

SYMPOSIUM ON THE REPORT OF THE COMMISSION ON SOCIAL WELFARE

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1 INTRODUCTION

The Report of the Commission on Social Welfare (CSW) together with the three Background Papers comprise the first ever comprehensive review of the entire Social Welfare System. The Chairman, the members of the Commission and the authors of the Background Papers merit our congratulations. The CSW tackled its very wide terms of reference earnestly and courageously, as did the Commission on Taxation which preceded it, and with which it was requested to liaise "with a view to ensuring the compatibility of recommendations from both Commissions"

Expenditure on Social Welfare is at a record high of over 14 per cent of GNP, absorbing more resources than is devoted by the State to agriculture, fisheries, forestry, industry, transport and communications combined. Throughout the recessionary fifties expenditure on social welfare never exceeded 6 per cent of GNP. Indeed back in the fifties the four areas of education, health, housing and social welfare combined absorbed around 15 per cent of GNP. In the past 20 years the total number of social welfare beneficiaries has increased from over half a million to over 1.3 millions.

On the occasion of this Symposium there is a need to stand back from the Report and to view its recommendations as a potential component in the overall framework of economic and social policy. There is also a need to make explicit the values which more often than not are implicit in our recommendations. For example, what do we claim *ought* to be the role of the State *vis-a-vis* the elderly, the unemployed, the unmarried mother or the deserted wife?

There is little need to fill in the barren economic background against which the Report must be viewed. It is readily recognised. An expanding population faces contracting opportunities. Unemployment and debt are at record levels.

¹ I am grateful for help with the preparation of this paper from Ray Bates, Colette Byrnes, John Hynes, Siobhan Logan and Veronica Scanlan, Department of Social Welfare; from Paddy Molloy, Revenue Commissioners; from Sean Cromien, Department of Finance; Kieran Kennedy, ESRI and Catriona Murphy, NBST.

Substantial emigration has resumed. Output is flagging and, while inflation is well down, real interest rates have never been higher. Furthermore, much of the political will to tackle our economic problems appears to have been dissipated.

The Report of the CSW culminates in its chapter on *Costings and Priorities*. I will limit my comments to some remarks regarding these two areas.

2 COSTINGS AND REVENUES

The Commission has tried to find the money to finance its proposals which are estimated to cost £560 million in 1985 terms. Is the money really there? It is suggested that revenue may be found in four main ways:

- broadening the social insurance base,
- raising revenue or curtailing expenditure through the tax system,
- significant reduction in unemployment,
- reallocation of public expenditure.

3 BROADENING THE SOCIAL INSURANCE BASE

In order to broaden the social insurance base and obtain an estimated £226 million in 1985 terms, the CSW proposes the following:

	Em 1985
- PRSI on public servants with no ceiling	£59
- PRSI contributions by self-employed of 5.5% where income is readily assessed or £10 per week otherwise	£104
- Abolition of ceiling on PRSI contributions	£63
	<hr/>
	£226 m

A case can be made on equity grounds for introducing PRSI for public servants. While public servants may not be susceptible to the same risks of unemployment as other workers, they might still be asked to pay on the basis that all might be asked to pay health insurance, even if some people could be guaranteed perfect health. However, public servants, if paying full PRSI would have to qualify for the full range of benefits, sick pay, disability, pensions and so on, if and when such contingencies arose. Under their existing terms of employment public servants already have a range of entitlements. If paying PRSI should they then receive two pensions, for example?

Clearly if full PRSI was extended then the present entitlements of public servants would have to be curtailed. Conditions of employment cannot be curtailed unilaterally without compensation. This might be substantial.

Enquiries made to the Department of Finance and the Department of Social Welfare indicate that full costings of the extension of PRSI benefits to the public sector have not been made, partly because of the difficulty of precisely estimating the likely figure for compensation if existing benefits are curtailed. Furthermore there is the question that if the employee pays more PRSI, then the employer, in this case the State, also pays more. But the State contribution to the Social Insurance Fund could then be reduced. On balance, it seems that PRSI is unlikely to be a major source of revenue under present conditions. However a radical step could be taken towards longer-term reform in relation to new entrants to the public service. There is also the point that the introduction of PRSI in the public sector could improve mobility between the public and private sectors.

The CSW envisages that the self-employed should be covered for all long-term benefits. In this instance, the all important problem of collection of contributions arises. To date it has proved difficult to collect farm tax or levies or health contributions from the self-employed who nevertheless have enjoyed benefits. With regard to the Commission's suggestion that the income ceiling for PRSI contributors be abolished it is a fact that people with higher incomes are already squealing about their tax burden. While the CSW stresses the relationship between contributions paid and building up entitlements to benefits, in practice, if somewhat inaccurately, many people equate social insurance contributions with tax. There will certainly be resistance to the removal of the ceiling by those affected, especially if the public sector and the self-employed are not included in the net.

