NESC
An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

The Future of the Irish Social Welfare System: Participation and Protection

No.151 November 2020

An Oifig Náisiúnta um Fhorbairt Eacnamaíoch agus Shóisialta
National Economic & Social Development Office NESDO

National Economic and Social Council

Constitution and Terms of Reference

1. The main tasks of the National Economic and Social Council shall be to analyse and report on strategic issues relating to the efficient development of the economy and the achievement of social justice.

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

3. Any reports which the Council may produce shall be submitted to the Government, and shall be laid before each House of the Oireachtas and published.

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

   - Three persons nominated by agricultural and farming organisations;
   - Three persons nominated by business and employers organisations;
   - Three persons nominated by the Irish Congress of Trade Unions;
   - Three persons nominated by community and voluntary organisations;
   - Three persons nominated by environment organisations;
   - Five other persons nominated by the Government, including the Secretaries General of the Department of Finance, the Department of Business, Enterprise and Innovation, the Department of Housing, Local Government, and Heritage, and the Department of Public Expenditure and Reform.

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7. The numbers, remuneration and conditions of service of staff are subject to the approval of the Taoiseach.

8. The Council shall regulate its own procedure.

An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
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In earlier online versions of this report, there was an error in the first sentence of the second paragraph in section 3.2.2. The line read 'In 1966, just 34 per cent of mothers were in paid employment in Ireland'. However it should have read 'In 1966, just 6 per cent of mothers were in paid employment in Ireland'.

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Dr Larry O'Connell,
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Dr Helen Johnston,
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Dr Anne-Marie McGauran,
Policy Analyst

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Abbreviations

ABM
Automatic Balancing Systems

CAT
Capital Acquisitions Tax

CB
Child Benefit

CGT
Capital Gains Tax

CoT
Commission on Taxation

CSO
Central Statistics Office

DB
Defined Benefit

DC
Defined Contribution

DEASP
Department of Employment Affairs & Social Protection

DEIS
Delivering Equality of Opportunity in Schools

DWS
Developmental Welfare State

ECCE
Early Childhood Care and Education

EIB
Enhanced Illness Benefit

EWSS
Employment Wage Support Scheme

FDI
Foreign Direct Investment

FET
Further Education and Training

FIS
Family Income Supplement

GDP
Gross Domestic Product

GDPR
General Data Protection Regulation

GFC
Great Financial Crisis

GNP
Gross National Profit

HAP
Housing Assistance Payment

IGEES
Irish Government Economic Evaluation Services

IMF
International Monetary Fund

IQC
Increase for a Qualified Child

JST
Jobseeker's Transition

LEEF
Labour Employer Economic Forum

LFS
Labour Force Survey

LPT
Local Property Tax

MNC
Multinational Corporation

NCS
National Childcare Scheme

NEET
Not in Education, Employment or Training

NPRF
National Pension Reserve Fund

OPFP
One-Parent Family Payment

PRSI
Pay-Related Social Insurance

PUP
Pandemic Unemployment Payment

QA
Qualified Adult

QNHS
Quarterly National Household Survey

RAS
Rental Accommodation Scheme

REITs
Real Estate Investment Trusts

RS
Rent Supplement

SA
Social Assistance

SI
Social Insurance

SIF
Social Insurance Fund

SPC
State Contributory Pension

TCA
Total Contributions Approach

UBI
Universal Basic Income

USC
Universal Social Credit

WFP
Working Family Payment

TWSCS
Temporary Wage Subsidy Childcare Scheme

TWSS
Temporary Wage Subsidy Scheme

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This report was produced over a period of time with nine working papers contributing to the culmination of this report. The report's authors thank the wide range of people from government departments, public agencies, social partners and civil society who gave of their time and expertise to provide input into the development of the working papers and this report.

In particular, the authors thank the members of a working group who considered the main issues emanating from the working papers and assisted in the production of this report (see Appendix 1 for a list of the members of the group). Special mention is due to Professor Tony McCashin for chairing the working group so ably, as well as for providing detailed comments and text in a number of follow-up meetings, and assisting in finalising the report.

The Departments of the Taoiseach and Employment Affairs and Social Protection gave invaluable guidance for the study, and NESC colleagues made helpful suggestions.

This report, as well as the nine working papers, have been considered and discussed at length by the members of the Council. We thank them for them their constant support and contribution to the work, and in framing the content of the report.

Executive Summary

Purpose of the report

The Irish social welfare system is not in crisis, but faces profound challenges that arise in the wider social, economic and demographic contexts. These challenges have been compounded by the coronavirus pandemic and its impact on the economy and society. This report asks: Is the Irish social welfare system fit for the 21st century? and makes suggestions as to how the system might be modernised to reflect current contexts.

Structure of the report

The report is in three parts. Part 1 provides the rationale for the study. Part 2 puts forward trajectories for reform. Part 3 is an epilogue, written after the onset of the coronavirus in Ireland.

Context for the study

Three overriding issues are repeatedly identified in international and national studies as pertaining to the Irish welfare system: economic inequality, the mix of cash versus benefits, and the role of social insurance.

On economic inequality, the Irish social welfare system has to work hard to reduce market income inequalities. The challenge is to address two aspects of market inequality: non-participation in the economy leading to low or zero market incomes in some households, and wide variation in market incomes among those in employment.

In relation to the mix of cash and services, in Ireland cash benefits tend to have been developed more rapidly than services, for a variety of reasons. In previous work, NESC has stressed that the radical development of services is the most important route to improving social protection.

With regard to the role of social insurance, NESC has previously observed that the Irish system of social welfare payments is weak in relation to its social insurance element. In practice, around half of social welfare spending is financed by the Exchequer. This raises questions about the role and meaning of social insurance.

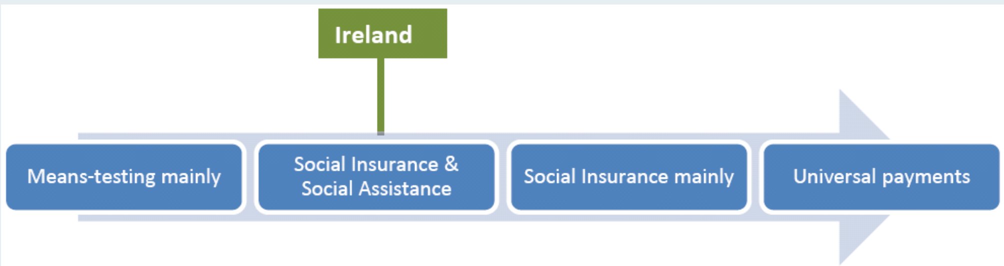
Changes, opportunities and challenges

The Irish welfare income support system is a hybrid system of universal, insurance-based and means-tested payments. It is funded through a mixture of social insurance contributions and general Exchequer revenue. Like its counterparts in many developed economies, the Irish social welfare system faces a number of specific policy challenges: demographic, social and economic. While the challenges posed by the coronavirus pandemic and resulting economic and social restrictions are the most immediate, there are a number of long-standing challenges to be addressed. These include issues that are widely discussed such as population ageing, changing patterns of work, and inequality of income and wealth, including the need to reduce consistent poverty. Related to these challenges are changes in family structures and declining security in housing and pension provision. At a wider level, there are challenges of globalisation, the changing balance of world power, and climate change. Further challenges are ambivalent support for welfare provision, and the long-standing challenge of funding social welfare provision.

A framework for the future

At the core of the report is consideration of income supports within the broader social welfare system. In considering the direction of income supports for the future, on an idealised continuum ranging from reliance on means-tested social assistance payments through to universal payments, Ireland is located somewhere on the social insurance/social assistance mix, as illustrated in the following figure.

Ireland's position on a universal, social insurance, social assistance continuum



In meeting the challenges outlined above, it is argued that we should move towards a more social insurance-based system. This should include additional tapering in the withdrawal of payments to reduce poverty and unemployment traps, and ease the transition to work. It is envisaged that there will still be a need for social assistance payments for those who do not have social insurance; that is, maintaining a mixed model of social protection while moving towards a social insurance model.

NESC proposes four trajectories for reform: ensuring income adequacy and alleviating poverty; modernising family supports to reflect gender and care needs; supporting high participation; and enhancing financial sustainability.

Ensuring income adequacy and alleviating poverty

Three proposals are presented for ensuring income adequacy and alleviating poverty. On ensuring social welfare payments are adequate to prevent poverty, NESC proposes that an independent indexation group be established to advise Government on appropriate welfare payment rates. In relation to child income support, NESC proposes the introduction of a two-tier child income support (rather than the current three-tier structure), that would comprise a universal child benefit paid in respect of all children, with an automatic supplement payable in respect of children in low-income families, whether these families are in receipt of a social welfare payment or in low-paid employment. With regard to providing supportive services to complement income supports, proposals are made on education, childcare, healthcare and housing.

Modernising family supports to reflect gender and care needs

NESC believes that the social welfare system should reflect changing patterns of household and family formation, with a commitment to equal gender roles and rights, and a sharing of family responsibilities. Thus, the welfare and tax systems should be reformed to more closely reflect current family/labour-market patterns. This would involve further individualisation of social welfare, such as requiring Qualified Adults (partners of people in receipt of a social welfare payment), who are on means-tested payments, with children older than seven, to participate in activation, education, training and job-seeking, as lone parents on Jobseeker's Transitional Payment do now. To better support balancing work and family commitments, consideration should be given to parents being entitled to take part-time leave when they have young children, and to flexible work patterns to support those looking after older people. In relation to taxation, NESC proposes a review of the transferability of credits to assess if they can be refocused to be available to married and cohabiting couples with dependent children only.

