

Ireland

# Trends, Recent Developments, Active Inclusion and Minimum Resources

First Semester Report 2006

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On behalf of  
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## Introduction

The period covered in this report is the year from May 2005 to end of April 2006.<sup>1</sup>

In terms of the general climate there are a few points to note. First, 2006 could be characterised as a period of intensive planning in Ireland in that it hosts the planning processes for three key reports. That is, the NRSSPSI planning process is flanked by two other major processes: the preparation of the National Development Plan (which will run from 2007 to 2013) and the negotiation of the next (seventh) round of national partnership agreement. The forthcoming NRSSPSI is therefore being planned in a situation where there is a major opportunity for streamlining. Secondly, there is a new Minister for Social and Family Affairs, Seamus Brennan, who has a strong reform agenda. In essence this reform agenda casts the benefit system and income support in an activating role, albeit that this should also accommodate an orientation to enhancing family well-being, addressing child poverty and improving the situation of the elderly. Thirdly, at the present time, especially in the last year or so, issues of income adequacy and social marginalisation appear to command greater political attention as compared with the past. Although it would be inaccurate to say that such issues have come to supercede the customary Irish concern with competitiveness and economic growth, there has been some re-orientation on the part of the leading partner in government (Fianna Fáil) towards the situation of those on low incomes and the inequalities that characterise Irish society. Political attention therefore has been more closely focused on the welfare adequacy targets set in the National Anti-Poverty Strategy and last NAP/inclusion. The two most recent annual Budgets, including Budget 2006 which is reported on here, made a strong commitment to those on the lower incomes. Other issues that are dominant in public debate and policy making at the current time are the provision of childcare and other care-related services and the treatment of migrant workers, especially as this impacts on national employment practices and standards.

A second important part of the background is the general approach taken in anti-poverty policy and welfare policy more generally. The pattern of welfare state provision in Ireland is expansionist (especially in terms of expenditure), but it is what one might call a 'conditional and focused type of expansion'. While there is no single thrust one can identify three main trends in reform: towards increasing the level of the basic welfare payments in the interests of income adequacy and combating poverty; encouraging and enabling participation (understood to mean participation in both education and employment); improving the financial and service supports for families with children and the elderly. The approach taken in the NAP/inclusion process to date reflects this general orientation, although it is more focused on those on low incomes (whether individuals, groups or communities) and, over time, increasingly target specific. In regard to the prevailing NAP/inclusion, the implementation report underlined that about half of the targets had either already been achieved or would be achieved by their time deadline. The Joint Report responded favourably, although it did point out that the reason for why some targets were met and others not was unclear and needed further analysis.

The report is organised as per the guidelines. A first chapter sets the scene for and outlines the major developments in relation to the planning and preparation of the forthcoming NRSSPSI. A second chapter

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<sup>1</sup> Between the time this report was drafted (May 2006) and finalised (September 2006), the social partnership agreement was concluded. Entitled *Towards 2016*, it sets out a ten-year strategic vision for social and employment policy, including a set of measures oriented to groups across the life cycle. The Office for Social Inclusion is to have an expanded role in relation to monitoring and evaluation of the agreement. It has also been decided that the Office for Social Inclusion will draft the social inclusion chapter of the forthcoming National Development Plan.

focuses on active inclusion and minimum resources. One annex, containing a list of relevant legislative and other developments during the year, and the bibliography completes the report.

## **1. Key Trends and Recent Policy Developments**

### **1.1 Key Trends**

#### *1.1.1 Economic Situation*

All the economic indicators underline the continued strong performance of the Irish economy. Moreover, predicted growth rates are also strong, not alone for the coming year but for the foreseeable future. It is estimated that the Irish economy has the potential to grow at between 4 and 5% a year up until the end of the decade (Fitz Gerald et al 2005). Domestic demand was the main driver of growth in 2005 and strong consumer demand is expected to continue for 2006. Investment in housing is running at an unprecedented rate, fuelling growth elsewhere in the economy. Employment grew by 96,000 (5%) during 2005 and further significant (although lower) growth is predicted for 2006. The unemployment rate for 2005 was close to the full-employment rate and is also the lowest in the EU. The Department of Finance has forecast unemployment to remain at 4.3% in 2006.

One of the perceived dangers in the current economic situation is that growth is driven by domestic activity and within that the heavy dependence on the building industry for growth and employment (over 1 in 8 people at work in Ireland now works in the construction industry). This together with the continued escalation in house prices, well above the rate of inflation in most of the other rich EU countries, exposes Ireland to risks associated with a dramatic turnaround in the construction sector. For example, a sudden extreme adjustment in the US economy could bring about a fall in housing output of some 40% (and a fall in house prices of about a third) (ibid). Such an event would also have the effect of pushing GNP growth sharply downwards and of doubling, if not trebling, unemployment. The latest medium-term review by the Economic and Social Research Institute recommended that policy should try to reduce this kind of danger, in particular by removing all incentives that are fuelling the boom and by considering measures that can reduce demand for building and construction (ibid). A further cautionary note was sounded in late April, again by the Economic and Social Research Institute, that wage growth at 5% (compared with 2% for the Euro area) is unsustainable and that in the current climate a significant increase in government spending in the run-up to the next general election (due next year) would be injudicious (Barrett et al 2006a).

#### *1.1.2 Trends in Poverty*

In December 2005, the Central Statistics Office published the results from the EU-SILC on poverty and deprivation for 2004. These reported the relative income poverty rate (or the 'at risk of poverty' rate) at 19.4% (at the 60% income threshold). This was marginally lower than the revised estimate for 2003 (at 19.7%). These and other statistics indicate that Irish relative income poverty rates are relatively static at a high level. Lone parent households, almost a third of which are at risk of poverty, and people living alone were the groups most vulnerable. The consistent poverty rate (measured on the basis of low income combined with one of eight enforced deprivation indicators) was estimated at 6.8%, considerably down on the 2003 revised estimate from the same source of 8.8%.

A more detailed analysis of poverty and deprivation as indicated by the first round of the EU-SILC data for Ireland was published early in the year (Maitre, Nolan and Whelan 2006). The background here is that the move to the EU-SILC served to raise questions about how poverty should be measured because, among other things, the use of the new data base lead to increases in some of the estimated poverty rates. In light of this and the particularity of the Irish metric for estimating poverty (the use of the consistent poverty measure which was based on a threshold of low income and experience of one or more of 8 indicators of deprivation), this new report applies a range of statistical techniques to the EU-SILC data and re-assesses the measurement of different dimensions of deprivation and the items used for the construction of a basic deprivation index. It also investigates the implications of moving to and substantiates the case for a change of measures and indicators. It opts to measure basic deprivation on the basis of 11 indicators, rather than the 8-item index previously used. The debt indicator (being in debt to cover ordinary living expenses) has been dropped as has that of going without a substantial meal because of lack of money. Five new indicators have been added in the desire to characterise and study deprivation as a less extreme condition and give it a stronger focus on exclusion from family and social life. In addition, the study consistent poverty, measured by the combination of the basic deprivation and income data, is now defined as a threshold level of 2 or more of the basic deprivation measures combined with income thresholds set at 60% and 70% of median income. The main change here is that up to now consistent poverty was based on a threshold of 1 or more of the deprivation indicators.

These revised measures yield a consistent poverty rate of 8 to 10% for 2003, depending on the income threshold used. Those identified as consistently poor on these measures are said to be more sharply differentiated from others below the poverty line. Those identified as most at risk are single adults with children, households with a large number of children, people lacking educational qualification and the unemployed and ill/disabled. It should be noted that the rates reported are somewhat different to those reported by research based on the Living in Ireland Survey. Such differences are attributed to methodological issues rather than a radical change in either the prevalence of poverty or the identity of the poor.

Another study, just published (May 29 2006), focuses on child poverty (Layte et al 2006). The research found that, despite mobility in the child poverty population, almost one in five Irish children live in income poverty for five years or more and that children in lone parent households spend substantially more time in poverty than children in two parent households. It also concluded that the age of children and family size affected the duration of poverty for children. The employment, education and health status of parents were also found to be critical factors influencing child poverty risk. The sponsors of the report – the Combat Poverty Agency - calls for measures to ease the transition from welfare to work, such as tapered income supports, employment and education supports and accessible and affordable childcare are essential.

### *1.1.3 Dominant Discourse/Ideas*

The recent National Economic and Social Council (NESC) report on the *Developmental Welfare State*, published in 2005, appears to be accepted as the frame and main set of ideas for welfare reform in Ireland. One can see the influence already of this report. Not alone was it mentioned by a number of people at the consultations for the NRSSPSI but it is also promoted by the trade unions in some of their recent submissions (the trade unions are represented on the NESC as are the other three social partnership pillars). Given this and also the fact that it represents in many ways one of the most focused and thorough

analyses of the welfare state in Ireland, some brief discussion of the model developed in this report is relevant in the present context.