4 THE TAX SYSTEM

Under the heading of the Tax System, the CSW suggests that tax allowances need to be reviewed, that in some cases duplication occurs and that existing capital and property taxes yield very little. Reform of the tax system opens a range of possibilities. Certainly the Reports of the Commissions on Taxation should be studied alongside the Report of the CSW. The nub of the problem is that we have a tax base which is small in relation to expenditure, and a social welfare base which is continually expanding in relation to revenue.

5 REDUCTION IN UNEMPLOYMENT AND REALLOCATION OF PUBLIC EXPENDITURE

Reallocation of public expenditure and reduction in unemployment are the other two areas of revenue saving proposed by the CSW. The CSW say that there would be savings, on average, of £2.7 million for a reduction of every 1,000 on the Live Register, at 1986 rates. Also for every 1,000 employed persons paying PRSI, the contributions to the Social Insurance Fund would be, on average, £0.55 million. This would be additional to any possible income tax revenue.

It seems to me that we urgently need to shift the entire emphasis in policy away from welfare and towards work as the lever with which to lift our society out of the pit into which we have sunk and to move forward on the way to national recovery. I will make my own values on this central point quite explicit. I believe that we have both a right and a duty to work as part of our human realisation and I regard unemployment on the present scale as a major moral, as well as economic and social, problem deserving the utmost priority. To leave hundreds of thousands of people, indeed millions throughout the EEC, for long periods or indefinitely, on dole queues, is to dehumanise and corrode and to rob many of their self-respect.

It is often assumed that the social welfare system provides an effective mechanism for redistribution, that it transfers from the "haves" to the "have nots". In this context I would recall the point strongly made by Jan Tinbergen that the best method of redistribution is via employment. The entire productive base of the economy must be developed in a way which makes improved social welfare realistic. In pursuit of this essential objective the ESRI report on *Employment and Unemployment Policy* contains a set of valuable proposals. There is little hope of improved employment opportunities without a co-operative partnership of employers, including Government, and the trade unions. There is considerable room for improvements in management but it is unrealistic to suppose that the private sector alone can provide 250,000 jobs. There is considerable scope for improved Government policies also. But it is, I think, the Trade Unions who may hold the key.

The choice may be seen clearly in the public sector itself. While the unilateral curtailment of conditions of employment could only be obtained via a policy of compensation as suggested in relation to the PRSI proposal, if the Unions themselves were to make voluntary proposals for the sake of increasing employment, that would be a different matter. The public sector payroll is over £2,600 million. Cash payments to the unemployed are around £600 million. Combined payments to the employed and unemployed members of the public sector exceed £3.2 billion. There must be scope for a change in the allocation of this vast sum in order to reduce the average pay of those employed in the public sector and to allow some transfer of persons from the unemployed to the employed category. The public service payroll is divided between approximately 215,000 persons, while the unemployment money is divided between about 230,000 persons. This results in an average pay/pension cost per public service worker in excess of £12,000, before tax, compared with an average *per capita* cash payment per unemployed person of under £3,000. Of course pay and pensions costs comprise only the first level of costs associated with a job. There is a second level of costs which includes staff accommodation, light, heating, telephone, etc. These costs could equal up to 50 per cent of the wage/salary costs. Correspondingly, in addition to the direct cash costs of unemployment, there are massive indirect losses to the Exchequer due to the lost income tax, lost social insurance contributions and

lost indirect taxes on purchases which have not taken place. Furthermore, there is evidence that continuing unemployment is associated with a deterioration in health, a rise in crime and allied costly social evils.

The public sector payroll is a combination of pay rates and numbers employed. One source of upward thrust to the public sector pay bill has come from the more rapid growth in numbers at the higher levels in the public service. This is partly due to the mechanisation of work at the lower levels. However, the recruitment embargo may have biased replacement towards the better paid jobs. Micheal Ross has found that there has been a tendency for senior posts to multiply more rapidly than less senior posts. Very crudely, it appears to me that the most sensible approach at present to public sector employment would involve more low paid workers, less unemployed dependent on social welfare and less higher paid workers. Such a strategy will certainly involve reduced entry points and longer scales of pay. It will be argued that entry points are already low and that many public sector jobs are not well paid. But this situation must be viewed in the context of the 230,000 persons living on unemployment payments.

The approach is not without problems. In any system of voluntary collective bargaining with conciliation and arbitration procedures in place, a complex web of differentials and comparabilities is woven which cannot be altered easily, unless the web is broken. Under existing arrangements and procedures, there will be grave problems in modifying public sector pay if modifications are not also made in comparable private sector occupations. But it would be totally unrealistic to expect an expansion of the public sector at present average rates of pay. If more teachers, for example, are to be employed then all teachers must, on average, be paid less.