Supporting high participation

Supporting high participation means focusing on the labour-market choices of people with caring responsibilities, those with less than secondary education, people with disabilities, and older workers; and considering the importance of services and measures that help people into, and in, the labour market. Dealing with the complexities of the changing world of work, such as atypical work, self-employment and platform work, is one of the issues that needs to be addressed. NESC suggests that a tripartite group—e.g. the Labour Employer Economic Forum (LEEF) or similar body—should assess the type of reforms that would achieve flexibility and security for the greatest number of workers. A more inclusive public employment service would also support high participation in the labour force. This would be characterised by tailored supports, greater intensity of support, and further development in providing information and career guidance. To encourage greater participation and potential progression, it is proposed to pilot a participation income. The idea behind this is that work which is currently unpaid, but of societal value, such as voluntary or caring work, could be recognised in some way. The pilot should be targeted at people not currently in the labour force but who could make a contribution to their local community or society. There is also a need to support low-paid workers without children who are at risk of poverty, by amending the Working Family Payment or by introducing a refundable element to personal and employee tax credits.

Enhancing financial sustainability

Ensuring financial sustainability of the social welfare system is an ongoing challenge, accentuated by the demands of responding to the coronavirus across the public sector. NESC proposes options of three types to enhance financial sustainability: those that could increase funding for welfare; those that would manage expenditure; and other actions that would help reduce financial pressure on the welfare system but which are external to it. A number of proposals are made to increase funding, including: increasing PRSI contribution rates, especially for the self-employed; assessing tax on all forms of income, including that from new sources such as digitalisation; more capital and property taxes, with fewer exemptions from these taxes; capping tax expenditures; and applying multiple rates of income tax. These proposals would also promote greater economic equality. Suggestions are made on how expenditure on benefits should be strategically managed and controlled. For example: by adapting eligibility rules in the light of evolving conditions, such as increasing pension age, by benchmarking benefits against other incomes or prices, and by deploying greater targeting or more refined tapering of benefits to reduce the cost of benefits. Other actions that are outside the direct funding and payment mechanisms of the social insurance system could also be taken. These include a variety of policies to help increase the number of people in the labour force, which in turn would increase the number of contributors to the social insurance system. Other actions could ease the cost of pension provision, such as reducing the tax relief available for pension contributions for those on higher incomes.

Implementation

There are administrative reforms that, if implemented, would make the welfare system easier to operate and more transparent. NESC suggests that a working group be established to review and address inconsistencies, to consider how a single-portable means test for a range of benefits might be operationalised, and to examine disincentives to employment caused by the interaction of taxes and contributions for those on lower incomes. Good data are required to inform changes to the welfare system.

Implications of Covid-19

The main report was prepared in advance of the arrival of the coronavirus in Ireland. However, the serious impact of the virus on the health system, along with the economic and social implications of the measures taken to limit the spread of the virus, have required unprecedented measures to be taken. These include specific social welfare measures to protect employment, ensure that people had adequate incomes, and that those who displayed symptoms of the virus could self-isolate and did not have to go to work. These measures have reinforced the importance of many of the proposals made in the report such as: having a stronger social insurance system; better recognition of atypical work; stronger anti-poverty measures; more appreciation of caring; tapering the withdrawal of benefits; piloting a participation income, and augmenting financial sustainability. In addition, the implications of Covid-19 make the case for reconsideration of ‘flexicurity’, which combines a high level of mobility between jobs with a comprehensive safety net for the unemployed, plus strong supports for job search and retraining. The pandemic has also highlighted the importance of supportive services and community innovation.

Overview of the Report

Why a report on the future of the Irish social welfare system?

Ireland has a modern social welfare system that functions reasonably well. However, in a context of constant change, it is appropriate to ask if it is fit for purpose for the 21st century, and if the adjustments we are making to the system are moving us in the right direction. This report attempts to answer this question. While the report was written in advance of the arrival of the Covid-19 virus in Ireland, the final chapter (11—Epilogue) highlights issues which have emerged in light of the measures taken to address the fall-out of the coronavirus pandemic, and reflects on their implications for the future of the Irish social welfare system.

Structure of the report

The report is in three parts.[1] Part 1 sets out the context for considering the future of the Irish welfare state. It documents the evolution of the welfare system and identifies its key features. Changes, challenges and opportunities are identified and a framework is proposed for the future.

Part 2 puts forward trajectories for reform. It presents proposals on: ensuring income adequacy and alleviating poverty; modernising family supports to reflect gender and care needs; supporting high participation in the labour market, and in society, and enhancing the financial sustainability of the welfare system. It concludes with a focus on implementation.

Part 3 is an epilogue, written after the onset of the coronavirus in Ireland. It summarises the measures taken as a result of Covid-19 that are of relevance to the social welfare system, and discusses issues that have emerged as significant in light of the measures taken.

Part 1: Evolution and Current Challenges

The system of social welfare payments

The specific focus of this report is the system of social welfare benefits and allowances. Briefly, this system comprises:

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[1] The report is based on a set of nine working papers that contain supporting data and analysis.

i. a suite of social insurance payments, entitlement to which is based on social insurance contribution histories;

ii. a parallel set of social assistance payments governed by means-tests and funded from general taxation;

iii. a universal payment in respect of dependent children, Child Benefit; and

iv. ancillary benefits such as free travel.

Social welfare is sustained, in part, by a broadly based regime of social insurance contributions payable by employers and employees, and (since 1987) the self-employed, the contributions being paid into the Social Insurance Fund. Employees generally contribute social insurance at a rate of 4 per cent of earnings, matched by an employer's contribution of 11.05 per cent.

The Council argues that, after a long period of expansion, modernisation and improvement, social welfare faces important and urgent challenges. This provides the rationale for the study.

Rationale for the study

The social welfare system is not in crisis, but faces challenges that arise from significant changes in the wider social, economic and demographic contexts. Three challenges facing the Irish welfare state that have been repeatedly identified in international and national studies are economic inequality, the mix of cash benefits versus services, and the role of social insurance.

On economic inequality, the Irish social welfare system has to work hard to reduce market income inequalities that are among the highest in the OECD. Social welfare payments have a substantial impact on reducing poverty and market income inequality. However, this attribute of the Irish welfare state alerts the Council to one of the key strategic challenges for the future: to underpin social welfare with employment and economic policies that do not generate unduly high market income disparities. This challenge requires policymakers to address two aspects of market inequality: non-participation in the economy, leading to low or zero market incomes in some households, and wide variation in market incomes among those in employment.

In relation to the mix of cash and services, historically policymakers in Ireland have tended to develop cash benefits more rapidly than services. The Council acknowledges the dynamics that give rise to cash-based interventions in the development of social protection to date. Benefits are predictable, tangible additions to household resources; their levels, eligibility rules and scope can be incrementally adjusted; there is one central department (Department of Employment Affairs and Social Protection) with the authority and experience to devise and implement cash benefits and allowances. In contrast, in areas such as childcare, disability, housing and so on, models of service provision in terms of funding mix, organisational forms, standards and regulation are more difficult to define and apply. In developing social protection in the future, the challenge for policymakers is to identify an appropriate mix of responses—cash and services—

and to sequence their development correctly. Where cash provisions—for instance in the areas of care work, housing and disability—develop more rapidly than services or in place of services, the cash benefits may become embedded and institutionalised as substitutes for services. In *The Developmental Welfare State*, NESC's 2005 report on the future development of the Irish welfare state, the Council stressed that the radical development of services was the most important route to improving social protection.

With regard to the role of social insurance, the Council has previously observed that the Irish system of social welfare payments is weak in relation to its social insurance element. This challenge about the role and meaning of social insurance requires policymakers and citizens to discuss, interpret and clarify the principles and practice of social insurance. Overarching questions about social insurance are: the extent to which individuals' entitlements should be more explicitly related to their contributions; the desirability, or otherwise, of strengthening the finances of the Social Insurance Fund so that it more fully meets evolving expenditure on benefits and is less reliant on Exchequer subventions; and the balance to be struck between contributory principles, on the one hand, and principles of redistribution and solidarity on the other. In practice, around half of social welfare spending is financed by the Exchequer.

Evolution of the Irish welfare system

The Irish social welfare system began in 1838, in line with the English welfare system, to help prevent destitution. During the early part of the 20th century, pension payments were introduced, along with social insurance in 1911. This was followed by unemployment and sickness benefit schemes. During the 1930s and 1940s, social welfare provision expanded to support children and families. The Department of Social Welfare was established in 1947. Following the Beveridge-based system, the social insurance system was established in 1952. However, means-tested benefits were required to cover gaps in social insurance, which remains the case to this day.

From the 1970s to the mid-1990s, social welfare coverage expanded and there was a focus on gender equality. The 1980s saw the publication of the influential Commission on Social Welfare report. The commission made a number of recommendations on the social welfare system, including an increase in benefit rates, improvements in child income support, expansion of social insurance and improved delivery of services. Many of these recommendations have been implemented. From the late 1990s until the economic crisis of 2008, there was greater recognition of care and a stronger focus on attachment to the labour market.