Although it tends to take as its departure point a view of Ireland as a unique case, the report is in tune with the current orthodoxy on welfare reform in Europe in that: a) it views welfare provisions through the lens of their impact on employment and employability and criticises them for being insufficiently activating; b) it endorses a life cycle approach; c) it views income and service provision in tandem. The central plank of the proposed model is that the welfare state should be seen as consisting of three overlapping spheres of activity - services, income supports and activist or innovative measures - and that reform should be undertaken to integrate these so that they form a 'developmental welfare state'. It argues that a radical development of services is the single most important route to improving social protection, especially in the Irish case. The specific services mentioned include access to childcare, education and training, affordable and available health services, and housing, secure and attractive housing areas, public services and public places that are accessible to people with disabilities, and rehabilitation facilities. Such services should be regulated and guaranteed by the state but delivered by a range of organisations. The principle of 'tailored universalism' is endorsed whereby access to the services varies according to need and requirement. The activist measures are depicted as the R&D of the developmental welfare state - innovative measures and services delivered by the community and voluntary, public and private sectors to address unmet needs in flexible and creative ways.

The report is generally less interested in the welfare system providing income *per se* as compared to ways in which welfare payments could be redefined and combined with services to create 'participation packages'. When it does turn its attention to welfare payments, its core argument, and the flag to which it pins its hopes, is for a better integration of the three aspects of the developmental welfare state. The report seems to favour the continuation of contingency based payments (with all the specificity and testing that this requires) but in the longer-term desires the integration of these provisions into a 'participation income'. It considers Ireland's strong record of active labour market policies and local partnerships as a building block to the future and recommends that such innovations be more consciously generalised. However, the report recognises that reform along the lines proposed will pose major challenges for governance and leadership for the Irish system of government and social partnership. The suggested reform will also require new systems for defining and monitoring rights and standards.

It is important to point out that the report devotes little attention to poverty as a specific problem or outcome in the Irish case and that it has no real conceptualisation of social exclusion. Its frame of reference is a 'successful society' rather than a society where significant levels of poverty and inequality remain to be overcome. It is also important to point out that the report devotes little detailed attention to the complexities of gender as a source of social and economic constraint and inequality and, indeed, as a set of exigencies around quality in family life and caring. My underlying point here is that there is insufficient recognition of how gender factors might act as a constraint on both the achievement of continued employment growth in Ireland and the strategy proposed by the NESC in this document. In terms of its proposals, it is difficult to see how a diversified model of service provision with the community and voluntary sectors playing a major role as service providers will ameliorate rather than intensify inequalities in access to and quality of services. In addition, a principle of tailored universalism is in my view somewhat of a misnomer as what really underlies the proposals taken across spheres is a principle of universal tailoring.

#### 1.1.4 Relevant Policy Developments

In Ireland the major spending plans are announced in the Budget which is made public in December of the previous year. It is therefore the most pertinent source of information on spending and policy direction.

Budget 2006 had a strong orientation to those on the lowest incomes. It provided a tax-welfare package, over and above the costs of indexation to wage growth, of some €1,240m. The tax-welfare package was actually 50% higher - two and a half times higher after indexation - than that of the previous year. The 2006 tax-welfare package represented a boost to overall household income of about 3% and heralded a 10.5% average increase in benefit payments. The distribution of the tax-welfare expenditure in Budget 2006 was as follows: social welfare – 46%; child support – 29%; income tax – 25%. The child support package constituted the largest increase ever in its allocation, in a context where child benefit has been strongly increased for at least a decade. The Minister for Social and Family Affairs also sought and received a special fund of some €300m for reforms. In all it is estimated that in 2006 spending on social inclusion will amount to about €23.5 billion, an increase of €2.8 billion compared with 2005, and representing some 46% of gross total expenditure on public services.

There were four main significant elements in the Budget.

First, the Budget granted significant increases in social welfare payments. In particular, the minimum level of unemployment assistance is to be increased by €17 a week, bringing the weekly payment to €165.80. This is the single biggest ever increase in any rate and is in line with the approach taken the previous year of focusing the largest increases on the lowest benefits. It is also in line with targets set in the National Anti-Poverty Strategy and the NAP/inclusion. This increase brings the target figure of €150 a week (at 2002 values)<sup>2</sup> for the lowest payments by 2007 within reach - a very significant development. A second notable measure in Budget 2006 was the childcare and child welfare measures. This comprised a number of elements. First, there is an additional welfare package of some €468m for children and families: childcare (€314m) and child poverty (€154m). As well as increases in the universal child benefit payment, a new early childcare supplement is to be introduced. This, the main innovation of the Budget, consists of a payment of €1,000 per annum for every child aged under 6 years. Its purpose is to compensate for the higher childcare costs of young children although it is a universal payment paid for every child, regardless of age, place in family or employment status of parents. Estimated to be paid to about a half of all families with children, it represents a further expansion of the structure of child support in Ireland. Furthermore, the Budget makes provision for an additional 50,000 childcare places by 2010. Thirdly, as well as these measures, the budget made provision for tax reliefs for those minding children in the home, capital and staffing grants particularly targeted at disadvantaged areas and the additional funding to increase supply will be complemented by an intensification of training arrangements to support quality childcare delivery. It is expected that 17,000 childcare workers will be trained in the period 2006-2010. There have been some criticisms of the Budget's provisions in this regard. The National Women's Council points out that the value of the new Supplement is equivalent to less than 10% of the average national cost of childcare. The Council is critical of what it sees as the absence of a publicly subsidised model of childcare with a long-term and sustainable focus which would be child-centred and address issues of affordability and availability for all children. It is of the view that instead of a universal payment what is needed is a means-tested measure targeted on those with low incomes. While welcoming the increase in childcare places, the Council considers that the measures will not

<sup>2</sup> There are different ways of uprating this. Calculated on the basis of inflation, the target figure in 2007 values is €171.20. If indexed to wages it is €191.86.

address what they regard as a major problem - the high cost of childcare in Ireland. The Combat Poverty Agency is also in favour of more emphasis on targeted measures (although in addition to the proposed universal Supplement). The Agency also expresses the fear that the withdrawal of the Supplement once the child reaches the age of 6 will increase hardship for low-income families.

A third significant aspect of the 2006 Budget is that it made provision for a uniform, non-contributory state pension. Pension policy has become a significant issue in recent years. In this Ireland is similar to the rest of Europe although the demographic pressure is less imminent than in other countries. As well as an effective streamlining of six different pension schemes, the Budget also increased the means-test threshold and earnings-disregards for the pension. Fourthly, the Budget spelled a policy shift in regard to provision for older people, in that it marks a move to provide them with a more realistic option of being supported in their own homes (rather than in a care facility) and it also offers financial assistance to family carers. These moves are effected by the allocation of €30m for homecare packages, a further €30m for home help and €7.5m for home-provided meals.

Analysis of the impact of the budget, using a tax-benefit model which measures the distributional impact relative to a distributionally neutral benchmark, suggests that the budget strongly favoured low-income groups (Callan, Walsh and Coleman 2006). This continues and even intensifies a trend of the last five years which in turn marked a departure from the pattern set in the latter half of the 1990s when policy as expressed in the Budget substantially favoured the middle and upper income groups. It is calculated that the immediate impact of Budget 2006 will be to reduce relative income poverty by about a half a percentage point. Taken together the last five Budgets (from 2002) are estimated to have had the capacity to effect a cut in the relative poverty head count rate (at the 60% of median income threshold) of 8 per cent and a reduction of some 27% in the poverty gap. Budget 2006 then, like its immediate predecessors, was strongly progressive, with the gains for the bottom quintile at over 6% compared with 1% for those in the top quintile. The net impact of spending over the last 5 years has been to boost incomes in the two lowest deciles by between 8 and 17% while incomes in the top quintile have seen small percentage changes. In regard to the redistribution effected by different elements of the Budget, the new childcare Supplement is estimated to have a significant redistributive effect benefiting poorer households more in proportional terms (Combat Poverty Agency 2006: 8).

### *1.1.5 The Situation Regarding Policy Making and Planning*

As mentioned, 2006 is a momentous year for Irish policy making and planning. It sees a number of major planning processes underway:

- a new social partnership agreement (which may have a ten-year framework);
- a national development plan for 2007-2013;
- the national strategic reference framework for 2007-2013;
- a rural development strategy;
- the national strategy report on social protection and social inclusion.

It is unprecedented that even two or three of these come together. The fact that they all coincide (and in particular the three most significant: social partnership, national development plan and NRSSPSI) means, among other things, that Ireland is in a unique situation to 'streamline' and that a real opportunity exists for integrated planning and development, a chance to 'stitch in' the NRSSPSI with the major governmental

programmes and plans. The extent to which this is achieved should be a major criterion whereby the next NRSSPSI is judged.

#### 1.1.5.1 Social Partnership

Social partnership is now virtually an institution in Ireland, celebrating its twentieth anniversary next year.