PRIORITIES

The priorities listed by the CSW concern the basic payment, child income support, broadening the social insurance base (also dealt with under costings) and delivery of service. In the public debate so far on the Report of CSW, the question of the basic payment has received the lion's share of attention. I will not attempt to deal with the basic payment on this occasion. I have made some points earlier in relation to the broadening of the social insurance base. There is a fair amount of agreement on matters relating to the improved delivery of services. I will limit my remarks to Child Income Supports. I think that what I have to say on this topic links well with my comments on the reduction of unemployment.

As you are all aware the principal forms of State financial assistance for families with dependent children are tax allowances under the Income Tax Code (abolished from April 1986), social welfare children's allowances, payments for child dependents of social welfare recipients (CDAs) and family income supplement which is paid where a parent is in full-time, but low paid,

employment In *Building on Reality* the Government favoured the introduction of a taxable Child Benefit at a higher level than existing children's allowances. However the Government has drawn back from this due to the difficulties of taxing certain groups, such as farmers. As shown in the Table, a sum of £407 million was spent on child income supports in 1985. Exactly one half of the total was absorbed by the CDAs of social welfare recipients, while only half of 1 per cent was targeted in aid to children of parents in low-paid employment. The range of payment per child varied from £42 per annum in this case of the average child allowance to £500 per annum per CDA. All categories of parents, regardless of circumstances, are entitled to children's allowances. Payment *per family* ranged from £113 per annum in the case of the taxpayer to £1,350 per annum in the case of the social welfare recipient. On average there were 2.7 children in the families of both the taxpayer and the social welfare recipient, while there was an average of almost 4 children in the family of the claimant of family income supplement.

Child Income Supports, 1985

	£m	Per cent of Total	Average Payment	
			Per child £ per annum	Per family
Child Tax Allowance (1985/86)	29.8	7.3	42.0	113.4 ¹
Children's Allowances	171.5	42.2	145.3	363.3 ²
Child Dependent Allowances (CDAs)	203.0	50.0	500.0	1,350.0 ³
Family Income Supplement	2.2	0.5	122.6	478.1 ⁴
	406.5	100.0		

¹ Average of 2.7 children per family, ² Average of 2.5 children per family,

³ Average of 2.7 children per family, ⁴ Average of 3.9 children per family,

Sources: Department of Social Welfare, Revenue Commissioners and *Report of the Commission on Social Welfare*

From April 1986 the tax allowances in respect of dependent children have been abolished. The justification for allowing a portion of income free from tax in respect of dependent children is based on the concept of horizontal equity, i.e., equity as between people in receipt of the same income, but with different

family circumstances. The abolition of the child tax allowance was based on the argument that such allowances were worth most to those paying the highest marginal rate of tax (i.e. considerations of vertical equity). While this is true, by far the biggest category of beneficiaries were paying at the lowest marginal rate of 35 per cent. In 1985/86 of a total of 258,000 claimants for allowances in respect of 709,000 children, 63.3 per cent of claimants claiming for 63 per cent of children, paid tax at 35 per cent, compared with 22.7 per cent of claimants, claiming for 23 per cent of children, who paid tax at 48 per cent. Only 13.6 per cent of claimants, claiming in relation to 14 per cent of children, paid tax at the highest marginal rate of 60 per cent. A point sometimes overlooked by those who used the argument against tax allowances that they help the rich most is that the same may be said of untaxed social welfare children's allowances. A sum of £15 a month tax free is worth more to the highest than to the lowest marginal rate tax payer, in terms of the extra taxable income that would have to be earned to gain £15 net.

Turning to Child Dependent Allowances, just over 21 per cent of all social welfare recipients in 1985 had children. Of the 406,000 child dependents in relation to whom CDAs were paid in 1985, 234,000, or over half had a parent claiming either unemployment benefit or assistance. In the case of a further 53,000, or about 13 per cent of children, the recipient parent was receiving disability benefit. Thus well over 60 per cent of CDAs are paid to recipient parents who are in receipt of either an unemployment or a disability payment.

The question of the relationship between unemployment compensation and work incentives is a complex one, and is the subject of John Blackwell's Background Paper for the CSW. There is no doubt that the recipients of unemployment payments who have the largest families fare better relative to those in employment than those unemployed with small families, or single persons – because of the existence of CDAs. Bearing in mind that work must be available to the unemployed in order for the question of incentives and replacement ratios to be relevant, in 1984 the replacement ratio of unemployment payment to average industrial earnings was 46 per cent for the single person on unemployment benefit compared with 82 per cent for the married person with 4 children and 92 per cent for the married person with 6 children. The corresponding ratios for the very low paid, e.g., those earning only half the average industrial wage would be 92 per cent, 164 per cent and 184 per cent respectively. The Family Income Supplement was designed to overcome the "unemployment trap" for low wage earners with big families. It could be argued that the "poverty trap" which occurs due to the increase in taxes and PRSI and the withdrawal of benefits (medical card, local authority rental, etc.) as income increases, could be considerably eased for low income earners with several dependent children by the re-introduction of realistic child tax allowances.