Following the economic crash of 2008, a number of welfare reforms were implemented. Many of these promoted stronger links between welfare and employment. These included the establishment of Intreo in 2010. There were changes to some secondary benefits to remove disincentives to work, such as the introduction of the Housing Assistance Payment (HAP). Changes to lone-parent payments require lone parents to engage with activation services once their youngest child is aged 7 to 14. Elements of social welfare have also become privatised; for example, JobPath, a contracted service to which long-term unemployed people are referred for activation services, was established in 2015.

Features of the Irish social welfare system

As highlighted above, the Irish welfare income-support system is a mixed system of universal, insurance-based and means-tested payments. It is funded through a mixture of social insurance contributions and general Exchequer revenue. In 2019, just over €20.9bn was spent on social welfare, with 52 per cent of this coming from Exchequer funding, and the remaining 48 per cent from the social insurance fund, of which employers contributed 73 per cent, employees 22 per cent and the self-employed 5 per cent. The main expenditure was on pension payments (approximately 46 per cent of total expenditure), followed by disability and caring payments (22 per cent), family payments (19 per cent), and unemployment payments (13 per cent).[2]

At an aggregate level, social security expenditure as a percentage of GNP decreased over the ten-year period from 2010 to 2019. Changes in expenditure as a proportion of GNP are a function of three sets of influences: demographic, beneficiary, and a transfer effect. Concerning demography, population change such as a rising share of lone parents or older persons in the population can affect ‘demand’ for payments. Policy changes in relation to entitlements to payments, such as alterations to eligibility and contribution rules or the introduction of new benefits, have a beneficiary effect: the rules about entitlement affect the share of any demographic category that actually receives a payment. The transfer effect relates to the rate of social security benefits; this effect can be measured by the ratio of expenditure per beneficiary to GNP per capita. All three influences (demographic, beneficiary and transfer effect) affect the share of social security in GNP. Their relative importance varies over time and from one payment to another. For example, the demographic impact of a growing share of over 65s in the total population is currently affecting expenditure on old-age pensions.

Within the social welfare system, it is instructive to examine the trends in expenditure on social insurance and social assistance benefits. First, expenditure on social insurance pensions has been steadily increasing since 2010; in 2019, this was the largest category of expenditure by far. In comparison, expenditure on means-tested social assistance pensions changed little over the ten-year period, and is less than a sixth of the social insurance pension expenditure. Secondly, expenditure on means-tested illness, disability and caring social assistance payments gradually increased over the ten-year period and, in 2019, was the second largest category of expenditure. Social insurance payments for illness, disability and caring, however, fell slightly over the period and were about half of the means-tested element of these payments. Thirdly, working-age income supports show a more cyclical pattern linked to the economy, especially the means-tested social assistance payments.

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2 It is noted that these percentages may have radically changed due to the numbers in receipt of enhanced unemployment payments as a result of the coronavirus crisis.

As well as income transfers, access to services such as education, health, housing and childcare is also integral to a broader understanding of social protection. Where such services are comprehensive, universal and free, there is less reliance on income transfers to prevent and alleviate poverty, and provide an adequate standard of living. However, in Ireland, where these services are not necessarily comprehensive, universal or free, there is a greater reliance on income transfers.

Services providing social protection align well with the European social investment approach. In a social investment approach, it is argued that society creates its future through investments. A more sustainable state can be built by aligning economic and social policies, and investing in people. This can be done, for example, by enhancing a person's skills and supporting their participation in society, and in the labour market. This will raise each person's standard of living, as well as boosting the economy. Social investment promotes active inclusion policies, such as affordable, quality childcare and education, prevention of early school-leaving, training and job-search assistance, housing support and accessible healthcare. This European policy approach is very much in line with that put forward in NESC's *The Developmental Welfare State* publication, in 2005.

Underlying concepts of the Irish social welfare system

There are a number of reasons why Irish policymakers and citizens have reason to consider the concepts underlying social welfare. First, there is an underlying normative ambiguity in Ireland about the social, political and moral underpinnings of social policy. There is widespread adherence to individualist values, and support for market and private provision. Equally, there is support for redistribution and state intervention across society and the economy. Historically too, there has been long-term adherence to support for the family and vulnerable groups, expressed in pervasive charitable effort and an extensive voluntary sector in social services. The diversity of these influences may tend to obscure fundamental choices and contribute to unnecessary complexity.

Secondly, Ireland's social protection arrangements sit uneasily in the standard classification of countries' policies and provisions. Although routinely classified as liberal, it is a hybrid or mixed welfare state that reflects competing values and beliefs. This hybridity is intensified by the—somewhat contradictory—influences of Catholicism, policy learning drawn from the 'Anglo-Saxon' world, and EU institutions. Ireland has not yet confronted the tensions inherent in these contrasting influences, still less formulated a choice as to its preferred model. The Council believes that a key issue for Ireland in the future is whether, and to what extent, it should converge towards a more fully European model predicated on social insurance and comprehensive service provision.

Thirdly, the pronounced cyclical swings in Ireland's economic performance reinforce the need for clarity about fundamental underlying concepts. The influence of the economic cycle is such that the boom-bust metaphor is now used in academic and analytical commentaries to refer also to social protection and social welfare. These sharp cycles generate short-term perspectives and responses that may inhibit adherence to long-term policy goals. Short-term policy adjustments, the Council acknowledges, are required at times of crisis, but the policymaker should adopt short-term or crisis-prompted measures that do not conflict with long-term goals.

The Developmental Welfare State (DWS)

In 2005, NESC published the influential *The Developmental Welfare State* (DWS) report, which has since been used as a framework for developing Irish social welfare policies. A key element of the DWS is the fusion of economic and social policy: good economic performance can support good social policy, and good social policy provides a strong basis for economic development. Recognising the focus of Ireland's social welfare system on income supports, the DWS argued for the radical improvement of services such as education, health, childcare, eldercare, housing, transport and employment services. Services and income support should also be complemented by activist measures (i.e. novel approaches to provision, such as community/group projects, which address emerging new needs). These three overlapping areas (services, income support, activist measures) make up the core structure of Ireland's welfare state.

The DWS argued that Ireland should focus on a number of key policy areas. First, it should aim to create a high-participation, high-skilled, high-performance economy, in which worthwhile employment would be a genuine option for everyone. This meant a focus on ensuring that secondary benefit withdrawal rates supported participation. It also wanted to see less 'all or nothing' classification of people's capacity to work, i.e. a less categorical approach to people's employment and prospects. Payments and services should be provided in a way that supports partial and sporadic take-up of employment opportunities, and which facilitates people's eventual participation in employment or other social activities.

The DWS also focused attention on the importance of tackling deep-seated disadvantage, in particular among those with low education, and people in employment without sufficient income to purchase needed services. It saw a particular need to tackle child poverty, noting that this is often related to the lack of market income in the child's household. It argued for the need to reduce tax expenditures on social spending, such as private health and pension coverage, as these expenditures are regressive and can lead to the development of a dual welfare system. The DWS also saw a need for greater gender equality.

Welfare policy since the financial crisis in 2008: a DWS perspective

While a focus on cutting state expenditure became key from 2009 on, contributing to lower welfare payments and increased consistent poverty and deprivation rates, the DWS did not disappear as a focus in Irish social policy. During, and since, the financial crisis, a focus is evident on several key tenets of DWS, such as increasing participation, changing the welfare system to incentivise employment, and supporting the combination of employment and care.

A range of changes was made to support greater participation in the labour force. These included institutional changes such as the establishment of Intreo and the introduction of JobPath. Policy changes included the Action Plans for Jobs and Pathways to Work plans. Non-compliance with activation requirements could result in sanctions. Changes were made to encourage participation, particularly by lone parents, but also by people with disabilities and qualified adults.[3] Changes were made to housing and childcare secondary benefits to ease their integration with employment. For example, the Housing Assistance Payment and the National Childcare Scheme provide supports whose intensity is tapered rather than completely withdrawn as incomes increase.

A number of supports have been developed to provide greater provision for families combining care of children and employment. These include the National Childcare Scheme, the Early Childhood Care and Education (ECCE) scheme, and the introduction of paid Paternity and Parental Benefits. A further change is the Homecaring Periods Scheme that awards credited PRSI contributions for up to 20 years to those who have provided full-time care to children or other dependants.

There is also a focus on education, with a range of policies to combat educational inequality and help support lifelong learning. A key policy introduced in 2006-07 is DEIS (Delivering Equality of Opportunity in Schools). During the financial crisis, DEIS funding was largely protected, although levels of funding fell for the School Completion Programme. However, some specific schemes were cut, which have had a disproportionate impact on disadvantaged schools and groups. The overall picture is of some significant steps forward, but some continuing inequalities.

Traditionally, Ireland has had a low level of lifelong learning, particularly for those who already have low levels of education. Since the DWS was published, some new supports for lifelong learning and to combat low educational achievement have been put in place. Recent trends show improvements in lifelong learning at an overall level.