Talks began in February on a seventh successive national deal which was due to be finalised by the end of Spring (it was concluded in late Summer). The commencement of the talks had been delayed by a dispute between the SIPTU trade union and Irish Ferries over a proposal by the company to replace 543 directly employed seafarers with predominantly Eastern European agency crew, and to reflag its vessels to Cyprus. This turned out to be a bitter dispute, crystallising issues around outsourcing, job displacement and wage standards. In the background were two larger issues which present real challenges for the future of social partnership in Ireland (as elsewhere). The first centres on the challenge of finding an accommodation between the interests of economic competitiveness and employment protection and in particular the capacity of the Irish industrial relations system to effect that accommodation. Secondly, there is the challenge of labour migration. Since EU enlargement in May 2004, upwards of 110,000 employees from the new EU Member States have come to Ireland – representing about 6% of the labour force. The intensity of the influx of foreign workers has led to rumblings and concerns about displacement and has influenced the trade unions' approach to the current social partnership negotiations. A new study on the issue of worker displacement has just been published (Doyle, Hughes and Wadensjö 2006). It concludes that there is no significant evidence of displacement of Irish workers and that the number of firms in Ireland reporting vacancies has increased over the last two years. However, the report says displacement has the potential to become a major issue if the social partners and the government do not agree new measures such as the protection of workers' rights, strengthening of the Labour Inspectorate and the extension of collective agreements.

Talks on pay were again centre stage but at the insistence of the trade unions the current agreement process also placed considerable focus on the issue of bolstering employment standards in the context of increasing inward labour migration. The talks process was divided up into various strands, with the issue of employment standards constituting strand one. This, essentially an issue about labour market flexibility, proved contentious with the main sticking point being the demand by the Irish Congress of Trade Unions for new legislation to underpin workers' pay and conditions. The trade unions wanted the government and employers to agree to institute a legal framework to ensure that workers were not paid less than the 'going rate' (as against the minimum wage). They also sought a strengthening of unfair dismissals' legislation as well as legislation to prevent employers from making people redundant in order to replace them with cheaper labour. The bodies representing employers were against the proposal to institute new measures for employment standards, arguing that it would effectively introduce a third-tier minimum wage to the labour market. In the end, the new agreement provides for a 10% pay increase over 27 months. In the area of compliance, there is to be a 'major enhancement and expansion of the existing Labour Inspectorate' with a view to increasing its effectiveness. A new statutory [Office of the Director of Employment Rights Compliance \(ODERC\)](#) will be established under the aegis of the Department of Enterprise, Trade and Employment. In addition, further new legislation will be published next year 'to provide that every employee must have an identifiable employer within the state who has a legal responsibility for compliance with all aspects of the applicable employment rights legislation'. The penalty for non-maintenance of statutory employment records will be up to €250,000 on indictment.

The democratic credentials of the social partnership process have been questioned in the recent period. In an article in the Irish Times on April 4<sup>th</sup> 2006, a professor of social policy - Seamus Ó Cinnéide – pointed out how social partnership in Ireland bypasses the democratic process in that: a) there is little or no public discussion or public airing of the proposals before they are agreed and b) the houses of the Oireachtas have no formal input to the process.<sup>3</sup> He also pointed out that, given that the national agreements have got more extensive and wide-ranging over time, they are less likely to represent a set of proposals on which all of the political parties could agree. In Ó Cinnéide's view, it is time to review the partnership process and attempt to better knit it into the democratic process. Similar concerns spurred the two main opposition parties in 2005 to suggest a set of reforms to overhaul the social partnership arrangements. In particular, they proposed instituting a 'proper' relationship between the institutions of social partnership and the parliamentary institutions whereby the latter be given a clear authority to interact with the social partners and be much more closely involved in detailed discussions in the run up to key partnership talks.

There is also the fact that the community and voluntary sector is split over the question of inclusion in social partnership. For a number of years this sector was a participant in the decision making process around the national partnership agreement but on the last occasion some groups withdrew and have remained outside it.

#### 1.1.5.2 National Development Plan

This year sees the end of the operating period of the current National Development Plan (NDP), which has been operational since 2000. *The National Development Plan 2000-2006*, the strategy for economic and social public capital and human capital investment, including R&D, prioritised the promotion of a multi-faceted approach to social inclusion, making it one of five key elements (along with infrastructural development, regional redistribution, stability in macro-economic policy and the further development of education and training).

A new National Development Plan is being planned for the period from 2007 to 2013. The following are the main points about what is known about the process at this stage. The new Plan will be developed around the following five key themes:

- social inclusion;
- balanced regional development (National Spatial Strategy);
- all-island dimension;
- environmental sustainability;
- EU Lisbon process.

There will be three Strategic Investment Sectors/Programmes similar to the current Plan. These are: **economic and social infrastructure** (including education, training, health, housing/accommodation and childcare); **human resources** (including non-capital social inclusion type schemes); **productive sector** (including industry, agriculture and research).

The Plan is expected to have a broad social inclusion objective and to agree that social inclusion will be mainstreamed across its different objectives. It is also anticipated that the Plan will be undercut by horizontal issues among which are expected to be social inclusion, gender equality, rural inequality. In terms of monitoring, each investment sector will have a Monitoring Committee and a lead department and

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<sup>3</sup> Participants in the social partnership talks are: the government, employers, trade unions, farmers' representatives and some community and voluntary organisations.

there will also be a Central NDP Monitoring Committee. Membership of Monitoring Committees will include relevant government departments, regional assemblies, social partners and other directly concerned interest groups.

The process for developing the Plan is as follows. A full-scale consultation process on the Plan was announced in August 2005. In December 2005 the social partners, the regional assemblies and other interested parties such as the Heritage Council, Comhar and the Combat Poverty Agency were invited to make submissions by 10th March, 2006. Government Departments are to submit plans for consideration and are having bi-lateral meetings with the Department of Finance. Organisations other than the above have to make their submissions to the relevant government departments. Feedback from the consultation on the NRSSPSI is to be inputted to the NDP. The ex-ante evaluation of the current NDP by the Economic and Social Research Institute is to influence the new NDP. The Plan will be launched at the end of 2006.

The European Anti Poverty Network Ireland has already made public its main approach to the Plan. It seeks the following as underlying principles:

- **Participation:** That there is broad participation of organisations with a focus on social inclusion at all stages in terms of programme development, monitoring, evaluation and implementation.
- **Implementation:** The programmes should support the capacity building work of anti-poverty and social inclusion organisations on the ground and enhance the capacity of groups experiencing social exclusion and inequality to participate effectively in all structures and decision making processes that affect their lives.
- **Mainstreaming:** Social inclusion and equality should be a cross-cutting issue across all programmes and actions. This should include indicators, targets and monitoring structures in relation to implementation and impact. This also means that all initiatives should be proofed to ensure that they are addressing poverty and social inclusion as much as possible and that groups experiencing poverty and social exclusion have as much opportunity as possible to access initiatives.
- **Understanding of social inclusion:** Social inclusion measures must address the social, economic, cultural and political aspects of exclusion. They must also address the particular aspects of exclusion experienced by specific groups in society.

The Irish Congress of Trade Unions has also made public its submission on the new plan (in March 2006). This underlined the need to change the emphasis in the next plan - from economic growth to economic and social development. In the view of Congress, the future goal should be an economic development strategy that will benefit all citizens. Congress is seeking to change the parameters of the plan and move the focus off competitiveness towards a greater investment in social development. It identifies three major priorities. The first is a switch from investment in physical infrastructure to public transport, with the emphasis on integrated, well-funded urban transport. The second is a major investment programme in improving the skills of the existing workforce, with the emphasis on those who have had least educational and training opportunities. The final priority is a substantial investment programme in childcare and eldercare, which it labels a 'national care initiative'. Other issues raised include the renewal and support of area-based strategies to build well-resourced, cohesive and functioning neighbourhoods and better investment in a range of services.

## 1.2 NRSSPSI

Over the course of the two NAP/inclusion processes to date one can see a distinctive Irish approach emerging. In terms of policy focus and substance, a three-pronged approach has been adopted: increased employment and employability, improvements in benefit levels and, thirdly, improvements in access to services. To some extent these foci mirror the Nice objectives. Secondly, the Irish Plans, and especially the 2003-2005 one, tend towards a mix of generic and specific measures. Hence, many of the categories used were generic (the provision of care, access to services, benefit increases) but these sat alongside measures targeting named groups or sectors of the poor and excluded. The latter is the traditional Irish approach, the former broader one is relatively new. To the extent that it covered both, the 2003-2005 Plan could be said to have been informed by both a poverty and social exclusion approach (although Ireland was historically and is still arguably weaker on the latter). Thirdly, the Irish strategy in 2003 was target specific in that it prioritised a set of actions out of a much larger universe. Hence while the Plan was underpinned by a broad-ranging understanding of poverty and social exclusion, the strategy adopted was to prioritise particular measures as targets. These targets (35 in all) all derived from processes and agreements that pre-dated the NAP/inclusion at national level.