The CSW lists five specific priority proposals in relation to families

- the improvement in the real value of children's allowances,
- an age supplement of at least £5 a month for all children aged over 12 years,
- a supplement of at least £10 per family per month when there are five or more children,
- the extension to families, long-term dependent on social welfare, of the electricity and fuel allowances and the introduction of an additional payment, equivalent to the weekly value of the child dependent allowance, for the same category of recipients – paid on a quarterly basis,
- the rationalisation of CDAs (At present there are 36 CDA rates. The rates vary from child to child within recipient families, as well as from payment to payment)

Three of these priority proposals involve increased cash payments and one proposal involves increased ESB and fuel allowances. It seems likely that the latter proposal would lead to a further deterioration in the already relatively unfavourable position of families where the parent is in low paid employment *vis-a-vis* families of social welfare recipients. Furthermore it suggests a possible slight inconsistency. The CSW recommends a basic payment adequate for normal needs, but in this instance also opts for increasing the scope of electricity and fuel allowances.

The Welfare State was designed to protect minorities, not 40 per cent of the population. In attempting the latter task it is cracking up. I make the explicit value judgement that helping people to help themselves is preferable to rendering people dependent on State bureaucracy. This is not to deny that there is massive scope for Welfare State policies. But the assumption that an ever expanding Welfare State, if possible, is also desirable, should be questioned. For example, in the case of the Aged, certain economic trends in the past have undermined their place in society. Certainly pensions have risen but, despite a favourable tax transfer position, the real incomes of many old people must have fallen due to the decimation of the real value of their savings. In recognition of this problem the Post Office has introduced special inflation-proof schemes for the elderly in recent years. The Commission on Taxation highlighted the plight of elderly savers who had invested in Government paper. To be able to work and to be able to amass modest savings are goals which engender a modicum of security and independence.

The reform of Social Welfare requires a positive, unified approach in which our values are made explicit. Just as in religious affairs the ultra-conservatives and heretical innovators may have more in common than appears at first sight,

so too the ultra right and the extreme left may lead on the same pathway of disintegration. It is with this realisation, perhaps, that we may discuss most fruitfully the Report of the CSW

DISCUSSION

T McCashin These remarks are a response to the paper by Brendan Dowling. The latter is so overwhelmingly ill informed about the Commission on Social Welfare's report and so illogical and ignorant in its argumentation that it requires refutation. In the paragraphs below comments are given on Dowling's paper following the sequence of chapter headings used by him, and focusing on the main points.

Chapter 2

Dowling argues in relation to Chapter 2 of the Report that it ignores the findings of Maguire's study on the growth of social security spending and in particular the importance of eligibility changes in determining expenditure growth. Firstly Dowling's use of Maguire's work is misleading: the relative importance of eligibility, demography and real benefit increases varied between the time periods and between the sub programmes of social security covered in her study as the Commission points out in pages 60–61. It is simply misleading, therefore, to ask whether the net is "cast too widely" as a result of eligibility growth. Secondly, in relation to eligibility growth, as quantified by Maguire, what her findings reflect is quite simply the historical fact that in 1951 Ireland established a very limited and emasculated insurance and assistance scheme and that in the nineteen sixties and seventies the system developed as others have developed: social security coverage became part of the apparatus of a modern economy and labour market.

Thirdly, since about 1980 there has been virtually *no* eligibility developments as pages 49–50 of the Commission's report shows.

Chapter 3

In relation to Chapter 3 of the Commission's report Dowling quite fairly observes the absence of detailed commentary on recent international experience and of comparative statistics. The Commission were sceptical, however, of the value of descriptions of international experience for the simple reason that it is extremely difficult to isolate a social security system, or part of a system, from the wider context of economic and social policy. His own brief comment, ironically, exemplifies the difficulties of such comparisons: the description of Swedish labour market social security co-ordination as having "a strong work fare bias" is seriously incorrect.

Chapter 4

Dowling's comments on Chapter 4 of the Commission's report show a disturbing degree of social and political illiteracy. The Commission's observations on the social and political context of social welfare are undeniably

valid. If Dowling *seriously* suggests that academic opinion (in economics, politics, philosophy) has not shifted to a more critical stance on the welfare state, if he denies that this academic critique has been systematically popularised, if he does not accept the general summary of the political and ideological framework in Ireland then he must be unaware of the most basic trends in economic and social theory and impenetrably insulated from the realities of Irish society. Dowling italicises certain words used in the Commission's report and states that these are proof of "considerable ideological bias" here he is correct – the revealed bias, however, is his own.

Chapter 5

This chapter of the Commission's report is based on the survey, the limitations of which are correctly highlighted by Dowling, and noted by the Commission in Appendix 5 of the report. The Commission may be reasonably chastised for not giving a more qualified description of the data in the main text of Chapter 5. That conceded, however, the limited data *does* conform to common sense *and* to other data in the report (Chapter 7), to other studies, and to the submissions to the Commission. If the data in Chapter 5 had indicated results markedly at variance with known facts, then the data would necessarily be very questionable indeed.

