

SYMPOSIUM ON THE REPORT OF THE COMMISSION ON SOCIAL WELFARE

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1 INTRODUCTION

In a paper of this nature it is not possible to consider all the main issues and recommendations in the Report of the Commission on Social Welfare. Of necessity, therefore, I have to be selective in the points highlighted, but in doing so will indicate the main thrust of the report's recommendation.

The Social Welfare System

The Irish Social Welfare System has developed in a piecemeal manner over three quarters of a century since the introduction of the old age non-contributory pension in 1909. It has developed along lines broadly similar to the social security systems in other countries. Increasingly, there has been an emphasis on developing the social insurance element although Ireland still relies on means-tested social assistance to a far greater extent than some other countries.

There are now twenty eight schemes to meet different contingencies and within some schemes are sub-schemes, e.g., age allowance for persons over 80 years. In addition, there are nine separate elements in the occupational injuries benefit scheme which is administered by the Department of Social Welfare on behalf of employers.

In 1966 the total number of beneficiaries of social welfare payments (excluding children's allowances), i.e., recipients and their adult/child dependants was 566,442 representing 20% of the total population. By 1985 the number of beneficiaries had increased to 1,318,155 and represented 37.4% of the population. The growth in numbers of beneficiaries may be attributed to a number of factors such as the rise in unemployment, the introduction of new schemes and the modification of eligibility conditions. Unemployment alone accounted for over half (55%) of the growth.

The composition of the beneficiary population has also changed over the past two decades. Thus, in 1966 the unemployed and their families accounted for one-quarter (25.7%) of the total whereas in 1985 this had increased to two-fifths (42.3%).

In 1985 expenditure on the social welfare system amounted to £2.2 billion representing approximately 14% of GNP, and 47.3% of current social expenditure. About three-fifths (61%) of total income is provided by the State with the remainder coming from employers' and employees' contributions. The main components of social welfare expenditure in 1985 were old age pensions (28.6%), unemployment (26.9%), sickness payments (12.9%), widow's pensions (10.7%) and children's allowances (7.9%).

Need for Review

The Commission was established in August 1983 and its main term of reference was,

“to review and report on the social welfare system and related social services and to make recommendations for their development having regard to the needs of modern Irish society ”

It must remain a matter of conjecture and some concern that the social welfare system, affecting as it does the very livelihood of such a substantial proportion of the population and involving considerable public expenditure, was not subject to independent review before now. In this respect it is markedly different to other areas such as health and education services where a number of such reviews have been carried out in the past few decades.

Principles

In the absence of explicit underlying principles we consider that in relation to the social welfare system and its development, the guiding principles should be adequacy, redistribution, comprehensiveness, consistency and simplicity. In brief, the principles would be applied as follows:

- the payment level should be adequate in relation to prevailing living standards,
- redistribution is effected not only through the payments but also the system of taxes and social insurance contributions which finance the payments,
- significant categories of need should not be excluded from the payment structure and the sense of entitlement is an essential element of comprehensiveness,
- as far as possible, policies in other areas should be consistent with those of the social welfare system and there should be internal consistency,
- the system should be as simple as possible for claimants and administrators

2 KEY ELEMENTS OF PROPOSED REFORM

Having considered but rejected, for a variety of reasons, alternative strategies of providing income support we opted for an evolutionary approach, i e , the retention of the present framework but with considerable modification. This involved retaining the present dual system of social insurance and social assistance as well as the financing system. It also involved a fundamental examination of the payment structure.

In this section some of the main issues relating to the payment structure, social insurance, social assistance and financing are considered.

Payment Structure

There has not been any attempt at official level to determine what constitutes a minimally adequate income for a person dependent on social welfare. In the past decade or so it has been the policy of successive Governments to ensure that payment levels are adjusted annually in line with inflation at least. Nevertheless, the payment structure has evolved without any fundamental consideration of the base.