### 1.2.1 Consultations and Preparations

Preparations for the new NRSSPSI are well underway at this stage. In fact Ireland commenced the public preparatory phase much earlier than other countries. To date there have been three main consultation exercises. In September the Office for Social Inclusion issued a call for submissions to be received no later than October 19. In all some 81 submissions were received. The majority of submissions were made by national networks or national voluntary groups and local community or regional groups. In a second round of consultations, seven regional public consultations were held between November 9<sup>th</sup> and December 1<sup>st</sup> 2005. Some 512 people in all attended, drawn from a wide range of backgrounds and including representatives of government departments, state agencies, the community and voluntary sector as well as members of the public. Thirdly, a meeting of the NAPS Social Inclusion Forum was held in Dublin on February 15<sup>th</sup> 2006. Some 200 people attended this, the third, meeting of the Forum and participated in discussions that were focused around the following five themes: families and children; people of working age; older people; public services; public participation. A number of other consultations have also been held. The Office for Social Inclusion held one with the local authorities (described in section 1.2.4.5 below). In addition, there have been other seminars run by the Combat Poverty Agency and by some community and voluntary organisations for this purpose. Given this, one can say that a broad range of stakeholders have participated thus far in the NRSSPSI preparation process and that this year a more intensive and broad-ranging consultation process than ever before was initiated. In this and other respects the Office for Social Inclusion has played a strong leadership role. However it should be noted that most of the consultations took place before the guidelines for the NRSSPSI were issued.

An overview of the written submissions and the main points raised at the public consultations has been published (Office for Social Inclusion 2006a). This very helpful report, which was also made available to participants at the Social Inclusion Forum, identifies the main concerns among stakeholders and how these are framed for policy purposes.

At the regional seminars in particular, the disparity between high levels of economic growth and the continued marginalisation of some sectors of the population was a source of some comment and discussion. Regional disparities and differences in rural and urban experiences were another common discussion point, as one would perhaps expect to hear from participants at meetings held in different parts of the country. A third cross-cutting issue was gender. Rather than just criticism however, participants were well able to identify areas of progress in tackling poverty and disadvantage such as general improvements in the design and implementation of policies, improvements in the provision of active labour market, educational, some health-related, housing and rural transport programmes, improved co-ordination among government departments especially in terms of reporting, and the establishment of relevant institutional structures to support the NRSSPSI. There was support for the current NAP/inclusion strategic approach in that it recognises the multiple cross-cutting needs of those experiencing poverty whilst also targeting specific vulnerable groups. While the range of issues covered was much too extensive to discuss in detail here, it seems reasonable to identify the following as the key points made in the oral and written submissions:

- While 17 target groups were identified in all, carers, lone parents and the rural poor were three groups consistently identified as needing greater policy attention.
- Specific barriers seen to hamper greater co-ordination included: a perceived continued reluctance on the part of some agencies and organisations to engage with other agencies; a lack of 'real' consultation with stakeholders; limited implementation of shared management information systems; a lack of data on local and regional trends; and the absence of multi-annual funding for community and voluntary groups which places them in 'competition' with each other.
- In terms of the NRSSPSI process itself, two main needs were underlined. First, the linkages between the national, regional and local levels require greater attention. Among the outstanding needs identified here are to embed NRSSPSI activities more concretely within local communities, to more clearly articulate the respective contribution of the local and national dimensions, to implement integrated locally-based strategies and to address regional imbalances. The second need identified was for more attention to be devoted to monitoring and evaluation of the NRSSPSI, which is seen to enhance both its overall transparency and accountability.
- The provision of services, in terms of quality and quantity, was a strong theme, made especially in relation to early childhood care and education, housing, transport, health, and legal services.
- The adequacy of provision of all services, including transport, in rural areas was also a strong issue.
- In terms of priorities for the coming NRSSPSI, the following issues were notable: the elimination of poverty and employment traps; amelioration of the impact of indirect taxes on poverty; continued reform of tax and welfare systems to ensure that work pays; the putting in place of a continuum of supports to enable vulnerable groups to participate in education/employment; enhancement of family friendly workplace measures; establishment of a rights-based approach to accessing resources, services, rights and goods; the establishment of a guaranteed adequate income standard linked to average earnings; poverty proofing of government policies and initiatives; the identification of additional vulnerable groups and the development of a strategic policy framework to address new poverty concepts (fuel poverty, food poverty, debt-related poverty); mobilisation and ring fencing of resources to support and enhance the effective participation of civil society in anti-poverty processes.
- A striking aspect of the written submissions especially was the extent to which they identified an implementation gap in existing legislation, policy programmes and task force recommendations and how addressing such gaps could achieve significant progress towards reducing poverty and exclusion. Among the programmes referred to in this regard were the National Spatial Strategy, the National

Disability Strategy, the Traveller Education and the Traveller Health strategies, the White Paper on Lifelong Learning, the recommendations of the Educational Disadvantage Committee.

The Social Inclusion Forum, held in February, reiterated and further substantiated many of these issues.<sup>4</sup> A number of themes in my view deserve emphasis from the many emerging from the discussions, in what appears to have been a structured and focused meeting. These include local-national links (especially in the context of greater co-ordination in relation to policies and service provision in light of implementation gaps in service delivery and need identification), consultation with and engagement of people and a better understanding on the part of officials of the situation facing people affected by social exclusion and the NGOs that seek to represent them, the importance of acting on the consultations, the need for greater involvement of the local authorities in social inclusion, the need for streamlining of the NRSSPSI with the national development plan and the social partnership agreement, people's right of appeal and redress in relation to decisions and services.

Clearly, a very comprehensive public consultation process has been undertaken, a process very much in the spirit of the objective of 'mobilising all actors'. However, it is pertinent in this context to raise the issue of the status of the report and consultations. It is not clear how exactly they will feed into the NRSSPSI.

As mentioned the functioning and impact of the Office for Social Inclusion has become more noticeable in the last year or so. In addition to convening the consultation process, OSI has had a strong presence in:

- revising the poverty proofing exercise and producing new guidelines;
- developing a data and measurement strategy;
- providing information and communicating about poverty and social exclusion.

### *1.2.2 Poverty Proofing and Impact Assessment*

The background here is that poverty proofing, introduced in 1998 on the basis of a commitment in the original National Anti-Poverty Strategy, made it a requirement that significant policy proposals should clearly indicate the impact of the proposal on groups in poverty or at risk of falling into poverty. Guidelines to assist government departments in carrying out poverty proofing exercises were circulated in 1999. In 2001 the National Economic and Social Council (NESC) carried out a review of the poverty proofing process and recommended a number of improvements. In the last year or so, the Office for Social Inclusion, drawing largely on this NESC review and on a further process of consultation, developed a new set of guidelines for Poverty Impact Assessment, making them public in February 2006 (Office for Social Inclusion 2006b). As part of this process the Office also ran a public consultation seminar on poverty impact assessment, with speakers from both Northern Ireland and Great Britain.

As their name implies the new guidelines are intended to focus more on outcomes (rather than inputs as in the past). They are being introduced initially in government departments and can be modified in the light of experience of their use in this area. It is then intended that the guidelines will be applied in the wider public service.

The impact assessment as designed is inclusive and broad-ranging in that it pertains to the design, implementation and review stages of policy and programmes. Moreover the impact assessment should be

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<sup>4</sup> I am very grateful to the Office for Social Inclusion for allowing me to see a pre-publication draft of the report.

carried out at every stage in which significant policy development or change is being considered. The guidelines offer a clear definition of poverty impact assessment, which focuses on poverty but also on the inequalities that are likely to lead to poverty, and they also identify a range of target groups which may be potentially affected by the policy or programme. The assessment is divided into two stages: a screening stage whereby the use of a screening tool ascertains whether it is necessary for the policy or programme to be subjected to the full assessment. This depends on the significance of the intervention or proposed change. The second stage is the full implementation and consists of seven steps. At each step and stage, the policy maker is presented with a series of questions. This is described in more detail in the good practice examples in the next section.

### *1.2.3 Data and Research*

Concerted moves appear to be underway in developing a strategy in regard to data and measurement. As outlined earlier, the impending change in data base to the EU-SILC was taken as an opportunity to explore the implications of different measures and to up-date the measures used. These exercises are necessary for a number of reasons, not least the fact that Ireland has been particular in its use of the consistent poverty yardstick. The new, much higher, poverty rates reported using the new data set will be a challenge to target setting – for example whether the elimination of consistent poverty – which under the old measure was in the region of 4% but under the new one is over 8% - has to be reconsidered as a realistic target.

As discussed earlier, the Economic and Social Research Institute has recently published some work which explores possibilities for the reconfiguration of the measurement of poverty and deprivation in Ireland (see Maître, Nolan and Whelan 2006). This has come up with a new set of measures. These authors also suggest a set of tiered and inter-related poverty reduction targets for the future. They suggest targets based on low income alone, one based on levels of deprivation alone and those based on relative income poverty. While these are neither justified nor explored in any detail in the published report, they are generally in line with earlier suggestions. It is important that the recent report is seen as an invitation to further discuss the appropriate targets rather than to close down debate. The most recent set of recommendations from the NESC (2005b: 60), for example, suggests that more prominence be given to a measure of 'persistent poverty' (living on a low income for a long period of time). The Council also recommends EU standards as the comparator for target setting. It suggests for example that an appropriate high-level goal for poverty reduction in Ireland would be to move from having among the highest persistent and 'at risk of poverty' rates in the EU 15, as is the case at present, to being below the EU 15 average on both measures over the coming years.