Dowling's commentary on the tables in relation to housing costs is confused, and confusing. In *all* sub segments of the population there is a high incidence of 'no rent' – 56.8% for all households and 54.8% for households with only one social welfare income source – as shown in Table 5.5, page 99. Further, as Table A5.6 shows for the tenure classifications, 55.5% of all households are in the owned outright or rent free categories, while the corresponding figure for households with only one social welfare income is 51.9%. Table A5.5 (page 445) classifies households by the type of social welfare payment of the head of household. Here it can be seen, classified by tenure, that 52.7% of all households are in the rent free or owned outright category, for some welfare categories the proportion is significantly higher, 61% for widows and 73.8% for old age pensioners, and for those in the unemployment payment category the figure is much lower at 40.9%. In other words, in conformity with common sense expectations about the cycle of housing costs, households headed by the unemployed are much less likely to be in the owned outright category.

Dowling is wrong to suggest that the Commission did not refer to the significance of the age group variable. This is referred to in pages 98, 100 and 106–107. Finally, in relation to Chapter 5, Dowling here appears to have ignored the data in Table 5.12 which summarises classifications of *recipients*, as distinct from households. These data justify the conclusions drawn.

Chapters 6 and 7

Dowling's argumentation in relation to Chapter 6 is wrong. The objective of a system of social security is not that proposed by Dowling. If he had considered the issue more carefully he would have realised that the objective of a system is to provide *security* (social). This means, as the Commission points out, that social security, should deal with "income *loss* or income *inadequacy*" (page 116 Commission report, italics added). The function of social security is not solely, in the literal sense, to provide specifically against poverty although this is clearly central, but to effect a degree of income redistribution, to attain a degree of horizontal equity, and income replacement.

Dowling argues that "if the attainment of redistribution is a primary objective of social security policy rather than income maintenance – then a high degree of means testing would be an important aspect of such a policy." This is a logical error. If redistribution is central then *a mechanism must be found to effect this*. The Commission's strategy here is as follows: firstly, persons who experience contingencies do not, in general, have other incomes and, therefore, a social security system based on the conventional contingency of retirement, unemployment, widowhood etc. is not contrary to the need for redistribution, secondly, to the extent to which contingency based schemes add to the pre-existing incomes of recipients then the *taxation* system, as with all other incomes, can be used to effect redistribution – the Commission argued that all social welfare payments should be included as part of total annual income for tax purposes, thirdly, redistribution is a matter of degree and the Commission's view of the redistributive effectiveness of an insurance – assistance approach is informed by the *evidence* that such systems are powerfully redistributive. This evidence from a wide range of redistribution studies shows that insurance and assistance payments are overwhelmingly received by households and families in the very lowest deciles of the pre-transfer income distribution. In analysis and in practice, therefore, insurance and assistance schemes are an effective mechanism of redistribution on the basis of need without means tests.

An advocacy of generalised means testing appears to underlie Dowling's comments about Chapters 6 and 8 of the Commission's report. He seems to be unaware of the vast literature which points out the fundamental limitations of means testing as a general basis of social security provision. Means tests exacerbate poverty traps, prevent full take up of entitlements because of their stigmatising effects, and are woefully cumbersome and expensive to administer.

In relation to Chapter 7, Dowling accepts that the Commission has established "fairly convincingly" that certain social welfare payments are inadequate. No where else in his comments does he allude to this. If he accepts the Commission's arguments about the inadequacy of the payments, he signally fails to offer any conclusions or any alternative analysis of how the social security system can or should deal with this central problem. His implied

solution is that the Commission should simply have ignored the fact that for many recipients social security does not provide a basically adequate income. He is incorrect in suggesting that the Commission omits to mention that some payments are in the range of adequacy – this is done very explicitly in Chapter 9 (pages 190–193), and in Chapter 7 much of the discussion of the evidence on income adequacy is focused precisely on the *relative* incidence of income adequacy among households of different types and in different contingencies (Tables 7 2, 7 4, 7 5, 7 6)

The Commission's discussion on redistribution is very truncated, however the relevant text in Chapter 7 is based on a separate background paper

In discussing tax allowances, contrary to Dowling's assertion, the Commission *does* advert to the significance of marginal tax rates in determining the value of such allowances (page 159). Further, the Commission's use of the *budgetary* cost of tax allowances (of which mortgage interest relief is one) is deliberate – it is this cost, and not the economic valuation of owner occupied housing (imputed rental income) which quantifies the direct public expenditure implications of tax allowances

A number of other comments about Chapter 7 merit comment. The charge that the Commission are contradictory in wanting non categorical schemes for social assistance and contingency or categorical schemes for social insurance is untenable. As a careful reading of Chapter 11 shows, the Commission point out that the main schemes under social assistance (unemployment, widows, old age) will still of necessity require to be identified and administered separately. The main import of the proposals are

- (a) to bring into social assistance the very small residual schemes such as prisoners wives allowance, single womens allowance and other schemes,
- (b) to bring uniformity into the rates of payment and means tests, and
- (c) to ensure that a multiplicity of separate schemes does not result in refusal of payment to persons with an income need who cannot conform to categorical criteria – such as the length of a spouses's prison sentence or the duration to date of a spouse's desertion

Chapter 8

Dowling correctly repeats that the Commission's important objection to NIT and SD schemes is their failure to improve basic payments. Since he has accepted the Commission's arguments about inadequate payments then presumably he agrees with the Commission's rejection of such schemes!

