 if in full time education, and 90% of children in the 0-19 age group are covered. No child dependant allowances are payable with for example, unemployment benefit. The monthly allowance in 1976 was:

	£ per month
1st child	11.28
2nd and 3rd	16.62
4th and 5th	22.48
6th and 7th	24.53
8th and later children	27.14

The allowance is index linked. Increases in these allowances have been matched by reductions in income tax allowances for children.

W. Germany

The family allowance scheme is financed entirely by the Government, and covers children to age 18, or age 25 if in full time education. 78% of children in the 0-19 age group benefit. No dependant allowances are paid with social security. In July 1976, the family allowances were £10.89 for the first child, £15.24 for the second, and £26.13 for third and later children. The allowances are not index linked, and the 1977 revision did not include an allowance for the first child. At present (December 1978) exchange rates, the allowances for 2nd and 3rd children are now £21.30 and £40 per month respectively. Child tax allowances have been abolished in Germany.

Belgium

Family allowances in Belgium are related to employment, and are financed by a 7.75% contribution from employers, with some State subsidy. The general age limit is 16, extended to 21 for children in full time education. 86% of the 0-19 age group are covered. The allowances are index linked. No allowances for dependants are payable with social security. The rates of allowance payable vary both with the age of the child and the number in the family. The 1976 rates are as follows:—

	£ per month
1st child	18.00
2nd child	28.57
3rd child	39.12
4th child	39.90
5th child	40.20
Age Supplement	
Age: 6-10	3.37
10-14	5.94
14+	9.61

France

Family allowances are again based on occupational funds, with a 9% contribution from employers, and some State subsidy. The general age limit is $16\frac{1}{2}$, extended to 20 for those in full time education, 84% of the 0-19 age group benefit. Unlike most of continental Europe, there are dependant allowances payable with social security also. The daily allowance for the unemployed is worth about £3.20 per dependant per week.

In 1976, there were three main forms of family benefits—family allowances proper, compensatory allowances for those unable to benefit from income tax allowances for children, and a single wage allowance for families with one earner. The single wage allowance scheme is being abolished, and a more selective scheme, confined to families with three or more children, or with one child under the age of 3, is being introduced.

The rates of benefit in 1976 were as follows:—

	£ per month
Family Allowances	
2nd child	18.05
3rd and 4th, each	30.36
5th+	27.08
Compensatory Allowances	
2nd child	1.15
3rd+	1.78
Age Supplement	
Aged 10-15	7.38
Aged 15+	13.13
Single Wage Allowance	
1st child	4.60
2nd child	9.19
3+	11.49
Child under 2 years	11.49

In addition, a prenatal allowance is payable, which is contingent on the mother receiving prenatal medical check-ups. This is worth £18.05 a month for each month of pregnancy.

Italy

The family allowances scheme is employment-based and is financed by a 6.5% contribution from employers, with some additional State finance. It covers children up to 18, or 26 if in full time education. 57% of the age group 0-19 are covered. The benefit in 1976 was £6.60 per child per month, with 10% extra to bring it up to £7.27 per month for PAYE taxpayers. Wives with no income in their own right receive £6.60 (or £7.27) similarly in respect of themselves. The allowances are not index linked.

Luxembourg

The scheme of family allowances is financed by a $2\frac{1}{2}$% levy on employers. All children under 19 benefit. The allowances are index linked. The value of the allowances in 1976 was:—

	£ per month
First child	14.78
2nd Child	14.78
3rd +	38.08
Age supplement	
Aged over 12	3.32

An age supplement for children aged 6-12 has since been introduced. Like France, there is a prenatal allowance, intended to encourage prenatal check-ups. It amounts to £28.26.

Comment

While the different schemes of family allowances vary, one thing is clear—our EEC partners give substantially greater children's allowances than we do. For the majority of families, those where there

is a working parent, the following shows the monthly amounts which would have been received in 1976 by families with one, two and four children.