These appear to be the main research priority of the Office for Social Inclusion at the present time. It would be helpful if the Office were to design and make public a programme of planned research and if all researchers and organisations could tender for this research in an open tendering process.

### 1.2.4 Issues Raised by the Joint Report

Here I discuss only the issues that have not been raised already.

#### 1.2.4.1 Embed Gender Better

The Office for Social Inclusion consciously planned for gender issues to be raised at the public consultation and considerable feedback was received on these. There are two further developments that are of relevance. First, an interdepartmental group chaired by the Department of Justice, Equality and Law Reform and supported by a social partnership consultative group is preparing a National Women's Strategy. This is intended to provide a framework within which the outstanding gaps in the position of women in Irish society are addressed over a 10-year period. Secondly the *National Development Plan (2000-2006)* made gender mainstreaming one of its concerns and so it is likely that the forthcoming plan will also have a focus on gender. The fact that the content of these two documents/processes are unknown at this stage makes it difficult to identify the gender focus to the NRSSPSI. There is, however, a blueprint available in the National Women's Council's *Woman's Model for Social Welfare Reform* (Murphy 2003). This model rests upon the provision of: individual pension entitlement for older women who are without pension entitlement; generous and comprehensive benefits for parenting and a wage for those caring; measures to deal with atypical employment; measures to maximise independent entitlement to social benefits. In essence, the National Women's Council considers that what is needed is structural change to increase women's economic independence within the social welfare system.

#### 1.2.4.2 Investment in Childcare and Eldercare

Budget 2006 took an important step forward in both regards. It is also likely that these two issues will be further significantly advanced in the new social partnership agreement and also in the National Development Plan.

#### 1.2.4.3 The High Numbers at Risk of Poverty

Again here reference has to be made to the steps taken in Budget 2006 towards raising the minimum welfare payment and in the process towards meeting a key national target. This, to the extent that it can be read as signifying political commitment to reducing the high numbers at risk of poverty, bodes well. The minimum wage is also relevant in this context.

#### 1.2.4.4 The Integration of the Immigrant Community

No specific social inclusion oriented measures have been taken in the period covered by this report, as far as is known. However, there is a new framework being developed for policy development and coordinating functions in relation to integration. This work is being led by the Irish Naturalisation and Immigration Service (INIS) an executive office within the Department of Justice, Equality and Law Reform. INIS will provide an access point for migrants which will incorporate the Department's current structures dealing with asylum, immigration and citizenship. This framework will be developed in cooperation with the Senior Officials Group on Social Inclusion. Many activities in relation to racism and integration are also co-ordinated by the National Consultative Committee on Racism and Interculturalism.

#### 1.2.4.5 Regional and Local Involvement

This is something that has been receiving attention in Ireland, especially in the last five years. During the period covered in the implementation report, progress could be described as 'steady' in activating a process re poverty and social exclusion at local level. The most notable step taken towards a social inclusion process during the period of implementation was the mainstreaming of the Local Authority Anti-poverty Learning Network (up to then on a pilot basis). A national steering committee was set up and moves are

underway to integrate information on anti-poverty and social exclusion processes into the training and education programmes for public servants, especially at regional and local level. The Combat Poverty Agency has also produced a Local Action Plan Guide (mainly in the interests of providing a model or template for the production of local action plans) and two local authorities are receiving funding for three-year pilot projects towards the production of such local plans. This is more or less the limit of progress however. As it stands social inclusion units exist only in nine local authorities and the main action taken is to allow these to continue on the basis of temporary funding. Notably, social inclusion units have not been extended to all the local authorities despite a positive evaluation report of the pilot scheme.

In preparation for the forthcoming NRSSPSI, a consultative meeting was held in March 2006 with the local authorities so as to obtain their suggestions for input to the Plan. Moreover, a consultancy study is underway aimed at identifying ways in which the links between national and local social inclusion strategies can be strengthened.

#### 1.2.4.6 Mainstreaming

The poverty impact assessment guidelines are of most relevance here. They constitute the main evidence of mainstreaming activities undertaken during the period covered by this report.

#### 1.2.5 Structural and ERDF Funds

In the current *National Development Plan 2000-2006* Structural Funds account for 7.25% of the total budget. For the next programming period 2007-2013, during which Ireland will receive much reduced levels of Structural Funding (€800 million), the government has decided for the first time to develop separate National Development Plan and Structural Fund Programmes.

As far as is known, the Irish National Strategic Reference Framework (NSRF) is likely to outline the following structure for Ireland's forthcoming Structural Funds programme. There will be three main operational programmes (OPs):

- South and East Regional Operational Programme;
- Border, Midland and Western Regional Operational Programme;
- European Social Fund (Employment and Human Resources) Operational Programme.

There will also be smaller programmes outlining activities under the Co-operation Objective and PEACE III. The Department of Finance, which is the managing authority for the Programmes, has stated that social inclusion is to be mainstreamed across all the programmes.

In terms of the two regional programmes, the two Regional Assemblies are currently developing their proposals for these programmes.

As regards the Structural Funds, the Department of Finance has stated that the ESF programme will have two main priorities:

- Lifelong learning focusing on skills development and availability;
- Participation/Activation in relation to some aspects of labour market supply.

It also states that, while the programme will have the scope to address issues related to immigrant groups, it may be that these will best be advanced by other means. There is also an intention to incorporate the best principles of the EQUAL Community Initiative into the programme generally. It is not yet clear what this means.

In terms of the process of developing the Irish National Strategic Reference Framework (NSRF), a draft NSRF will first be prepared by the Department of Finance. This will then be circulated to the social partners and interested parties with a one month period for consultation. The Department will give an e-mail address for submissions/comments. The document will be re-drafted and recirculated for a shorter period of consultation.

### 1.3 Examples of good practice

#### Office for Social Inclusion Guidelines for Poverty Impact Assessment

During 2005, the Office for Social Inclusion undertook a review and consultation on the poverty proofing framework which had been in operation since 1999. The result is a set of new guidelines on poverty impact assessment. These guidelines are intended for use by all government departments in an initial phase and the plan is to generalise them to all state agencies at a later stage after they have bedded down.

The guidelines are based on a number of principles. The first is that policy makers need to be informed about the relevant issues. Hence the guidelines offer an understanding of what is meant by poverty and the associated terminology, as well as how poverty is measured. They also provide details of poverty levels in Ireland, of the groups affected and of the different proposals and targets that exist for reducing poverty and social exclusion as well as the 'owners' of these targets. Impact assessment is clearly defined as follows:

*The process by which government departments, local authorities and State agencies assess policies and programmes at design, implementation and review stages in relation to the likely impact that they will have or have had on poverty and on inequalities which are likely to lead to poverty, with a view to poverty reduction.*

A second principle underlying the guidelines is that impact assessment should be undertaken only when necessary – that is, when the measure or the reform will involve significant change. Hence, the process of impact assessment is structured into two stages: an initial screening stage and a full impact assessment stage. The initial screening stage functions as a threshold.

A third principle is that each stage of impact assessment should be systematic and thorough. A number of different steps are elaborated towards this end. First the different 'triggers' for the assessment are identified: statements of strategy, business plans, estimates and annual budget proposals, expenditure reviews and programme evaluations, legislation and national and EU-related plans and programmes. Secondly, a set of procedures and questions are outlined at each stage. In the screening stage, for example, these questions focus on the significance of the policy in terms of: overall national/departmental policy; the level of expenditure involved; the change it will bring about in an existing policy or procedure; its relevance to some or all of the vulnerable groups identified in the NAP/inclusion. The full impact assessment is divided into the following seven steps or stages:

- formal consultation (not a discrete stage but a cross-cutting activity);
- define policy and target groups;
- consider available data and research;
- assess impacts and consider alternatives;
- make decision and arrange monitoring;
- publish results;
- return summary sheet to Social Inclusion Liaison Officer

Detailed questions guide the policy maker through each step.

Full details of the steps involved in carrying out a poverty impact assessment can be found in <http://www.socialinclusion.ie/documents/PIAGuidelines4apr06.pdf>

### **Social Inclusion Unit Cork City Council**

This, one of a number of regionally based social inclusion units, is engaged in a diverse set of activities. The main objective of the unit, which is staffed by a social inclusion officer and an analyst, is to promote social inclusion in the day to day activities of Cork City Council. This is being achieved in three main ways:

- Policy development – The Unit has completed an audit of the activities of Cork City Council that have an impact on social inclusion. The Audit outlines the relevant work undertaken by the City Council and sets recommendations on how to strengthen the social inclusion focus of Council policies and actions. An Action Plan was developed on the basis of Audit and is already being put into practice.
- Research and evaluation – Based on the census results, the Unit completed an in-depth social/poverty profile of Cork City in 2002. This has been made public in the report "City of Difference: Mapping Social Exclusion in Cork". The report presents the main population, unemployment, and education statistics in Cork. It includes maps and tables that aim to make clear the dynamics of social exclusion in Cork City. The report was developed as a partnership between Cork City Council and University College Cork with the co-operation of Cork City Partnership and Combat Poverty Agency. The Unit also participates in international research projects. For example, it was a partner in the European Project "Local Communities in the European Strategy for Social Inclusion". The main focus of this project was the exchange of experiences on a trans-national basis of local projects aiming to combat social exclusion. This process of learning was developed through a set of trans-national meetings and an analysis of 45 surveys based on local projects and produced by each partner. The surveys aimed to investigate the levels of co-ordination and co-operation between stakeholders at a local level and how these initiatives linked in with the European policies.
- Awareness and information provision – The Unit organises the provision of short seminars for all staff on national social inclusion policies and how they might impact on the day-to-day work of each department. One of its most significant activities in relation to awareness raising is "Picture This: A photography exhibition on Social Inclusion/Exclusion" by Maurizio Vallebella, which was shown at different venues around the city in 2004. This exhibition was organised to inform people about how the City Council is seeking to put social needs at the core of its policies and actions.