It is unclear what Dowling's objection to the use of the NESC 37 figures is. The Commission chose this procedure so as to faithfully reproduce the social dividend proposal in the NESC report. From the point of view of social welfare

payments the use of flat rate of unemployment benefit as the basic dividend proposed is the key the policy implications of the figures for 1977-78 apply also in the current year, and are not dated by the passage of time

The Commission are not as Dowling argues, "fond of universal schemes" The Commission has proposed a balance universal social dividend schemes cast the benefit system too widely, an insurance system complemented by social assistance directs resources in a targeted way to households subject to contingencies, contingencies which, on the basis of available evidence, give rise to income inadequacy This combination of contingency schemes, supplemented by means tested assistance, and entailing taxation of total income inclusive of social security is a combination which incorporates selectivity without having means testing as its core

It is wrong to argue that a similar 'gainers' and 'losers' scenario applies in the case of NESC 37 and Commission proposals The Commission clearly envisaged a gradual, phased introduction of its proposals so that changes in the structure of payments would take place as the payment levels evolved Any comparison of the 1985 factual payments with the 'blueprint' system suggested by the Commission would, therefore, be misleading

Dowling returns again to the survey evidence on numbers and sources of incomes in households This entire paragraph discusses households rather than individuals or recipients In the relevant sub section of Chapter 9 the Commission argued that individual entitlement should be the basis of the system (with the important exception of the young unemployed living in the parental home), in this context the availability of non social welfare incomes to households is irrelevant to the structure of social welfare payments

The final point in this section is that the Commission did not deal with the diversity of need Chapter 9 of the report is the relevant source here quite simply the Commission did *not* accept that the *basic* income needs of a whole range of groups were systematically different to the point where separate rates of payment should apply to the unemployed, the elderly, widows, elderly single women and so on What they did accept were that a number of structured variations should be properly recognised in the payments system as follows

- long term recipients develop needs of a 'capital' or lump sum nature (for energy costs, furniture replacement, etc) and these should be met by means of a quarterly lump sum payment not by a marginal variation in the rate of weekly payment,
- one set of costs - namely housing costs are highly variable and the payments structure should deal with this by means of uniform housing benefit,
- the reformed social assistance scheme (see Chapter 11 and Chapter 19) could continue to deal with exceptional needs of a recurring or non

recurring nature and guidelines would be drawn up to specify how exceptional needs should be treated

Dowling is correct in pointing out that the proposed insurance–assistance differential is at variance with a system based on a uniform approach to need, but this is hardly an issue. In his own social dividend proposal (in NESC 37) this sort of distinction was also retained, it makes considerable sense to have this distinction in an insurance system but very little sense in a supposedly social dividend scheme

Chapter 9

Dowling's first point here is that the proposed payment structure takes no account of low rents in local authority households. The only inference one can draw from this is that minimally adequate income should then be adjusted downwards by some measure of the value of differential rents to those households

This would be wrong on two grounds

- (a) local authorities adjust the differential rent on the basis of income – if incomes increase (for instance as a result of changes in earnings or social welfare incomes) then rents are adjusted, and
- (b) variation in housing costs is being dealt with by the proposed housing benefit – local authority tenants on a differential rent basis will not be entitled to this – in fact Chapter 14 contains the proposal that private sector housing supplements via housing benefit be co-ordinated with local authority subsidised rents so that the latter are not overly subsidised

Secondly, Dowling, in his second paragraph of comments on Chapter 9, refuses to say clearly whether he accepts the principle of attempting to establish a minimally acceptable income or not. He alludes to the manifest absence of social deprivation from the present social welfare system. This is at odds with his own acceptance of the inadequacy of social welfare payments, and at odds also with the materials in submissions, and with the visual and experiential evidence of visits to health centres, labour exchanges and discussions with welfare recipients and voluntary organisations. Why a social insurance payment system cannot embody an adequate level and a rational structure of payments he does not explain. Nor does he explain why he objects to maintaining a benefit (higher payment) for a premium (insurance contributions) in an insurance based system

Most fantastic of all, Dowling accuses the Commission of evading “tough” decisions. This does not conform with the following

- the Commission did not recommend indexation of payments,

- the Commission argued for a more rigorously redistributive approach to local authority rents,
- the Commission proposed the inclusion of social welfare payments as part of total annual income for tax purposes,
- the Commission proposed the abolition of pay related benefit, living alone allowances and age additions,
- the Commission argued for the retention of the household means test for the young unemployed in their parental home

Presumably Dowling thinks that these proposals have been warmly embraced by welfare recipients and welfare organisations!