The DWS was concerned with reducing poverty, especially deep-seated disadvantage. The economic crash of 2008 greatly increased consistent poverty, and material deprivation, but fortunately this has started to decline again since 2013 to nearer pre-crash levels. Comparing Ireland to other European states, Ireland had the eighth lowest at-risk-of-poverty rate in the EU28 in 2018, with the social welfare system substantially reducing the risk of poverty.

Some groups in the population have especially high poverty rates. Lack of employment and caring alone for children place people at risk of poverty. People who are unemployed, not at work due to illness or disability, households where no-one is working, and lone-parent households have the highest poverty rates. Children have higher poverty rates than the working-age population and older people, and women tend to have higher poverty rates than men. Other groups known to have high poverty rates are Travellers, homeless people and migrants, including asylum-seekers and refugees, but these are numerically small groups and so are not captured by the official poverty statistics.

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3 A Qualified Adult is an adult 'dependant' of a social welfare recipient, usually a spouse, civil partner or cohabitant.

In terms of policies to reduce poverty, the Department of Employment Affairs and Social Protection has published a Roadmap for Social Inclusion 2020-2025, with the ambition of reducing the national consistent poverty rate to 2 per cent or less of the population by 2025, making Ireland one of the most socially inclusive states in the EU.

Changes, opportunities and challenges facing the Irish welfare state

In common with its counterparts in many developed economies, the Irish social welfare system faces a number of specific policy issues: demographic, social and economic. At the heart of these issues is the sharp contrast between the assumptions and context informing the pioneers of the mid-20th century welfare system (full employment for men in many countries, at a family wage; balanced demographic structures; families structured around lifelong legal marriage, and gendered roles in the family and labour market) and the dramatically altered demographic, social, and economic landscapes of the 21st century.

The exact shape of the range of challenges and opportunities is not always clear, particularly for those that are more long-term. Dealing successfully with the challenges that arise in future will require agility and responsiveness in order to balance the changing positive and negative possibilities they embody. The State also has varying abilities to shape these opportunities and challenges; some are exogenous and some are more amenable to policy choice by government.

The challenges and opportunities include:

i. globalisation, offering both economic growth but also volatility in global financial and trade cycles;

ii. changing patterns of work;

iii. population ageing;

iv. funding of social welfare;

v. inequality of income and wealth, and a group in consistent poverty;

vi. changes in housing and pension provision;

vii. change in family structures;

viii. changing balance of world power;

ix. climate change and challenges to economic growth; and

x. ambivalent support for welfare provision.

Of these, the first seven are immediate opportunities and challenges, and the shape of some is clear. For example, volatility in global finance and trade cycles led to challenges for the welfare state in the 2008-13 period, and is likely to do so again. Ireland has benefitted in many ways from globalisation and access to global finance.

Being prepared to deal with some of the negative outcomes of these processes is, therefore, a necessary part of Ireland's engagement with global trade.

Increased immigration to Ireland is another change arising from greater globalisation, and to date has been a benefit to Ireland, but there is uncertainty about future migration patterns and the impact these will have on the labour force, demography and state finances.

Changing patterns of work are another important issue. First, national insurance systems were built around non-employment contingencies (retirement, illness, widowhood, etc) on the assumption that employment would always provide an adequate family income. This assumption no longer applies: in fact, low pay and the associated problem of the 'working poor' are widespread in contemporary labour markets. The issue of low pay can be addressed in a number of ways, but the focus needs to be on those who are low-paid and in poverty.

Secondly, part-time employment now plays an important role in the labour market. However, the requirement to demonstrably seek full-time work as a condition of benefit receipt may act as a disincentive to participation in employment and activation. The Council considers that contemporary social and economic conditions raise questions about the suitability of the requirement to search for full-time work to qualify for many benefits.

Thirdly, social insurance contributions are the medium through which employment generates rights to benefits. Currently, the variety and complexity of work patterns challenges the capacity of the contributory system to fully incorporate the diverse and intricate forms of employment and self-employment.

The demographic challenge posed by population ageing is one of the most widely cited and publicly referenced challenges to the social welfare system.[4] In addressing this question, Ireland will do so in quite a distinct context. The share of older persons in the population will rise gradually and cumulatively over time, but, in Ireland's case, the ageing challenge is by no means imminent. Ireland, therefore, would seem well placed to avoid the acute sustainability problems that confront some countries' public pension provisions. In addition, projections on population ageing are based on estimates that are subject to change; in the past, a number of such estimates were not borne out in practice.

In confronting this challenge, the Council believes that a number of policy issues arise. First, pensions policy should not be viewed in narrow terms. To prevent an unacceptable long-term rise in the cost of pensions to the economy, policies should both increase the share of workers in the population and increase productivity per worker.

Secondly, current government policy is to strengthen the social insurance and pension link through the Total Contributions Approach (TCA). However, the

4 While the report references issues related to an ageing population and the implications for pensions in relation to the social welfare system, the report does not deal with pensions issues in detail, as this has been dealt with by others, e.g. the Roadmap for Pensions Reform 2018-2023, at www.gov.ie.

question arises as to whether this new approach will be incrementally weakened by the re-emergence of various forms of credits, exemptions and differential treatment for specific categories.

Thirdly, a more immediate challenge concerns the implementation of increases in the pension age. The policy challenge here is to balance the economic imperatives against important social and equity considerations. Low-income workers, who rely most heavily on the state pension, will have lower savings, are most unlikely to have second-tier pensions, and are more likely to work in arduous occupations. In addition, employees vary in their health, employment contracts and preferences. To date, the latter considerations have not informed policy. Accordingly, an immediate challenge arises as to how government policy with respect to pension age should respond to the ageing of the population, without increasing pensioner poverty or increasing inequality among the older population.

Funding challenges are currently evident. When an actuarial view of current contributions to the social insurance fund is taken, the contributions paid into the social insurance fund will not be adequate to cover the costs of future benefits. This situation will be exacerbated by population ageing and a relatively smaller workforce in future, although the exact parameters of this are unknown. The immediate aspect of this challenge can be countered by increasing contributions now, while the longer-term implications need to be constantly reassessed and planned for. Increasing participation and productivity will be important, which will involve a focus on reskilling those with low skills. Additionally, policymakers may need to develop ways to manage any social insurance funds that are built up.

Inequality of income and wealth, and a group in consistent poverty, are challenges for welfare systems. In Ireland, measures of disposable income distribution have remained unchanged for several decades; this reflects a complex range of economic, labour-market, taxation, and social protection policies. However, it is possible that disposable income after housing costs is becoming more unequal. Data would need to be collected to assess this, and, if growing inequality is evident, to address it. Wealth inequality also appears to be increasing, and is likely to increase further due to changes in home ownership. The shape of these challenges is relatively clear now, and thus open to being addressed through current policy interventions. In relation to addressing poverty, and child poverty in particular, the Council suggests that the priority should be to direct resources to children living in or at risk of poverty.

Meanwhile, the privatisation of risk, and the declining security of housing and pensions, is already under way. While some groups have benefitted from these changes, there are negative outcomes for some groups, particularly in relation to housing. These changes to housing and pensions affect the security of lower-income groups, and, in the longer term, wealth distribution. Changes to housing affordability and security may also depress birth rates. The future implications of declining security and increased costs for both housing and pensions for some groups in old age are also clear and need to be planned for.

A social issue is the change in family structures. Ireland, like many countries, based its welfare system on the ‘male breadwinner’ model of social welfare, with benefits largely predicated on male employment and female caring roles, and ancillary dependants' payments for spouses and children. Family structures and employment patterns changed in the last quarter of the 20th century, and so too did countries' welfare systems, Ireland's included. For example, formal gender equality in benefits was implemented, separate benefits were introduced for lone parents, and payments were devised for carers.

However, the social welfare and personal income tax systems are still partially structured around concepts of dependency and marriage. This can be seen in the concept of adult dependants of welfare recipients, and in the fact that tax credits and the tax-rate band can be transferred between a married couple, but not between a cohabiting couple, even when they have young children. The challenge for the future is to further reform the benefit and tax systems along lines that more closely reflect family/labour-market patterns. This reform could be designed to yield revenue for reallocation to child income support or child-related services. Concerning employment participation, the dependency status underpinning the tax and benefit systems contributes to the low employment participation rate among lower-income women, in particular, and this needs to be addressed.

Ambivalent views about welfare provision are another challenge, a challenge that may not be new. This ambivalence may reflect different views in society about how the welfare state should redistribute. A fine balance needs to be struck between the contributions that taxpayers are willing to pay, the changing social risks that need to be addressed, and how they are attended to. More quantitative and qualitative analyses of support for welfare provision could generate greater understanding of the opportunities and challenges in this area, and help to deal with them in the most effective way.

Finally, climate change and the challenge it poses to current models of economic growth, and the changing balance of world power, are more long-term and nebulous changes. Their exact form and impact is difficult to quantify. As with the prospect of an ageing population, they need to be regularly reassessed over time, and planned for based on these assessments.

A framework for the future

In setting out a framework for the future of the welfare state, it is useful to rehearse earlier work by NESC that set out a broad framework of values (NESC, 1981). These values were threefold:

i. belief in the dignity and right to personal development of the individual, and in the value of bonds of mutual obligation between all members of the community;

ii. the importance of fair shares within the community, including in particular the right of access of all people to adequate income, housing, education and health services; and

iii. the securing of these rights within a democratic framework.