Full details are available at:

<http://www.corkcity.ie/ourservices/communityenterprise/siu.shtml>

## 2. Active Inclusion

Ireland's minimum income provision historically was largely oriented to the relief of poverty rather than activation. Relative to many other European countries, it took Ireland a longer time to put in place a comprehensive system of minimum income supports and when it did it instituted a complex system of different benefits, often catering to small sectors of the population. For the last ten years or so, there has been significant reform, oriented especially to streamlining the system.

This chapter is organised as follows. The first section briefly describes the minimum income provisions as they exist in Ireland. The second section gives an overview of activation measures as they have developed, especially in recent years. The third section identifies the most significant of the recent reform attempts. The final section identifies some outstanding issues and difficulties as they pertain to Ireland.

### 2.1 Minimum Income Provision in Ireland

By EU 15 standards, Ireland expends only a moderate to low proportion of national resources in providing services and a low proportion in providing cash transfers. There are a number of reasons for these gaps. Part of the explanation lies in Ireland's youthful population and near full employment. Another part of the puzzle is explained by the growth in the economy which has been so rapid that a declining share of GNP was sufficient to finance large increases in social spending. A third reason why cash transfers as a percent of GNP are low compared to other countries is because of the lower bill for pensions and also because of the Irish welfare system's high reliance on means-testing. Ireland is exceptional within the EU for the high proportion of its social spending which is means-tested.

The defining characteristics of the Irish social protection system can be summarised as follows. The underlying ideology and overall origin is anti-poverty in nature. This ideology is brought to life in a system of flat-rate and generally low-level cash transfer payments. It is also to be seen in the additional payments for family members, *viz.* wife and children, that exist as optional add-ons for almost all social protection programmes. The origins of these allowances lie in part in the fact that until the 1990s a majority of women on getting married stayed at home full time. When a "head of household" was unavailable - through death or desertion for example- the lone parent became eligible for a weekly payment, starting with widows' pensions in the 1930s. It should be noted, that while they still exist, the additional payments for children are not being developed further and in fact no alterations have been made to them since 1994. There is a move to individualise social welfare payments. The second outstanding feature of Irish provision is a complex system of categorical social protection schemes directed towards (very) particular segments of the population. More than 30 different social protection programmes exist. The major explanation for these is that Ireland decided against the introduction of income related benefits/pensions under social insurance, leaving that to be provided under occupational and private arrangements, encouraged by favorable tax treatment. However the thrust of reform in recent years has been to integrate programmes and to generalise risks and target groups. Thirdly, social assistance (minimum income or means-tested benefits) is almost as important in Ireland as social insurance in terms of numbers of claimants and expenditure (accounting in 2004 for 44% of all claimants) (Department of Social and Family Affairs 2005). This is partly explained by the time lag in extending social insurance, especially to the self-employed, which meant that a relatively high proportion of old age pensioners and widows have not been eligible for social insurance pensions in their own right. This is a declining group, however. The payment of weekly benefits to lone

parents to enable them care full time for their children, rather than requiring them to be available for work, is another major factor. Furthermore, instead of one large, undifferentiated minimum income programme, at least 8 categorical means-tested programmes flank the general minimum income programme (Supplementary Welfare Allowance) in Ireland. This arose from Ireland's approach of having a social assistance payment that corresponded to a social insurance benefit/pension. Such a high level of categorical differentiation in minimum income programmes renders Ireland unique in an international context. So too does the proportion of social spending (cash transfers and expenditures on services) that is means-tested. This is three times greater in Ireland than the EU-15 average (NESC 2005a: 151). Ireland's many minimum income programmes differ from each other nominally rather than substantively and they serve as alternatives to social insurance rather than as supplements to it (as in Britain). The differentiation between programmes rests most typically upon a combination of status (family position and age) and type of risk. A fourth hallmark of the Irish social protection system is that social service provision was historically less developed and continues to be so, despite recent attempts to improve it. The idea of a service provider state was historically a relatively foreign concept in Ireland. Many of the services that exist are provided by voluntary, religious and community organisations. Moreover, there is no smooth integration between transfers and services (a subject of reform as proposed by the NESC). A final distinctive characteristic of the Irish welfare state is that it has many benefits in kind, mainly for old-age pensioners. These benefits, which include free travel on public services, free television licence, some free electricity and telephone services, account for about 3% of total social welfare expenditure.

In terms of trends, over the ten-year period, 1993–2002, the total number of people dependent on means-tested social assistance (recipients along with their adult and child dependants) fell in absolute numbers by 11% and, as a proportion of the total population, from 24.6% to approximately 20% (NESC 2005a: 46). The composition of the population dependent on means-testing changed more markedly than the volume. In 1993, beneficiaries of Unemployment Assistance dominated (51%), while a further 14% were beneficiaries of the Non-Contributory Old Age Pension, 11% were on Lone Parent schemes, 4.6% were on the Family Income Supplement and 4.4% on the Disabled Persons Maintenance Allowance (the precursor of Disability Allowance). By 2004, only 16% of all means-tested recipients were the beneficiaries of Unemployment Assistance. Currently the dominant minimum income programme is the One-Parent Family Payment, which accounts for some 27% of the means-tested population; 13.5% of recipients are receiving the Family Income Supplement or benefiting from one of three other programmes that had joined it under the generic title of 'Employment Supports' (mainly Back to Work and Back to Education Allowances), while the Non-contributory Old Age Pension and Disability Allowance account for a further 12% and 11% respectively. As NESC points out, however, there has been relative stability in the numbers of people of working age receiving social welfare during Ireland's boom times (*ibid*: 54) because the unemployed have come to be replaced by those claiming lone parent's benefits and the Disability Allowance. Lack of a sufficiently developed activation approach is partly a factor in the growth in the numbers receiving a disability payment. In all, one quarter of a million people of working age are the direct recipients of Ireland's lowest, means-tested social welfare payments (they receive the same weekly rate of payment through six contingency-based schemes - the one parent family payment, unemployment assistance, disability allowance, supplementary welfare allowance, the pre-retirement allowance and farm assist).

## 2.2 Activation Measures

The major providers in this regard are the Department of Social and Family Affairs and FÁS, the public employment service, and its parent department, Enterprise, Trade and Employment. The Department of Education and Science has played a relatively significant role also. One big change that has been associated with the growth in activation measures is the emergence of the community and voluntary sectors in the provision of activating and activation-related services, working closely with FAS in this regard.

In 1993, an Employment Support Service was established inside the Department of Social Welfare to adopt a more proactive approach to providing additional support measures for long-term welfare recipients to access employment. Since then, a significant set of employment supports have been developed that serve to increase the financial incentive to move from receipt of a means-tested welfare payment into employment.

One key part of the approach in Ireland has been **to increase the flexibility of the benefit system and its generosity towards earned income**. This conforms to an understanding of activation as being linked to financial incentives or advantages provided to unemployed people to take up a job or an active training measure. In Ireland key policy directions have been to allow people to receive benefits and hold employment simultaneously and to increase take-home income by supplementing earned income with benefits. There have been five major developments:

- The Family Income Supplement is an earnings subsidy to low-paid workers rearing children - it was introduced in 1984 and made significantly more generous in 1998 when the basis of calculation switched from gross to net earnings. It is continuously updated to make it more generous.
- The Back to Work Allowance Scheme, introduced in 1993, allows people to retain a proportion of their welfare payment, which declines over a three-year period, with their earnings from employment (there is a more generous version for people entering self-employment); in addition, at low earnings they retain their secondary benefits (rent supplement, medical card, fuel allowance, Christmas bonus, etc.).
- The Back to Education Allowance, introduced in 1996, enables people to pursue full- or part-time education courses at second, further or third level institutions and to receive a non-means-tested allowance in lieu of their former welfare payment and retain secondary benefits.
- When payments to lone parents were reorganised in 1997, a relatively generous earnings disregard was introduced (its generosity, however, has steadily eroded through not being adjusted for inflation). The activation of lone parents is now seen to be the new challenge facing Ireland.
- In terms of conditionality, a number of measures have been introduced to social security schemes to make them more employment friendly. These measures aim at removing potential barriers in the decision to take up or return to employment in the event of a sudden loss of social security. Examples of such measures include: means disregards and tapered withdrawal of benefits as earnings increase; exemption from liability for social insurance contributions; retention of Rent/Mortgage Interest Supplement and other secondary benefits on a tapered basis.