Chapters 10 and 12

The first point here is whether or not the earmarked PRSI contribution can be evaluated as a tax while still regarding it as an insurance contribution. Clearly it can. To adopt Dowling's apparent view is to accept that all sorts of charges, taxes, contributions, subsidies, levies and so on should only be evaluated according to their avowed explicit rationale. This would then suggest that agricultural price supports, for instance, should not be considered from a distributional perspective because they are not intended or seen as instruments of income redistribution, similarly motor registration charges should not be evaluated, as taxes, in terms of their effect or demand for cars, employment in the motoring sector and so on. To adopt Dowling's argument is to ignore the long established practice of economists of assessing the intended and unintended effects, in terms of equity and efficiency, of a whole range of public policies and instruments.

Further, the Commission did not confine itself to the distributional aspects of the structure of PRSI, the efficiency consequences in terms of employment were also considered (pages 273–275)

More importantly perhaps, *social* insurance is different in concept to private insurance and to make the sorts of comparison Dowling makes (in relation to rates of return on contributions) is to indulge in 'straw man' analysis.

Chapters 13 to 22

There are some extraordinary remarks made here. The Commission *did* refer specifically in Chapter 7 to the financial benefits of public housing (in Chapters 7 and 14). It is factually the case, as Chapter 14 indicates, that some households are paying rents excessive in relation to their income. Presumably Dowling's statement that "rents were too low for certain recipients of social welfare would be an embarrassing finding" means that the Commission, in his view, was totally subjective in its approach to housing costs.

In fact the Commission documented the extent of housing costs by tenure, household size, household structure and by income and income source (Chapter 5 and Chapter 14 and relevant Appendix Tables). In particular in

relation to differential rents, the Commission pointed out that there are inefficiencies and anomalies – the exclusion of certain social welfare payments from the income definition, the lag between adjustments in social welfare payments and changes in rent levels, and the inappropriate structure of the income assessment (pages 315–318) The effect of dealing with these anomalies would be to make the differential rent system more economic Finally, it is abundantly clear from Chapter 14 that the proposed housing benefit is for a very small number of households affected by a high housing costs – low income combination and that it would not apply to local authority households (many of whom are in the social welfare system), as they are already adequately subsidised by differential rents provision

Chapter 23 – Costings and Priorities

In this section Dowling repeats the hackneyed arguments against comprehensive coverage of social insurance There are two points here Firstly, the fact that public servants have “adequate cover” merely demonstrates that one section of the labour force have relatively superior protection for retirement, widowhood, sickness and so on at less direct cost to themselves This superior protection, including guaranteed continual employment, is being financed by the community as a whole The alternative, as Dowling proposes, is that private sector employees paying a higher rate of PRSI should subsidise the more generous cover for public sector employees

Secondly, the existence of different contribution classes and rates creates enormous inequities and disparities in employees’ entitlements A very large number of submissions to the Commission made this point and there are very telling arguments (not least of these is the removal of blocks on labour mobility) in favour of inclusion of public servants in the system Many public service employees *do* stand to benefit in the long term, as a full consideration of the complex entitlement structure would reveal

Conclusion

In conclusion, Dowling’s paper is an opportunity lost, an opportunity to constructively debate social security policy His paper ends as follows “My view is that this report was not the result of deep study or an honest analysis of the design of a social welfare system It is a report which was written to justify prior beliefs about welfare, its adequacy and the nature of the State’s commitment to it ” With a suitable substitution of words this is a very apt description of Dowlings paper

P Honohan It does not seem likely that the Commission’s main recommendation for a substantial increase in basic payments will be implemented very quickly This is not so much because of the reasons advanced by Mr O’Connell, i e , the heavy national indebtedness, but because the most likely result of implementation would be additional taxes, whether direct or indirect, falling mainly on employees As Dr Bradley and his

co-workers at the ESRI have pointed out in recent papers, such taxes can, because they tend to result in higher wage rates, have a substantial adverse effect on the level of employment, and, thus, on the distribution of income

What alternative approaches might have been adopted by the Commission with greater prospect of implementation? Either of two main directions could have been chosen. First, as apparently now advocated by Mr Dowling, the system could become much more targeted on those with the greatest need. That would mean a return to greater means-testing, in order that a higher basic rate of payment could be paid to those who most need it without increasing the cost of the system. It would also entail doing away with the entitlement principle whereby insured persons are entitled to payments regardless of means.