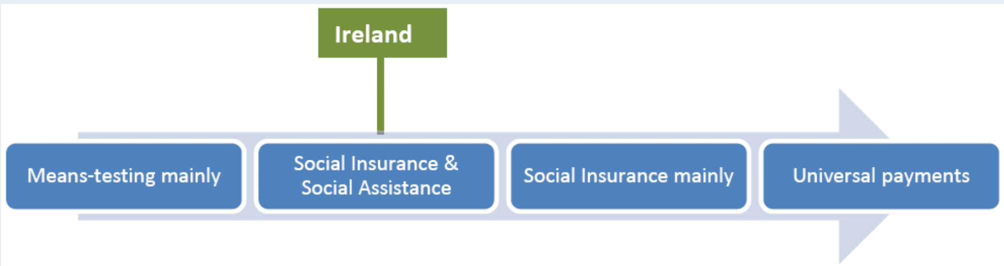
In discussing the Irish social welfare system, it is also useful to understand the principles which underpin it, and have been articulated over time in relevant legislation and policy documents. These principles are adequacy, redistribution, contribution, solidarity, comprehensiveness, consistency, simplicity, equity and sustainability. These nine principles differ somewhat from one another, and sometimes are in tension with each other. More importantly, like almost all principles, none of them has an unambiguous meaning and, therefore, each requires further factors to be taken into account in their application in any given context. Nevertheless, they are an important basis on which to build the Irish welfare state.

At the core of this report is consideration of income supports in the broader social welfare system, so that we need to consider the possibilities for the direction of income supports in future. On an idealised continuum, ranging from reliance on means-tested social assistance payments through to universal payments, Ireland is located somewhere on the social insurance/social assistance mix, as shown in the figure below.

In meeting the challenges outlined above, it is argued that we should move towards a more social insurance-based system. This should include additional tapering in the withdrawal of payments to reduce poverty and unemployment traps, and ease the transition to work. It is envisaged that there will still be a need for social assistance payments for those who do not have social insurance; that is, maintaining a mixed model of social protection while moving more towards a social insurance model.

This system of income support payments will take place within the wider context of a developmental welfare state, complementing the importance of human services and activist measures, which will need to continue to be enhanced. The financing of the future income-support system also needs to be developed, with implications for the tax, as well as the social welfare, system. Proposals in relation to these issues are presented in Part 2.

Ireland's position on a universal, social insurance, social assistance continuum



Part 2: Trajectories for Reform

On the basis that the Council believes that the Irish welfare state will retain its hybrid nature—in terms of reliance on social insurance and assistance—and that further integration between the benefits and tax system can be achieved, it proposes four trajectories for reform, which will help the Irish welfare system meet the challenges of the 21st century. These are:

i. ensuring income adequacy and alleviating poverty;

ii. modernising family supports to reflect gender and care needs;

iii. supporting high participation; and

iv. enhancing financial sustainability.

In making these reform proposals, the Council is proposing incremental change to the Irish welfare system, based on the changing context within which the welfare system operates, and informed by the key issues documented in this report. If these proposals are implemented, along with the suggested reforms to the tax system, and improvements in supportive services, the combination of these changes could result in substantive change to the income-support system, as envisaged in *The Developmental Welfare State.*

Ensuring income adequacy and alleviating poverty

Three proposals are presented for ensuring income adequacy and alleviating poverty. They are: ensuring social welfare payments are adequate to prevent poverty; improving child income support, and providing supportive services to complement income supports.

On ensuring social welfare payments are adequate to prevent poverty, the Council proposes that it would be useful to have an agreed mechanism for increasing social welfare rates, and that this mechanism should take into account the adequacy of payments for those population groups most at risk of poverty. The Department of Employment Affairs and Social Protection has already completed work on this topic, and it is proposed that an independent indexation group be established to advise government on appropriate rates.

In relation to improving child income support, NESC proposes the introduction of two-tier child income support (rather than the current three-tier structure), which would comprise a universal child benefit paid in respect of all children, with an automatic supplement payable in respect of children in low-income families, whether these families are in receipt of a social welfare payment or in low-paid employment. The focus is on smoothing the transition from welfare to work, thus encouraging people to make this transition without the uncertainty of possibly losing income support for their children.

With regard to providing supportive services to complement income supports, proposals are made on education, childcare, healthcare and housing. On education, it will be crucial to continue to put in place appropriate and tailored education and training initiatives to support people with little education or few skills to gain qualifications and upskill.

Childcare is an important support for people with children who wish to make the transition from welfare to work and thus prevent poverty. NESC proposes that the take-up of the National Childcare Scheme by different socio-economic groups be kept under review, to ensure that barriers in relation to taking up employment, because of the costs and/or availability of childcare, do not continue, especially for low-income households.

In relation to healthcare, the loss of a medical card can still be a disincentive to those on welfare taking a paid job, especially if they or someone in their family has a permanent, chronic or sporadic condition, and/or the work available is low-paid or unpredictable. The Council believes that people with chronic illness or long-term disabilities should be able to retain the medical card on taking up paid employment, for as long as their illness or disability continues.

On housing, while RAS and HAP have addressed the disincentives associated with the Rent Supplement, the escalating cost of privately rented accommodation, its insecurity, and its limited availability have meant that housing remains a barrier for many people on welfare wishing to transition to employment. NESC has published a number of reports outlining ways to support a higher supply of affordable housing. The Council recommends that work to implement the recommendations in these reports be continued.

Modernising family supports to reflect gender and care needs

The Council believes that the social welfare system should reflect and accommodate changing patterns of household and family formation, the widespread commitment to equal gender roles and rights, and sharing of family responsibilities. Over time, policy has moved substantially in this direction. However, it remains the case that the core social welfare system is predicated on the adult-plus-'dependent'-partner-plus-children model.

These issues suggest that the benefit and tax systems should be reformed to more closely reflect current family/labour-market patterns. As well as supporting greater gender equality, this could also help to tackle child poverty, and support Ireland's aspiration towards a high-participation economy.

On the individualisation of social welfare, NESC proposes that it would be useful to apply the changes made in income supports to lone parents to Qualified Adults also, as first proposed by the Department of Social and Family Affairs in 2005. These changes would include Qualified Adults on means-tested payments, with children older than seven, being required to meet a form of conditionality, to engage with activation and to job-seek. Equally, Qualified Adults should be made aware that they have access to employment support services. This approach takes into account the caring role of Qualified Adults with young children, while also moving towards greater individualisation in the treatment of Qualified Adults. NESC also proposes that various aspects of individualisation applied internationally be applied in Ireland, phased in over time, to couples in receipt of welfare payments.

For example, in relation to claiming, means-testing and benefit receipt, lessons could be learned from Australia, where partnered women are required to claim in their own right. On conditionality, activation and job-seeking, consideration could be given to approaches adopted in, for example, Australia, the UK and in particular the Netherlands, whose system of activation takes into account care needs. NESC also proposes—as a first step—that more data on Qualified Adults in Ireland be collected, collated and made publicly available. In addition, it would be important to ensure that adequate secondary benefits and income disregards are in place if Qualified Adults are encouraged to participate more in the labour force.

On balancing work and family commitments, survey data shows that the option of one partner working full-time and one part-time is the most popular preference among Irish partnered parents of under 18-year-olds. Therefore, consideration should be given to parents being entitled to take part-time leave when they have young children. As the population ages, there is also a need for flexible work patterns to support those looking after older people. In summary, NESC proposes that more flexible work options be developed, taking cognisance of the outcomes of the Citizens' Assembly on gender and care; *First Five—The Whole of Government Strategy for Babies, Young Children and their Families*; and the *Future Jobs Ireland* commitments on developing more flexible work options.

In relation to taxation, there are currently a number of anomalies in the Irish taxation system for couples. Specifically, the transferability of credits and cut-off points arises: if the fundamental policy objective is to support families with children, it would be more beneficial if they were available to all couples with dependent children, rather than just two people who are married, as is currently the case. Therefore, NESC proposes a review of the transferability of credits and cut-off points, and of the Home Carer Tax Credit, to assess if they can be refocused to be available to married and cohabiting couples with dependent children only. This would involve an assessment of the legislative, administrative, and possibly constitutional changes that might be required. If refocusing the tax treatment of families towards those with dependent children led to savings, these could be targeted at children in low-income families.

Supporting high participation

Supporting high participation means focusing on the labour-market choices of people with caring responsibilities, those with less than secondary education, people with disabilities, and older workers; and considering the importance of services and measures that help people into, and in, the labour market.

Dealing with the complexities of the changing world of work is one of the issues that needs to be addressed in supporting high participation. Social insurance and assistance schemes are typically based on the model of a full-time permanent employee receiving regular wages. Yet many people are now engaged in atypical work, self-employment, and platform work, and thus may have more difficulty accessing supports when they are unemployed, ill, have a disability or are accessing maternity leave. A further issue is that of 'false' self-employment where self-employment can be used to avoid both the responsibility for employment rights, and the payment of higher income tax and social insurance contributions.

A broad range of measures has been proposed to address these issues. Therefore, NESC suggests that a tripartite group (e.g. the LEEF) or similar body should assess the type of reforms that would achieve flexibility and security for the greatest number of workers, in the interests of promoting quality work that allows flexibility.