A second strategy in the Irish case has been a **systematic activation approach**, with both reintegrative and preventive (in regard to stemming the drift to long-term unemployment) elements in evidence. Following on from its introduction in 1998, the special intervention (which initially targeted 18 to 25 year olds approaching six months on the Live Register (i.e., on the unemployment rolls) and was designed to either immediately reintegrate them into the labour market or to provide training and education to improve their skills) was in 1999 extended to both 18 to 25 year olds and those aged between 25 and 34 years who are

approaching 18 months claiming unemployment payments. During 2000 this was extended to cover the remaining cohorts of adult unemployed and the timing of intervention was brought forward first to 12 months and then to 9 months. During 2004 52,328 persons were referred to the public employment service - FÁS - with 35,136 persons attending for interview. Of those interviewed, 20,199 left the live register, with 9,718 placed in jobs, programmes, training and education. Persons unable to progress to training or employment accounted for 5% of FÁS interviewees. The High Supports process and the Bridging/Foundation programme are provided to assist them to overcome personal barriers to the labour market.

Ireland has a vibrant active labour market programmes with a total of 66,086 places supported in 2004 under various active labour market programmes. Community Employment, Job Initiative and Social Economy programmes provide some 25,000 places annually. As mentioned, the community and voluntary sectors are major actors here and in fact what was originated as a training and employment programme has turned out to play a major role in community support and development (because many of the 'jobs' created involve the provision of services of a social or community nature and because many of them have acted to build capacity in the voluntary/community sector). The emphasis on community development as a source of job creation contributes to a certain uniqueness in the Irish approach. The schemes in question now include a greater training element and so increased emphasis is being given to strengthening the employability qualities of these programmes. FÁS with the support of the Equality Authority is conducting a series of reviews to enhance the capacity of these programmes to accommodate a diversity of participants.

Women have been one group targeted by the activation measures. A programme called *Expanding the Workforce* (ETW) exists to offer a gateway for women wishing to return to the labour market, providing targeted interventions suited to the needs of the individual and on-the-job training. Over 1,000 women participated in ETW training programmes in 2004. The greatest training needs identified by participants were in the areas of personal development and job-seeking skills. Under ETW, specific attention is being given to lone parents, the majority of whom are women. At the present time, it is estimated that 43% of lone parents are in employment. While the earnings disregard under the One-Parent Family Payment has helped to increase employment with many people taking up part time employment, it is now considered that lone parents are the most urgent group in need of targeted attention. The recently proposed measures are discussed in section 2.3 below.

**Developing the human capital potential** of benefit claimants, especially the unemployed, has been a further strategy followed in the Irish case. The Back to Education Allowance is a key element here. It currently covers some 6,000 recipients. As part of its development, it has also been extended to former recipients of the Carer's Allowance, to recipients of Invalidity Pension and to people aged between 18 and 20 years who have been in receipt of an unemployment or lone parent payment for at least six months and who have been out of the education system for two years or more.

A fourth arm of the Irish strategy has been to **make work pay**. Apart from easing the opportunity to continue to receive welfare benefits while employed, there have been two other policy approaches to making work pay better. The first is the minimum wage policy. A national minimum wage was introduced in 2000 and by 2004 Ireland was one of the few countries (along with Australia, France and New Zealand) where the minimum adult rate was above 50% of median earnings (NESC 2005a: 78). At the present time the minimum wage stands at €7.65 an hour. The second is income tax policy which in recent years especially has had a particular focus on the low paid and the elderly. In 2005, all those on the national minimum wage

were removed from the tax net. But this slipped back as a result of a subsequent increase in the minimum wage in May 2005 but the 2006 Budget again removed tax eligibility for those on the minimum wage.

In terms of future direction of policy, the National Reform Programme identifies the following:

- ensuring that 80% of all earners pay tax only at the standard rate;
- ensuring that those earning the minimum wage remain out of the tax net;
- welfare reforms will continue to be monitored to ensure their effectiveness;
- the development of further incentives for those on welfare payments to return to the workforce will be considered.

### 2.3 Recent and Planned Reforms

For at least 10-15 years now, Ireland's welfare provisions have been shaped above all by the economic policy and social partnership paradigm that has gradually taken shape. Emphasising competitiveness and economic growth, welfare has been increasingly evaluated and influenced by considerations about its impact on economic performance, although more political considerations about its potential to alleviate want and need have also been present. The latest NESC report – *the Developmental Welfare State* - gives contemporary shape to that discussion. As outlined above (section 1.3) it lays strong emphasis on a balanced development of welfare in Ireland (seen to comprise income supports, services and activist measures) with particular attention being devoted to addressing the fragmentation and divisions in service provision.

This is a long-term reform programme. In the shorter term policy attention has turned to lone parents.

Unlike other countries, lone parents had not up to recently been targeted by the activation measures in Ireland. There are currently some 80,000 lone parents - almost 98% of them women - in receipt of a targeted payment - One Parent Family Payment. In the current climate, lone parents have come to be considered a vulnerable group in that:

- a) they have a very high risk of poverty and
- b) the known employment participation rate of recipients of the benefit is in the region of 60%. In general it is known that employment is not a source of financial independence for lone parent beneficiaries and that those who work tend to be engaged in part-time and/or low paid work. It is assumed that this situation is exacerbated by the rules governing benefit receipt. While up to the relatively recent past, lone parents were mainly viewed by the welfare system (and beyond) as parents, all the indications are that there is now a change of focus such that they are coming to be seen primarily as workers. In this guise they represent somewhat of an anomaly in the increasingly activation oriented benefit system. The status quo of the benefit system – whereby lone parents were enabled to balance employment with their family responsibilities and allowed to give priority to the former especially in the context of a poor supply of affordable childcare and their own limited human capital – no longer seems acceptable. Hence in March 2006 the government launched a discussion paper - *Proposals for Supporting Lone Parents* – which among other things puts forward a range of 'radical proposals for reform'.

This report contains two strands of work by expert working groups that was conducted under the auspices of the Cabinet Committee on Social Inclusion, chaired by the Taoiseach. The first is a review of obstacles to employment for lone parents and the second is a review of income support arrangements for lone parents

carried out within the Department of Social and Family Affairs. The report suggests that in the context of significant expenditure on lone parents there is an absence of systematic engagement with recipients of the lone parent benefit (which can be received until the child reaches 18 years (or 22 if in full-time education)). The report goes on to make the case for the implementation of an integrated programme to support the movement of lone parents into full-time and quality employment. Among other things it proposes that lone parents should be included in the Employment Action Plan and that there should be an expansion in the availability and range of education and training opportunities for lone parents as well as a focused provision of childcare. From the point of view of the benefit system, it is proposed that the current targeted lone parents' benefit be abolished and replaced by a new Parental Allowance for all low income families with young children. The new payment is planned to be time limited, payable to families where the youngest child is under a specified age, e.g., 7 years or 12 years and under. Conditions on receipt of payment in relation to activation will be applied only when the youngest child reaches a certain age, e.g., 5 years. Those in receipt of the Parental Allowance would be allowed to earn up to €120.00 per week without it affecting their payment. One important proposed reform is to eliminate the prevailing 'cohabitation rule' (whereby a payment may be limited if the recipient is found to be cohabiting). This is in the direction of greater individualisation of welfare benefits and modernisation of the Irish benefit system.

This is not an easy issue to take on and deal with in the Irish case. The status of lone parenthood is by no means fully accepted in Irish society, where a strong Catholic ethos emphasises marriage as the appropriate family form. Secondly, lone parents have become quite a vociferous and competent lobby group in recent years and so resistance is to be expected. Thirdly, as I pointed out in my report last year, lone parents can only become employees if a range of supports are available to them. These include child care which is affordable and can meet their specific needs (lone parents' needs in this and other regards differ from those of two-parent families) and education and training. It has to be remembered that the work participation costs for such families may be higher than they are for other sectors of the population.

## **2.4 Measures Needing Attention**

Indirect taxes and other charges are a big issue that need to be dealt with. Such taxes and charges are quite widespread in Ireland and have a considerable capacity to erode income. This is especially the case for the indirect taxes that are charged on services and goods.

The NESF (2005a) and National Economic and Social Forum (2006) both point out that significant poverty traps have crept back into the social welfare payments' system. Basically, 'poverty traps' are being created by the too rapid withdrawal of a person's secondary benefits on taking up work. In the view of the NESF, this has been exacerbated by the growing complexity of the means-tested benefits system and lack of indexation of household means-tested income disregards before secondary benefits are lost. A number of disincentives/anomalies were identified: the fact that the rent supplement is available only to those receiving benefits and is withdrawn upon taking up employment; the income threshold for the medical card has not kept pace with inflation; the earnings disregards attaching to continued receipt of welfare benefits while employed have not been raised to reflect the growth in costs or general earnings.