By using a number of different indicators, we estimated that a minimally adequate income for a single person in 1985 should be in the range £50- £60 per week. We recognise that the calculation of such an income is somewhat arbitrary, and that the approach adopted may well be open to criticism. However, not to have attempted such a calculation would have been a more serious omission. Furthermore, if as a result of our calculation, some alternative figures emerge, then at least attention will be focused on one of the most fundamental aspects of the social welfare system.

In addition to the issue of the basic payment we were also faced with a bewildering array of payments for different categories, for which we could not establish any clearcut rationale. This variation mainly arises from piecemeal changes over time rather than any systematic evaluation of variation in the income needs of individual categories. The result is a system of payments which is not only complex but which also discriminates between individuals and families with similar financial needs. A hierarchical structure exists with the elderly at the top, followed by widows and the unemployed at the bottom.

There is a lack of consistency in the way in which adult and child dependant rates are calculated. Thus, there are no less than thirty six different rates for child dependants. In many other respects also the payment structure is inconsistent as, for example, in the differential which exists between insurance and assistance payments.

We recommended the adoption of broadly uniform payments for all categories of single persons, consistent treatment of adult and child dependants, and the application of a uniform differential between insurance and assistance payments. We also argued for the phasing out of pay-related benefit, the

living alone allowance and the age allowance as the basic payment is increased. Furthermore, we accepted that there was a need for additional payments in certain cases especially where families are long-term dependent on social welfare. While we favoured the retention of certain non-cash benefits such as free travel, we argued the case for extending the electricity allowance and fuel allowance (subject to a rationalisation of the two fuel schemes in operation at present) to all long-term recipients. We also recommended that short-term benefits should be treated as part of total annual income and should be charged to income tax where such liability arises, i.e., where total income from whatever source exceeds the tax threshold.

Social Insurance

In our view the system of social insurance is an expression of social solidarity and citizenship in which the risks, costs and benefits are spread as widely as possible in the community. Furthermore, we considered that social insurance contributions create a sense of entitlement to benefit and generate support among the public for these benefits. In this context by emphasising rightful entitlement, without a means test, the social insurance system helps to reduce any element of stigma which may arise.

We argued that all income earners should be liable for social insurance contributions and entitled to benefits as appropriate. At present the main group outside the social insurance system is the self-employed. In 1978 a discussion paper entitled, *Social Insurance for the Self-Employed* was published by the Department of Social Welfare. Since then, however, no attempt has been made to include the self-employed in the social insurance system.

In addition to the self-employed we also recommended that other groups such as members of religious communities and all ministers of religion be covered for social insurance and that all public servants be liable for the full rate of contribution.

Social Assistance

The widening of the social insurance base should lead, in time, to a decline in the means tested assistance payments. However, the necessity for such payments would remain.

We recommended that there should be a comprehensive social assistance scheme covering the present assistance categories and other persons where an income need is established. We also recommended that the means test be rationalised, simplified and better publicised. Furthermore, the dignity of applicants for means tested payments should be respected and, once the conditions have been met, the same sense of entitlement should prevail as under social insurance.

Financing

As in most other countries, the social insurance system in Ireland is funded on a tripartite basis by employers, employees and the State and we recommended that that system be retained. There is no set formula as to how the costs should be apportioned between the three partners and we did not support the notion of pre-stated shares to the Social Insurance Fund.

While recognising that social insurance cannot be directly compared with private, commercial insurance we regarded the system as having a significant insurance dimension which is not outweighed by the absence of an actuarial link between benefits and contributions. Furthermore, in our view, the evidence concerning the employment effects of employers' PRSI contributions was inconclusive. Certainly it did not justify a departure from the payroll base of contributions which we concluded was the broadest, most clearly identifiable and predictable base available. On grounds of redistribution, we concluded that the income ceiling on contributions should be abolished but recognised that such a move would require to be co-ordinated with the evolution of earnings and taxation.

3 OTHER ISSUES

In the Report we considered a series of issues related to the key elements of the proposed reform. These included issues affecting particular groups such as the unemployed, the elderly and lone parents. In relation to the unemployed, for example, we did not consider that the present administrative procedures governing conditions of entitlement to unemployment payments, especially those concerning frequency of 'signing on', are appropriate given the high level of unemployment and, in general, we recommended a more flexible approach.