	1 Child	2 Children	4 Children
	£	£	£
Belgium	18.00	46.57	125.59
Denmark	12.50	25.00	50.00
West Germany	10.89	26.13	78.39
France*	4.60	31.84	115.54
Ireland	2.30	5.90	13.60
Italy	6.60	13.20	26.40
Luxembourg	14.78	29.56	105.72
Netherlands	11.28	27.9	66.70
UK	—	6.50	19.50

* Includes single wage allowance

Note:—This table does not include age supplements, which could substantially increase the amounts payable in France, Belgium, and Luxembourg.

The comparison is somewhat less stark when we look at the amounts paid in respect of children of parents living on social security. But while continental EEC countries other than France do not give child supplements in their social security payments, these payments are tied much more to earnings and represent a much higher proportion of average earnings than they do here or in the UK.

The table below shows the proportion of net national disposable income spent on family allowances and on all social security and assistance in EEC member countries in 1975. Ireland is sixth in the league table for the proportion of national income spent on family allowances, and last in the table on all social security and assistance. Better-off countries can provide substantially better family allowances for a given proportion of their national income than we can, as well as generally giving more weight to social welfare and to family allowances in their national spending than we do here.

Social spending as % of net national disposable income, 1975

	Family Allowances	All Social Security and Social assistance
	%	%
Belgium	3.5	24.2
Denmark	4.0	28.8
W. Germany	2.9	30.6
France	3.7	22.9
Ireland	2.8	17.7
Italy	2.4	24.1
Luxembourg	2.3	25.9
Netherlands	3.3	31.0
UK	1.5	20.1

Source: Statistical Survey, table X, in Report on the Development of the Social Situation in the Community, 1976.

CHAPTER 8

OTHER ISSUES

A number of other issues are examined in this chapter.

A Wage for Mothers

The recent movement towards greater equality for women has tended to concentrate on women at work in paid employment. The result has been sometimes to devalue the work which is involved in caring for children, largely performed by mothers. Some people have identified the devaluation of the job of motherhood as being connected with the fact that it is unpaid, and that mothers lack the independence which goes with outside employment and an income which is earned in their own right.

Some groups have advocated the payment of a State wage to mothers, and the kind of sums mentioned are of the order of £50 a week, a comparable level to that earned by many women in outside employment.

However worthy in principle, payments of this order of magnitude to mothers are clearly not realistic. The Minister for Finance, in connection with comparable proposals for payments to wives through the tax system, has argued that the net transfers from husbands to wives which would be involved at a national level if such a scheme were implemented, are much more easily achieved by the simple sharing of family income between husbands and wives in the majority of marriages where such sharing leads to no problems. A mother's State wage of £50 a week would give rise to great upheavals in tax rates, and in inflationary pressures as men tried to regain their previous take home pay, and it is doubtful if the net result would be beneficial in terms of inflation, unemployment, and ultimately family living standards. Because a wage of £50 a week is impracticable, it is not enough to dismiss the idea altogether. The point about giving wives and mothers an independent income of their own is an important one. A State payment in their own right, even if it is not much greater than a token acknowledgment, is an recognition that they are doing a job which is very worthwhile. The need to improve the status of mothers in society is an important reason for seeking higher levels of children's allowances.

The independence which an income in their own right brings is not just a question of status for many mothers, but of financial necessity. Quite apart from homes where there is family tension, or where a husband drinks or gambles to excess, many people believe that the division between the wife's housekeeping money and the husband's pocket money in what are considered normal happy households, does not correspond to the relative needs of each partner and of provision for the household. No concrete evidence can be offered for this conclusion in this country, but social workers could verify that it is common in both working class and middle class families. A survey conducted by the Child Poverty Action Group in the UK, at the time when it was proposed paying child credits to fathers rather than to mothers, confirmed that unequal sharing of income within households was widespread. It would be useful to research here how many wives get an increase in housekeeping money at the time of a National Pay Agreement for example.

Frequency of Payment

From 1944 up to 1952, children's allowances in Ireland were payable on a weekly basis. At that stage allowances were only payable in respect of third and later children in a family, and the number of families claiming allowances was 140,000. There are now 416,000 families drawing the allowance, so that the administrative difficulties of reverting to a weekly system would be many times greater than they were 30 years ago.