However it is important to point out that some of the information in the NESF report has been rendered out of date by significant changes since it issued. For example, significant changes have been made to the medical card assessment thresholds and to the way in which people's eligibility for a card is assessed. In

2005, the income guidelines used in the assessment of medical card applications were increased twice, by a cumulative 29%. A further fundamental change is that, from June 2005, people are assessed for a medical card not on gross income but based on an applicant's and spouse's income after tax and PRSI. Allowance is also made for reasonable expenses in respect of rent or mortgage payments, child-care and travel to work. In 2005 the government also introduced a new benefit, in the form of the GP Visit Card, which allows holders to attend a GP free of charge. The assessment threshold for this benefit was initially 25% above that for a medical card and in June 2006 this differential was increased to 50%.

The active labour market programmes which have grown in somewhat of an ad hoc fashion are another aspect of policy needing attention. There are at present some 38 labour market and social inclusion programmes, involving some eight government departments and 13 different agencies as well as a range of non-statutory bodies. As one might expect, this is engendering problems of co-ordination, duplication in services and gaps in service provision. A recent report by the National Economic and Social Forum (NESF) (2006) has specifically focused on the labour market programmes and makes a number of key recommendations.

One of the most significant recommendations is for a *National Strategic Framework* to ensure the coherence and integration of the €1,000 million per annum currently being expended on labour market and social inclusion policies aimed at tackling the problems of labour market vulnerability. This framework should encompass the new EU integrated economic and employment guidelines. In the view of the NESF the Framework should aim to facilitate improved interagency work at the local level and ensure the mainstreaming of best practice at the local level into the development of national policies.

Eligibility criteria for active labour market programmes vary considerably and are not always framed in terms of a person's employability problem(s). Another recommendation of the NESF is for a 'Personalised Action Plan' to be developed and put in place for each person, especially those who are most marginalised from the labour market, detailing the supports they will receive (from all service providers) and their own obligations and incentives in availing of them. The skills of Employment Service staff will also need to be enhanced to undertake this role.

In relation to active employment programmes more generally, the matter of employment progression has to be raised. The situation of the Community Employment Schemes especially needs attention. As NESF (2005a: 74) says of these, it is proving particularly difficult to find agreement on how their scale and nature should be adjusted to the new circumstances of a near full-employment economy. Moreover, it is not always clear where responsibility lies if injections of public resources into a local area over a sustained period are not seen to be having a significant impact in reducing the need for which they were made available in the first place. NESF suggests that savings could be anticipated in these programmes if they are planned and managed in an appropriate way. They suggest that the strategic policy issue may be the extent to which the client groups for these services should continue to be widened to include steadily more of the people of working age in receipt of welfare and the related issue as to whether the opportunity of low unemployment should be seized to occasion a step improvement in the quality of active labour market programmes.

## Annex

### Relevant Developments During the Year

#### Legislation

*Social Welfare Law Reform and Pensions Bill (2006)*

*Disability Act, June 2005*

#### Administrative

Setting up of an Office for the Minister of Children in 2005. This underlines the growing importance of children. The Office will focus on harmonising policy issues that affect children in areas such as early childhood care and education, youth justice, child welfare and protection, children and young people's participation, research on children and young people and cross-cutting initiatives for children. The new Office brings together staff from different departments. The Office is an innovation in administrative terms because some staff are co-located in that they work to both the Office and their parent departments.

#### Plans/Strategies/Programmes

In May 2005 the Department of Education and Science published DEIS (Delivering Equality of Opportunity in Schools) a 5 year Action Plan for Educational Inclusion. The plan is one of a number of interventions to address educational disadvantage, which include second-chance education and training, increased participation by under-represented groups in further and higher education and the development of provisions for pupils with special educational needs. The Plan will address the educational needs of pupils in disadvantaged areas through a more targeted approach covering pre-school through second-level education. It will be implemented on a phased basis and emphasises the need to tackle literacy and numeracy as well as issues such as attendance, progression, retention and attainment.

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**Table A.1 Budget 2006 Rates of Welfare Payment**

RATES OF PAYMENT									
Maximum Weekly Rates	Weekly Personal Rate				Qualified Adult Allowance				Each Child
	Present	New	Increase		Present	New	Increase		Full Rate
	€	€	€	%	€	€	€	%	€
<b>Social Insurance Payments</b>									
<b>Retirement/Old Age (Contributory) Pension</b>									
- under age 80	179.30	<b>193.30</b>	14.00	7.8%	*119.50	<b>*128.80</b>	9.30	7.8%	<b>19.30</b>
- aged 80 and over	185.70	<b>203.30</b>	17.60	9.5%	**138.50	<b>**149.30</b>	10.80	7.8%	<b>19.30</b>
<b>Widow's/Widower's (Contributory) Pension/Deserted Wife's Benefit</b>									
- under age 66	154.30	<b>171.30</b>	17.00	11.0%					<b>21.60</b>
- aged 66 and under age 80	179.30	<b>193.30</b>	14.00	7.8%					<b>21.60</b>
- aged 80 and over	185.70	<b>203.30</b>	17.60	9.5%					<b>21.60</b>
<b>Invalidity Pension</b>									
- under age 65	154.30	<b>171.30</b>	17.00	11.0%	*110.10	<b>*122.20</b>	12.10	11.0%	<b>19.30</b>
- aged 65 and under age 80	179.30	<b>193.30</b>	14.00	7.8%	**138.50	<b>**149.30</b>	10.80	7.8%	<b>19.30</b>
- aged 80 and over	185.70	<b>203.30</b>	17.60	9.5%					<b>19.30</b>
<b>Carer's Benefit/Constant Attendance Allowance</b>	163.70	<b>180.70</b>	17.00	10.4%					<b>16.80</b>
<b>Disablement Pension</b>	179.90	<b>196.90</b>	17.00	9.4%					
<b>Unemployment/Disability/Health &amp; Safety/Injury Benefit</b>	148.80	<b>165.80</b>	17.00	11.4%	98.70	<b>110.00</b>	11.30	11.4%	<b>16.80</b>
<b>Death Benefit Pension</b>									
- under age 66	177.60	<b>194.60</b>	17.00	9.6%					
- aged 66 and under age 80	183.70	<b>197.70</b>	14.00	7.6%					
- aged 80 and over	185.70	<b>207.70</b>	22.00	11.8%					
<b>Social Assistance Payments</b>									
<b>Old Age (Non-Contributory) Pension</b>									
- aged 66 and under age 80	166.00	<b>182.00</b>	16.00	9.6%	109.70	<b>120.30</b>	10.60	9.7%	<b>16.80</b>
- aged 80 and over	172.40	<b>192.00</b>	19.60	11.4%					<b>16.80</b>
<b>Blind Pension</b>									
- under age 66	148.80	<b>165.80</b>	17.00	11.4%	*98.70	<b>*110.00</b>	11.30	11.4%	<b>16.80</b>
- aged 66 and under age 80	166.00	<b>182.00</b>	16.00	9.6%	**109.70	<b>**120.30</b>	10.60	9.7%	<b>16.80</b>
- aged 80 and over	172.40	<b>192.00</b>	19.60	11.4%					<b>16.80</b>
<b>Widow's/Widower's (Non-Contributory) Pension/Deserted Wife's/Prisoner's Wife's Allowance</b>									

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- under age 66	148.80	<b>165.80</b>	17.00	11.4%					
- aged 66 and under age 80	166.00	<b>182.00</b>	16.00	9.6%					
- aged 80 and over	172.40	<b>192.00</b>	19.60	11.4%					
<b>Carer's Allowance</b>									
- under age 66	153.60	<b>180.00</b>	26.40	17.2%					<b>16.80</b>
- aged 66 and over	169.80	<b>200.00</b>	30.20	17.8%					<b>16.80</b>
<b>One-Parent Family Payment</b>									
- under age 66	148.80	<b>165.80</b>	17.00	11.4%					<b>19.30</b>
- aged 66 and over	166.00	<b>182.00</b>	16.00	9.6%					<b>19.30</b>
<b>Pre-Retirement/Disability Allowance</b>	148.80	<b>165.80</b>	17.00	11.4%	98.70	<b>110.00</b>	11.30	11.4%	<b>16.80</b>
<b>Supplementary Welfare Allowance</b>	148.80	<b>165.80</b>	17.00	11.4%	98.70	<b>110.00</b>	11.30	11.4%	<b>16.80</b>
<b>Unemployment Assistance</b>	148.80	<b>165.80</b>	17.00	11.4%	98.70	<b>110.00</b>	11.30	11.4%	<b>16.80</b>
<b>Farm Assist</b>	148.80	<b>165.80</b>	17.00	11.4%	98.70	<b>110.00</b>	11.30	11.4%	<b>16.80</b>
<b>Other Social Welfare Allowances</b>									
<b>Maternity/Adoptive Benefit</b>									
- Minimum rate	165.60	<b>182.60</b>	17.00	10.3%					
<b>Orphan's Pension/Allowance</b>	121.00	<b>138.00</b>	17.00	14.0%					

Note:  
\* under 66  
\*\* 66 or over

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