The second main direction that could have been chosen is to move much more in the direction of universality—a single payment for all, an integrated tax and social welfare system. (The negative income tax, social dividend and demogrant schemes are almost synonymous terms for this type of system.) This too would involve the abolition of the entitlement principle as we know it. A scheme of this type paying a basic income close to current unemployment benefit rates could be devised. It would involve high, but perhaps not unacceptable, marginal tax (and benefit withdrawal) rates. However, the point to be made about this is that it is totally impossible to have a demogrant scheme paying a basic income as high as the rates envisaged by the Commission. There is simply not enough income in the economy. The Commission dismissed the demogrant option on spurious grounds. The incompatibility in practice between such a scheme and the high basic payments demanded by the Commission would have provided the Commission with a more consistent line of argument.

In the absence of recommendations along either of these more radical lines, one supposes that the likely outcome over the coming years will be a rather small amount of change in the Social Welfare system. This is unfortunate for two reasons. Firstly, the present system is vulnerable to a considerable growth in claimants over the years ahead. The level of labour force participation, for instance, is still comparatively low—an expansion could result in much higher costs of Social Welfare. This potential overhang threatens the system in a fundamental way, because real levels of payment might have to fall if there were too many claimants. Secondly, as a nation we are still not doing enough for children of families in poverty. Without a substantial overhaul of the system it is hard to improve the position of such families without worsening the unemployment trap.

It may well have been their reluctance to abandon the social insurance concept and the entitlement principle which more than anything else inhibited the Commission from coming up with more radical proposals. The sooner this taboo is broken the better.

Reply by J Curry Brendan Dowling's comments give a good indication of what he disagrees with in the Commission's report but at no stage does he indicate what type of system he supports. Is it a means-tested system, a negative income tax system, or an insurance-based system? It is certainly not clear which, if any of these, Dowling supports.

On one of the fundamental issues faced by the Commission, i.e., the adequacy of payment levels, he strikes a positive note indicating that the Commission attempted, fairly convincingly, to prove that certain payments are inadequate. However, he then proceeds to shy away from this important issue.

A number of references have been made this evening to Dowling's NESC Report No. 37 which has something in common with the Commission's report in that the official reaction to the two reports has been less than wholehearted. However, while the NESC Report was rejected out of hand by the Government on the day of publication, the same is not true of the Commission's report. If, in ten years time, we are to look back on developments which have occurred in the social welfare system, I strongly suspect that they are far more likely to have occurred on the basis of recommendations made by the Commission rather than those in NESC Report No. 37.

Reply by Brendan Dowling I have few comments to make on Mr. McCashin's remarks. In the most part he disagrees with me. But he has been unable to defend the Commission against the charge of prejudice, inadequate analysis and failing to meet the terms of reference. I put no great weight on the Maguire Study, it merely provides a framework for analysis. It was one which the Commission chose to ignore.

Mr. McCashin does not defend the abuse of the rather poor survey evidence given in the Report. Indeed he continues to distort the results. Table 5.5 shows (after some manipulation to retrieve the underlying data) that 50.7 per cent of households with no welfare income had no 'rent' outgoings while 67.9 per cent of households with at least one welfare income had no rent outgoings. Table A5.1 shows that 52.2 per cent of recipients of unemployment assistance and 49 per cent of those on benefit had no rent payments (this is consistent with the information in Table 5.12 to which Mr. McCashin presumably refers).

Mr. McCashin confuses income sources of *heads of households* with all recipients in his discussion. Assuming that a social scientist knows the distinction, one can only surmise that Mr. McCashin's confusion is designed to defend unjustifiably the unsupported statements of the Commission.

Mr. McCashin also appears to confuse the analysis of the distributional consequences of a tax such as PRSI with the assertion that it is insurance. I have no objection to the Commission, or anyone else, analysing the distributional consequences of house insurance payments and receipts although I doubt if the results would be particularly useful. It is quite another matter to justify the requirement of compulsory house cover at rates

independent of risk exposure on distributional grounds That is what the Commission attempted in asserting that PRSI was insurance but that it should be compulsory and set as a fixed proportion of all income

Mr McCashin must have read a special version of the Commission's Report since nowhere in the document as published is there a quantified analysis of the distribution of the £199 million (£241 million in 1987) in housing subsidies Nor does the calculation of minimum income – which the Commission Chairman Mr Curry has accepted, includes provision for accommodation – take account of the very low rents paid by those welfare recipients in local authority housing

Mr McCashin's comments reinforce my view that the Report lacked an appropriate degree of objectivity, indeed they provide some clues as to the possible sources of the revealed bias and prejudice

I find little to disagree with in Mr Honohan's comments although I would not wish to be seen as advocating any particular approach to welfare reform I am convinced that much can be gained by a demogrant approach to dependency allowances – spouses, children – while retaining means testing for basic individual benefits This would allow greatly reduced distortions in incentives and a relatively low cost structure In addition, most of the fundamental mechanisms are in place – children's allowances, married tax allowances

What I have heard at this symposium in defence of the report indicates to me that the social welfare 'industry' is a truly conservative force which will inhibit a radical rethink of social welfare and its provision in Ireland