We also examined the complementary functions of the Departments of Social Welfare and Health where a considerable degree of duplication of functions exist. We recommended a more appropriate re-allocation of functions between the two Departments. In effect this involves the transfer of income maintenance functions to the Department of Social Welfare and the transfer of treatment benefits to the Department of Health. In this context we paid particular attention to the supplementary welfare allowance scheme which is administered by Health Boards but is under the general direction of the Minister for Social Welfare. This scheme has been allowed to develop in a most haphazard manner since its introduction in 1977. We recommended that it should be administered directly by the Department of Social Welfare and that it should revert to the role originally intended, i.e., a residual and support role within the social welfare system.

Because of the nature of the service, the social welfare system should be organised to respond in an efficient manner. From a survey based on the experiences and perceptions of claimants which we commissioned, a number

of deficiencies were highlighted, especially the delay in processing claims. While some progress has been made in recent years we considered that there was scope for further improvement. Thus, computerisation is a key factor in the development of a more efficient and more localised service and we envisaged a situation where the entire application process could be conducted locally. We also recognised that the efficient delivery of the service must be balanced by a need for control measures and a number of recommendations are made which are designed to limit the scope for fraud.

The appeals function is an important aspect of the social welfare system but there is a perception that it is not independent. We recommended the establishment of an Appeals Office as a separate executive office with a requirement that it publish an annual report containing not only statistics on appeals but, where necessary, policy recommendations.

4 COSTS AND PRIORITIES

Much of the costs of the recommendations flow from the adoption of a minimally adequate income. On the basis of an income of £55 (social insurance) and £50 (social assistance) for a single person in 1985 together with the costs arising from other recommendations, we estimated the total gross cost of the reformed system to be of the order of £560 million. We also estimated that the revenue from broadening the social insurance base would generate £226 million. We did not, however, estimate the additional expenditure which might arise on social insurance schemes in the case of the self-employed, for example, nor did we estimate the possible offsetting reductions in social assistance expenditure or savings which would arise from treating short-term benefits as part of taxable income where appropriate. Additional revenue could be raised by reductions in the tax allowances which are hidden but regressive, expensive and indirect income supports.

Partly, but not exclusively, for financial reasons we recommended that the development of the reformed system be undertaken on a gradual basis. In this context we considered that four areas merit priority attention. These are briefly as follows:

- 1 Improvement in the basic payment for those on the lowest payments to narrow the unacceptable differences which exist at present in payment levels between different categories of recipients,
- 2 The provision of more adequate support for families especially those long-term dependent on social welfare,
- 3 The broadening of the social insurance base,
- 4 The accelerated development of computerisation and the upgrading of premises in which social welfare services are delivered.

In our view the priority proposals are affordable in the context of broadening the social insurance base and reductions in tax allowances.

5 CONCLUSION

The initial reaction to the Report, especially at Government level, has tended to focus on the gross cost of the recommendations. A number of points are relevant here. Firstly, we envisaged a phasing in of the main recommendations rather than their immediate implementation. Secondly, it is difficult to imagine how any independent group, reviewing the social welfare system and addressing the issue of payment levels, could have made recommendations which did not involve considerable additional expenditure. Thirdly, it would have been relatively easy for the Commission, once the magnitude of the costs emerged, to have adopted a different approach and recommended a number of ad hoc, less costly adjustments to the present system. That, however, has been precisely the pattern in relation to developments to date.

In view of public finance constraints the question arises as to whether any meaningful move can be made towards implementing the Report's recommendations. It should be stressed that it is possible to provide differentiated increases in payments so as to achieve, in a systematic manner, some convergence in the rates of payment over time.

Some of the reaction to the Report has tended to focus on particular issues such as public servants' liability for full PRSI, the employment effects of employers' PRSI contributions, and the impact of the recommendations on different claimant groups. While these issues are important and should be debated, the central issue concerns the adequacy of payment levels.

At the very least the Report provides the basis for a far more informed debate on the social welfare system than has been the case up to now.