A more inclusive public employment service would also support high participation in the labour force. Research shows that effective public employment service engagement with groups more distant from the labour force is characterised by a number of elements, including: tailored supports; greater intensity of support; a focus on the person's interests; adequate time to build trust; clear communication, and the provision of good information and career guidance. For those who are particularly vulnerable, more intensive and wrap-around supports, delivered using a multi-agency case-management approach, have been found to be useful. Staff need to be trained and skilled in working with these groups, to have good skills in career guidance, to provide a consistent service, and to have adequate resources. Good inter-agency links, and good relationships with employers, are also necessary. Allowing those with caring responsibilities or with a disability to seek less than full-time work can also be useful.

To encourage greater participation and potential progression, it is proposed to pilot a participation income. The idea behind a participation income is that work which is currently unpaid, but of societal value, such as voluntary or caring work, could be recognised in some way. Recognition of such work would place value on the work at an individual, community and societal level. It could be argued that schemes such as Community Employment, Tús and the Rural Social Scheme already provide such recognition, but the eligibility rules can exclude people undertaking work of this nature.

To see how such a scheme might work, it is suggested that a pilot participation-income project be undertaken. The pilot should be targeted at people not currently in the labour force but who could make a contribution to their local community or society. Participation in the pilots should be voluntary, not necessarily time-limited, and could offer opportunities for progression, e.g. through education and training. It may be that existing schemes could be adapted or indeed combined, as part of setting up a participation-income pilot.

There is also a need to support low-paid workers. The so-called 'working poor' are a relatively small but important group of people. Currently low-paid working people with children are entitled to the Working Family Payment. However, there is no such support payment for low-paid workers without children. To support this group, consideration could be given to amending the Working Family Payment to ensure this group are included (i.e. low-paid workers without children). Alternatively, another potential reform which could provide targeted support for low-paid workers is the introduction of a refundable element to personal and employee tax credits. Details on who exactly would be eligible for these would have to be considered carefully to ensure that the refundable tax credits would lower poverty rates. Such a proposal would also have to be carefully costed before its introduction.

Enhancing financial sustainability

One of the challenges outlined in this report is ensuring adequate funding to cover welfare costs in future. Currently, actuarial estimates project that the social insurance fund does not have adequate reserves to pay for pension provision in future. In addition, even if the ratio of workers to retired people stayed the same as currently, those working at present do not pay enough contributions into the social insurance fund to pay for the benefits that they are likely to be paid.

Exactly how the estimated deficits in social insurance and welfare funds can be addressed is subject to debate, with a range of options proposed. These options can be divided into three types: those that could increase funding for welfare, those that would manage expenditure, and other actions that could help reduce financial pressure on the welfare system but which are external to this system.

There are a number of options to increase funding. One of these options is to increase PRSI contribution rates, especially for the self-employed. Thus, NESC proposes that the PRSI contribution of the self-employed be increased to reflect the benefits they are now eligible to receive. A further option to increase funding is to assess tax on all forms of income; for example, sources of income from new forms of work, such as digitalisation and telemigration.[5]

It could also be possible to increase funding through more capital and property taxes, with fewer exemptions from these taxes. Taxes on wealth currently make up a very small proportion of all tax paid in Ireland, with a number of such taxes subject to large exemptions. The design and collection of wealth taxes is complex, and the OECD (2018) found that there are limited arguments for having a wealth tax where there are broad-based capital income taxes and well-designed gift and inheritance taxes.

Therefore, to help support a more equitable distribution of wealth in Ireland, and the financial sustainability of the social welfare system, the Council proposes that the rates of capital taxes, and their exemptions, be reviewed. It may also be useful to review the tax treatment of Real Estate Investment Trusts (REITs). NESC proposes too that the recommendations of the *Interdepartmental Group Review of Local Property Tax* be implemented. In the longer term, NESC sees advantages in a land or site value tax.

An additional way to increase funding would be to cap tax expenditures. The Council believes, as it agreed in the DWS, that tax expenditures with a social purpose (such as pension and health insurance tax relief) should be capped. Also, in line with the proposals of the 2009 Commission on Taxation, the Council agrees that, in general, direct Exchequer expenditure should be used instead of tax expenditures. Furthermore, the Council agrees with the proposals made in the Report of the Oireachtas Committee on Budgetary Oversight on tax expenditures; i.e. that tax expenditures be regularly reviewed, and that there be a yearly report on the expenditure and income forgone under them.

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5 People living in one country but working remotely in another. This can reduce labour costs for the employer.

Another option would be to apply multiple rates of income tax. Multiple rates that span the income distribution would provide a more progressive income tax structure than the current two-rate system, and are feasible in a context where pay and tax systems are computerised. The structure of rates and bands for USC offers a benchmark for this. In this regard, the Council proposes that the possibility of multiple rates of taxes be considered. This could be carried out by a group set up for that purpose (e.g. a Commission on Taxation) or by another suitable group.

In terms of enhancing financial sustainability, expenditure on benefits should be strategically managed and controlled. There are a number of ways this could be done. One is to adapt eligibility rules in the light of evolving conditions. For example, Ireland recently put in place plans to increase the pension age to 67 by 2021, and to 68 by 2028.[6] This reflects increasing life expectancy among older workers. Another is to benchmark benefits. Depending on the method adopted, indexation can help ensure adequacy in welfare payments, retain a consistent relationship between these payments and other incomes and prices in the economy, and/or promote the long-term financial sustainability of welfare expenditure.

Some countries have deployed greater targeting or more refined tapering of benefits to reduce the cost of benefits. This strategy includes measures to lower the amount of state pension paid to better-off groups (e.g. through a means test or tax), and lowering state pension payments when contributions to the social insurance fund fall below a certain level. Some of these options could be given further consideration to assess their potential applicability in Ireland.

Other actions that are outside the direct funding and payment mechanisms of the social insurance system could also be taken. These include a variety of policies to help increase the number of people in the labour force, which in turn would increase the number of contributors to the social insurance system. Measures include actions to increase participation among the existing labour force, incentives to encourage those of retirement age to continue in employment, and actions to expand the labour force, such as supporting immigration and increased fertility. Other actions can ease the cost of pension provision; for example, reducing the tax relief available for pension contributions to those on higher incomes. Another action outside the pension system that can ease state costs in supporting older people is ensuring that adequate affordable housing exists for pensioners.

Implementation

Attention needs to be paid to the implementation of policy proposals to ensure they are delivered in the way they were envisaged. Factors to enable good implementation are strong leadership, good stakeholder engagement, good

6 The current Programme for Government *Our Shared Future* (2020:75) states that the increase to 67 is deferred, pending a report from a Commission on Pensions, which is to be established to examine sustainability and eligibility issues with state pensions and the Social Insurance Fund. The Commission will outline options for Government to address issues including qualifying age, contribution rates, total contributions and eligibility rates.

planning, the use of implementation teams, and the resources to carry out the implementation. Training and capacity-building, plus coaching and mentoring, also have important roles. A key factor is a supportive organisational culture with good communication and dissemination of information. As initiatives are implemented, there is a need for ongoing monitoring and evaluation. There are also a number of barriers to good implementation. These have been identified as influences in the external environment, resistance to change and the role of vested interests.

Public support is mentioned as important in effecting implementation. Support for the welfare state involves a delicate balance between providing the right welfare supports and gaining citizen satisfaction. This is an important backdrop to the willingness of taxpayers to fund welfare supports. Research on the level and type of support for the welfare state in Ireland could usefully be carried out.

There are also administrative reforms that, if implemented, would make the welfare system easier to operate and more transparent. Specifically, it is critical to reduce the complexity of the welfare system. The Council proposes that a working group—made up of the Department of Employment Affairs and Social Protection, the Citizen's Information Board, other relevant departmental representatives (e.g. the Department of Housing, Planning and Heritage) and civil society groups—regularly carry out an audit of inconsistencies between welfare supports, the reasons why they exist, and where appropriate, how they can be addressed. This working group could also examine how a single-portable means test could be operationalised. In addition, the interaction of taxes and contributions for those on lower incomes should not be unduly complex or give rise to potential disincentives to employment. Therefore, the Council proposes a restructuring of the rates and bands of PRSI and USC for those in the income range around and just above the minimum wage.

Finally, good data are required to allow policymakers and service providers know which groups policy should target, and to facilitate evaluation of services and programmes to know which interventions work best. The Council proposes that additional data be collected where useful to help deliver the key goals of the future Irish welfare state. More widely, the Council considers that an ongoing commitment to research, analysis and evaluation is critical to the formulation and implementation of social policy developments.

Part 3: Epilogue—Implications of Covid-19

The epilogue was written after the advent of the coronavirus to Ireland. It summarises the measures of relevance to the social welfare system which were taken as a result of Covid-19 and discusses the issues that have emerged as significant in light of the measures taken.

The coronavirus pandemic and the emergency measures introduced to combat it resulted in a sharp downturn in economic activity, falling incomes and a sharp rise in unemployment. The Government acted swiftly and purposefully in developing a range of policy measures designed to mitigate the immediate economic and social impacts of the pandemic and at the same time provide a foundation for economic recovery. These actions included social welfare measures to protect employment, to ensure people had adequate incomes, and to ensure that people who displayed symptoms of the virus could self-isolate and did not have to go to work (Temporary Wage Subsidy Scheme (TWSS), Pandemic Unemployment Payment (PUP), Enhanced Illness Benefit (EIB)).[7] Other actions supportive of social welfare were taken in relation to childcare, health and housing.