In Britain, the family allowance has always been a weekly payment, while in Continental Europe, it has always been on a monthly basis. This has corresponded to the frequency of wage payments in the different areas. In most countries, the family allowance has been considered as part of the normal family income, intended to help with the normal food and housekeeping budget. In Israel, the children's

allowance is payable in mid-month while the normal wage-packet is received at the end of the month. This is deliberate, to boost family income at the point when the strains of budgeting on a monthly basis are beginning to show. The timing of the UK child benefit for after the weekend has much the same purpose in mind.

In this country, weekly rather than monthly budgeting has always been the norm, and as such a weekly children's allowance payment might be considered appropriate. But there has been no real pressure for such a move. First, the level of the allowance has been so low that to divide it on a weekly basis would give a sum barely worth collecting. If the level of the allowance was to be increased significantly this argument might be less valid. However, because of the monthly system of payment, there has been a tradition of using the children's allowances for 'capital' items like children's clothes and shoes, and not just simple housekeeping. Some families use the children's allowance to meet monthly bills, ESB bills etc. which they find difficult to budget for otherwise from a weekly income. There could be a reluctance to see the benefits of an improved level of allowance absorbed imperceptibly into current weekly food spending rather than being clearly seen as an improved monthly payment. The allowance is now payable on the first Tuesday of the month. The gap between payments can be four or five weeks depending on what day of the week the month begins.

Without moving over to a weekly system, a more regular payment to the mother might be achieved by a fortnightly or four-weekly payments.

The following shows what values of 4-weekly or fortnightly payments would correspond to current levels of benefit.

	Per month	Per 4 weeks	Per fortnight
	£	£	£
1st child	3.50	3.23	1.62
Subsequent children	5.50	5.08	2.54

If in the case of a move to a 4-weekly rather than a monthly payment, the face value of the allowance was maintained, the cost would be an extra £5.5 million in a year.

The administrative cost of such changes would consist largely of the extra workload on post offices for handling the extra payments days. The 1978 estimate for the Department of Social Welfare implies an average transactions cost of 14.76p for social assistance transactions. On this basis, a 4-weekly system would cost an extra £61,000 a year to administer, and a fortnightly system, an extra £854,000 a year. Against these administrative costs must be balanced the benefit to the mother of a more regular payment system. It seems reasonable to conclude that the administrative costs of a fortnightly payment would be excessive in relation to the benefit involved. While a move to a four-weekly from a monthly payment system is fairly cheap to administer, it is probably only realistic to expect that such a change could not be achieved without maintaining the face value of the allowances, and so the full cost would be £5.6 million a year.

Child allowances during pregnancy

A number of countries—France, Finland, and Luxembourg for example, give a special payment to mothers during pregnancy, on condition they attend a certain number of ante-natal check-ups. Such payments are mainly designed to ensure that mothers avail fully of ante-natal services, rather than as an income maintenance payment.

Any case to be made for such payments in this country must first be based on a study of the use of ante-natal care services, and the nature of the problem involved in any cases where such use is low. If inadequate ante-natal care is the result say of inadequate ante-natal services in certain rural areas, then better services would be a more logical response than financial inducements to avail of facilities which are not there. If there are particular sub-groups who do not avail of ante-natal services, like single mothers, mothers of large families, or people in particular social groups, it may be worthwhile to explore more deeply why they do not use the services rather than just offering a cash inducement. It may be that problems like transport, timing of clinics, lack of facilities for small children at clinics, are significant. It may be that simpler and less expensive solutions are available to any problem of take-up, rather than a cash payment which if made to all mothers would be very expensive, and would go to very many people for whom such an incentive would be unnecessary.

Maternity benefits

Women who have social insurance receive a weekly State maternity allowance for six weeks before and six weeks after the birth of the child. A maternity grant of £8 can be obtained on the insurance record of both the husband and wife where applicable.

There is no statutory entitlement to maternity leave with pay. The principle that a woman should receive an income while she is unable to work immediately before and after the birth of a child is generally accepted. There are demands from trade unions for maternity leave on full pay for all employments, and for a longer standard period of maternity leave than the present twelve weeks.