These measures have reinforced the importance of many of the proposals made in this report, and the epilogue highlights a range of measures that could be built upon. These include:

- a stronger social insurance system;
- reconsideration of flexicurity;
- better recognition of atypical work;
- greater tapering in the withdrawal of benefits;
- stronger anti-poverty measures;
- more appreciation of caring;
- the opportunity to pilot participation income; and
- the importance of supportive services and community innovation.

To bring about these developments and reforms, a sustainable funding mechanism is required, and suggestions are made on how this could be achieved. It is recognised that many demands will be placed on the State's finances to address the wide range of areas affected by the coronavirus pandemic.

Despite the difficult circumstances, we have witnessed the range of social welfare supports that can rapidly be put in place to respond to a global pandemic. The Council believes that there is now the opportunity to transform our social welfare system to meet the challenges of the 21st century.

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7 Some of these measures have been revised and extended in the Government's July Jobs Stimulus Package; see https://www.gov.ie/en/publication/c48ab-july-jobs-stimulus/ 08/04/20.

Part 1:
Evolution and Current Challenges

Chapter 1
Introduction

1.1 Introduction

This report and the accompanying set of Working Papers (see Box 1.1) considers the future direction of social welfare in Ireland. Defined narrowly to mean the system of cash benefits and allowances, social welfare functions within the context of the wider welfare state. The Council, therefore, begins its analysis with a concise description of the Irish welfare state, of which the social welfare system is a part. McCashin & O'Shea give the following description in *The Handbook of European Welfare Systems* (2009:274):

> It is a liberal developmental state focused on integrating Ireland into the world economy. Its social policies, which show marked continuity, modify tendencies to extreme inequalities rather than attempting substantial redistribution or universal social provision. Also, Ireland places comprehensive provision of social services in second place to the transfer payment system, implicitly favouring a growth in private rather than public consumption. Finally, the welfare state co-exists alongside private provisions which also receive state support.

This description reflects three aspects of the Irish welfare state repeatedly identified in international and national studies, including the Council's *The Developmental Welfare State* report (NESC, 2005): economic inequality; the mix of cash benefits versus services; and the role of social insurance.

1.1.1 Economic inequality

Irish social protection is effective at reducing poverty and inequality, in a specific but limited way. Official EU-SILC figures for 2018 show that the (relative income) poverty rate in 2018 before social welfare payments are included was 40.9 per cent, and 14.0 per cent after they are included.[8] Furthermore, the benefits system effects a substantial reduction in income inequality. The Irish Government Economic Evaluation Service's (IGEES) analysis of low-income supports records a 0.25 point reduction in the Gini-coefficient of inequality from the inclusion of social welfare payments (Kane, 2018). This study shows that these reductions in poverty and income inequality arise from a high incidence of low market incomes: 'there is a high proportion of households at the lower end of the income distribution' (*ibid.*: 3-5). In 2018, for example, the average weekly income from employment for

[8] Arithmetically, this is a proportionate reduction in poverty of 66%, i.e. [(40.9-14.0)/40.9] *100.

households in the lowest (disposable) income decile was €7.59, and in the second decile, €27.09.[9]

Box 1.1: Background Papers

- **Social insurance and the welfare system: a paper which describes the development of the social insurance system in Ireland, focusing on contributions into, and benefits from, the social insurance system.**
- **The position of the self-employed: outlines the position of the self-employed in relation to the social welfare system, in particular with regard to social insurance, and recent developments.**
- **Issues of platform working: documents the growth of platform working, the various types of platform workers and the implications of platform working for the social welfare system.**
- **Gender, family and class issues: highlights, in particular, how qualified adults are treated in the social welfare system, as well as the interaction of family types and social class with the social welfare system.**
- **Towards a more integrated income support system: discusses basic income approaches and their variants, as well as exploring the possibility of integrating means-tested payments.**
- **Trends in part-time and precarious working: describes the current position in Ireland in relation to part-time and precarious working and identifies the need for new approaches to address the issues arising.**
- **Income, wealth, redistribution and their implications for the welfare system: sets out the role of the tax system in part-funding the social welfare system, and the interactions of the tax and social welfare systems in relation to their impact on the welfare of citizens.**
- **The interface between income support and services: in line with the developmental welfare state approach, this paper reiterates the importance of services and activist measures in complementing income supports.**
- **Challenges facing the welfare state: outlines key challenges facing welfare states in Europe and other developed countries, as well as ways in which these difficulties have been grappled with to date.**

These papers were discussed by the Council, and valuable suggestions were made. A Working Group was formed in 2019 to support the work of the Council, by bringing together the key issues emerging from the background papers and making proposals for future changes. The group, chaired by Professor Anthony McCashin, met three times and provided useful insights that have shaped the work of this project. The background papers are available on NESC's website at www.nesc.ie.

9 EU-SILC (2018), Central Statistics Office.

That the tax-benefit components of social protection—in particular, social welfare payments—have a significant impact on poverty and income inequality is clear, but this is the effect of having to reduce high market incomes inequalities. This attribute of the Irish welfare state alerts the Council to one of the key strategic challenges for the future: to underpin social welfare with employment and economic policies that do not generate unduly high market income disparities; Ireland relies heavily on the tax-benefit system to achieve distributional policy goals. In turn, this challenge requires policymakers to address the two aspects of market income inequality: non-participation in the economy leading to low or zero market incomes in some households, and a wide range in market incomes among the employed and self-employed.

1.1.2 Cash and Services

Historically, policymakers in Ireland have tended to develop cash benefits more rapidly than services. This type of response is not without costs, both direct and indirect. Two examples convey the general point. The numbers in receipt of Disability Allowance and the associated expenditure have grown rapidly in the last decade; the annual average rate of growth in recipient numbers and expenditure respectively are 3.9 per cent and 3.7 per cent. However, the employment rate is low (30 per cent) among recipients, and people with disabilities have the highest rate of social exclusion—defined very widely. The OECD points out that these outcomes for people with a disability—high benefit receipt, low employment participation, and severe social exclusion—derive, in part, from a combination of a relatively comprehensive cash benefit regime combined with weak and fragmented services for social integration, occupational health, vocational rehabilitation and training.[10]

Broadly similar reasoning applies, although more acutely, to housing. In this case, rent supplements paid to tenants and Housing Assistance Payments (HAP) paid to landlords have acquired a significant role in meeting housing need, in the absence of a sufficient increase in the supply of non-market or affordable housing. As the Council has already shown, the priority in housing policy should be the development of cost rental at scale and similar models of affordable housing suitable to Irish conditions (NESC, 2014a). In fact, the Council gave a full account of the institutional and financial aspects of this preferred form of housing provision. Rent Allowances and HAP, however, have acquired a role in subsidising housing costs and will retain a role until the fundamental, long-term problem is resolved, with the development of non-market and affordable housing on an appropriate scale.

The Council acknowledges the dynamics that give rise to cash-based interventions in the development of social protection to date. Benefits are predictable, tangible additions to households' resources; their levels, eligibility rules and scope can be incrementally adjusted; there is one central department (DEASP) with the authority and experience to devise and implement cash benefits and allowances. However, in areas such as childcare, disability, housing and so on, models of service provision in terms of funding mix, organisational forms, standards and regulation are more

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[10] See OECD (2015); DEASP (2017).

difficult to define and apply. In developing social protection in the future, the challenge for policymakers is to identify an appropriate mix of responses—cash and services—and to sequence their development correctly. If cash provisions—for instance, in the areas of care work, housing and disability—develop more rapidly than services or in place of services, the cash benefits may become embedded and institutionalised as substitutes for services.

In *The Developmental Welfare State* report, the Council stressed that social protection, properly defined, includes not only income support for those in need, but also a range of affordable, comprehensive services that meet needs and facilitate, support and reward employment and social participation. The DWS argued that 'the radical development of services [is] the single most important route to improving social protection'. These services include education, health, childcare, eldercare, housing, transport and employment services.

Very recent developments in childcare services, activation and other areas are evidence of a necessary rebalancing towards services and a recognition that wholly market-based provision is often inappropriate. In future, policymakers should increasingly recognise the appropriate roles of cash benefits and services. Benefits, for example, cannot underwrite private housing markets, rental and owned; the lesson from other European countries is to acknowledge the role of widespread non-market housing provision.[11] Likewise, child income supports cannot be designed as a subsidy to market-driven childcare costs for working parents.[12]

1.1.3 Social Insurance

The Council observed in 2005 that the system of social welfare payments, a central part of the social protection regime, 'is weak in its claim to be designated social insurance' (NESC, 2005: 50), although that is its formal description. This strategic challenge posed by the Council about the role and meaning of social insurance (SI) remains. To contend with, and address, this challenge requires policymakers and citizens to discuss, interpret and clarify the principles and practice of social insurance. To illustrate, policymakers and the public frequently invoke the 'contributory principle', 'reciprocity', 'rights' and similar concepts to describe the social welfare system, to rationalise specific provisions or to justify improvements to them. However, in practice, 52 per cent of social welfare spending accrues to means-tested allowances.