Apart from loss of earnings, which is best dealt with by improving sick pay and maternity pay schemes, pregnancy as such does not lead to any great increase in living costs in this country. Nutrition standards are already high. Medical care can be expensive for those who are not eligible for free treatment, but where this is a problem, an extension of free maternity treatment seems the obvious solution. Overall, therefore, there does not appear to be a case for supplementing family incomes during pregnancy as an income maintenance measure.

CONCLUSIONS

Our constitution regards the family as the fundamental unit of society. But the practical help we give families to cope with the costs of raising children is fairly limited. Families as a group have been losing out in recent years relative to other groups in the community. Our monthly children's allowances are the lowest in the EEC, and have been falling steadily in real value since 1973. Tax allowances for children have also been falling in real value, and are now at their lowest level in real terms since the foundation of the State. It is the largest families whose position has disimproved the most.

Many families, particularly the larger families, find it difficult to manage. But the families who are worst off are those living on social welfare payments. At any given time, a quarter of our children are living in families who are dependent on these benefits, and at least one child in eight is living in families depending on social welfare as their long-term source of income. While these benefits have improved over time, the level of benefit is still very low, and many of these families are just at the margin of subsistence. A widow with 2 children gets a contributory pension of £28.40 a week; a family with four children, on unemployment assistance must live on £37.15 a week.

Poor families where there is a parent working receive very little State help. It is felt that a regular weekly payment, on the lines of the FIS Scheme in Britain, would be the most appropriate way of channelling help to this group.

Our commitment to social justice can be measured in the degree of help and the standard of living we allow to the poorest in our community. Substantial increases in the real level of welfare benefits are needed if the poorest families are to receive adequate basic living standards, let alone acceptable standards relative to the rest of the community. In particular, the levels of benefit of the scheme of last resort, Supplementary Welfare Allowance, must be raised to an adequate level. Families living on weekly benefits find it difficult to manage lump sum expenses like shoes and clothes for children. It is recommended that a double children's allowance be payable to such families in September each year. This would cost £1.3 million. The introduction of an age-related supplement for older children of social welfare recipients might be recommended, given the clear evidence that the cost of children rises substantially as they grow older.

Large families have lost out more than most in the last few years. While the cost of helping these families is fairly small, the number of children who will at some stage experience poverty growing up in a large family is great. Measures to help these families in particular are well worth while. An increase of £1 a month for each child in families with 4 or more children would cost £6 million a year.

At present the only income most mothers have in their own right is the children's allowance. At the same time, income tax allowances, worth a minimum of £28 million a year in cash terms, are payable, overwhelmingly to fathers, and the value of such allowances to the family increases with rising income. These two considerations lead to the suggestion that income tax allowances in respect of children should be abolished and replaced by a cash transfer of equivalent value. This would redistribute income from higher to lower income groups, and would redistribute income within the family from fathers to mothers. This has already been effected in the UK. This proposal seems a worthwhile one, and the Council may choose to recommend its introduction, on a phased basis if necessary.

The economic position of one parent families is particulaly insecure. It is recommended that help should be equally available to male heads of one parent families as it is to female heads. A number of reforms seem necessary here. A realistic level of support or allowance for child care is needed by a working lone parent. The extra expenses of running a household do not seem to be adequately taken into account in the level of social welfare payments for lone parents, given that they do not receive any payment, like other families do, in respect of a second adult. Separated wives have particular problems. A reappraisal of the present responsibilities for maintaining separated families is necessary, to eliminate the difficulties and loopholes in the law which lie in the way of many of these families receiving an adequate income. And of course the remarks on the general inadequacy of welfare benefits apply equally to one parent families as to other welfare recipients.

David Donnison in his report for the Council has said that social policy is essentially concerned with redistribution. Family policies which are a fundamental means of redistributing income both to the poorest groups, and across households with differing family commitments, must be seen as central to Irish social policy.

Wt.—. P127014. 2000. 10/79. Cahill. (0639). G.16.

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