This juxtaposition of a general language of contributions and rights with a substantial role for means tests raises specific problems. First, it obscures the relatively limited role of social insurance prefunding in the financing of social spending, and this failure to articulate the role of social insurance allows sharp

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11 NESC's report on Social Housing sets out the case for cost rental and other non-market forms of housing provision. See NESC (2014a).

12 Accounts of the evolution of Child Benefit (CB) show that government ministers—and, indeed, the public—in the 1990s began to rationalise budgetary increases in CB in terms of the costs of childcare for working parents.

cyclical variations in the financial status of the Social Insurance Fund (SIF)[13] to emerge. In turn, deficits are met through subventions from the Exchequer. Second, the lack of definition of the 'contributory principle' has resulted in a cumulative, *ad hoc* growth of complex credit-based entitlements to supposedly 'contributory' entitlements, notably for long-term benefits and pensions. As the OECD remarked about the contributory pension, the absence of a strong contribution-related rationale means that—far from being contributory—the pension has 'numerous elements of redistribution which have a more universal character' (OECD, 2013: 91).

Therefore, the overarching questions about social insurance are: the extent to which individuals' entitlements should be more explicitly contributory; the desirability, or otherwise, of strengthening the finances of the SIF so that it more fully meets evolving expenditure on benefits and is less reliant on Exchequer subventions, and the balance to be struck between formally contributory principles, on the one hand, and principles of redistribution and solidarity, on the other.

1.2 The System of Social Welfare Payments

Against the background of these structural attributes of the wider social protection system, the specific focus of this report is the system of social welfare benefits and allowances. Briefly, this system comprises:

i. a suite of social insurance payments, entitlement to which is based on social insurance contribution histories;

ii. a parallel set of social assistance payments governed by means tests and funded from general taxation;

iii. a universal payment in respect of dependent children, Child Benefit; and

iv. ancillary benefits such as free travel.

Social welfare is sustained, in part, by a broadly based regime of social insurance contributions payable by employers and employees, and (more recently) the self-employed, the contributions being paid into the Social Insurance Fund. The generality of employees contribute social insurance at a rate of four per cent of earnings, matched by an employer's contribution of 11.05 per cent. Governments have repeatedly articulated the rationale underpinning these arrangements; the 'contributory' ethos reflecting the overarching principle of individuals' benefits being derived from their social insurance contribution histories.

The Council summarily concluded in its *Developmental Welfare State* report that the social welfare arm of social protection is 'performing well' (NESC, 2005: 83). As noted above, for example, it significantly reduces income inequality relative to market incomes and effects a marked reduction in income poverty (again relative to

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13 At the time of writing, the Social Insurance Fund is in surplus, but during the financial crash there was a substantial deficit.

market incomes). Since 2005, despite the experience of economic collapse and the adoption of austerity measures from 2009 to 2014, further extensions have been made to both the provisions (Paternity Benefit, new entitlements for the self-employed) and the funding sources (introduction of USC, extension of PRSI).

The Council asserts, however, that after a long period of expansion, modernisation and improvement, social welfare faces important and urgent challenges. First, policymakers, citizens and stakeholders need to deliberate fundamental underlying concepts, and second, they need to develop policy responses to current and evolving pressures on social welfare. These challenges are interrelated.

1.3 Underlying Concepts of the Social Welfare System

Why should Irish policymakers and citizens debate and discuss the concepts underlying social welfare? First—as studies of the Irish welfare state show—there is (unlike in many other countries) an underlying normative ambiguity in Ireland about the social, political and moral underpinnings of social policy. There is widespread adherence to individualist values and support for market and private provision. Equally, there is support for redistribution and state intervention across society and the economy. Historically too, there has been long-term adherence to support for the family and vulnerable groups, expressed in pervasive charitable effort and an extensive voluntary sector in social services.[14] The diversity of these influences may tend to obscure fundamental choices and contribute to unnecessary complexity.

Secondly, therefore, Ireland's social protection arrangements sit uneasily in the standard classifications of countries' policies and provisions; although routinely classified as liberal, it is a hybrid welfare state that reflects competing values and beliefs. This hybridity is intensified by the, perhaps contradictory, history of Catholicism, policy learning drawn from the 'Anglo-Saxon' world, and the influences of EU institutions. European institutions offer policy models and learning based on a long tradition of income replacement, social insurance, and comprehensive non-market provision in health, housing, childcare, and so on. In contrast, historical, cultural and linguistic ties to the US and UK draw Ireland's citizens and policymakers—in terms of both ideas and lived experience—into the distinctively liberal world, with its privileging of markets and individual responsibility. In fact, in one critical respect, the core of Ireland's social protection regime is 'Anglo-Saxon'; the social welfare system adopted the British legacy of pre-independence provisions and then superimposed Britain's Beveridge model of national insurance, with modest benefits and low contribution rates. It might be said that Ireland—a committed member of the European Union—has not yet confronted the tensions inherent in these contrasting influences, still less formulated a choice as to its preferred model.

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[14] For evidence about the Irish population's attitudes to social policy, see Garry *et al.*, 2006: Ch4.

Accordingly, the Council believes, a key issue for Ireland for the future is whether and to what extent it should converge towards a more fully European model predicated on social insurance and comprehensive service provision.

Third, in the Council's view, the pronounced cyclical swings in Ireland's economic performance reinforce the need for clarity about fundamental underlying concepts for social welfare. The influence of the economic cycle is such that the boom-bust metaphor is now used in academic and analytical commentaries to refer also to social protection and social welfare.[15] These sharp cycles generate short-term perspectives and responses that may inhibit adherence to long-term policy goals. Short-term policy adjustments, the Council acknowledges, are required at times of crisis, but the policymaker should adopt short-term or crisis-prompted measures that do not conflict with long-term goals.

For example, supporting lower-income women—lone mothers included—in employment has long been an objective of social policy, and was articulated by the Council in *The Developmental Welfare State.* In the short term, crisis-driven measures during the austerity budgets, the earnings disregard for recipients of the One-Parent Family Payment (OPFP) was significantly reduced (along with a reduction in the core benefit rate), thereby reducing the financial return to work for poor lone mothers. The latter measure ran counter to accepted policy about ensuring adequate incomes and employment incentives for categories of the population with historically low employment and high poverty rates.

In a different vein, the Social Insurance Fund (SIF) has cyclical deficits and surpluses. For example, it went into significant deficit from 2009 to 2016 as a result of the escalation of expenditure on payments to the unemployed, but by 2019 was in financial surplus again. These cyclical changes may mask the gradual, long-term growth of pension commitments. In the absence of greater policy clarity about the SIF and the funding of insurance benefits, there is a danger that a cyclical surplus could be invoked as evidence of the 'sustainability' of the SIF, obscuring the urgent need to resolve the role of the SIF in funding benefits.

Similarly, during the pre-crash years, expenditure on Child Benefit more than doubled. In the austerity budgets some of this expansion was rescinded, and in turn the rescinding cuts were partially restored in 2016 (and subsequently). During this cycle of expansion and contraction, the policy stance was either expansionist because of available resources or contractionary because of fiscal crisis.[16] In the Council's view, this pattern of policy reflected largely short-term concerns to the neglect of longer-term goals. The immediate pressures on governments would be less likely to prompt inappropriate short-term policies if policymakers had clearly articulated goals: for example, a goal about child well-being requires the appropriate mix of services and income support to pursue the well-being of children

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[15] The 2016 edition of *Challenges to European Welfare Systems* (Schubert *et al.*, 2016), for example, titles the chapter on Ireland: 'Ireland—Boom to Bust' (McCashin, 2016); authoritative overviews of the Celtic Tiger and the associated developments in social provisions and policies refer to *Details of The Rise and Fall of the Celtic Tiger* (Ó Riain, 2014) and the path from *Bust to Boom* (Nolan & Whelan, 2000).

[16] Child Benefit expenditure as a share of GDP increased by 115% from 1998 to 2008. The details of the evolution in Child Benefit and Child Income Support payments are given in McCashin (2019: Ch7).

in diverse financial circumstances, and informs the relative priorities of children's and others' claims on social expenditure.

1.4 Policy Issues to be Addressed by Social Welfare

In common with its counterparts in many developed economies, Irish social protection faces a number of specific policy issues: demographic, social and economic. At the heart of these issues is the sharp contrast between the assumptions and context informing the pioneers of the mid-20th century welfare settlement, and the dramatically altered demographic, social, and economic landscapes of the 21st century. Quite simply, the welfare architecture that influenced Ireland's provisions was designed for and in this stylised scenario: full employment (for men) at a family wage, balanced demographic structures, and families structured around lifelong legal marriage and gendered roles in the family and labour market.

This section provides a summary overview of the specific issues facing welfare states in general, and in Ireland. While we reference issues related to an ageing population and the implications for pensions in relation to the social welfare system here, we do not deal with pensions issues in detail in the report, as this has been dealt with by others.[17] A fuller account of the range of challenges facing the Irish welfare system is presented in Chapter 3.

1.4.1 Population ageing

The demographic issue posed by population ageing is the most widely cited and publicly referenced challenge to the social welfare system; in addressing this question Ireland will do so in a quite distinct context. The share of older persons in the population will gradually and cumulatively rise over time, but in Ireland's case the ageing challenge is by no means imminent.[18] Figure 1.1 shows that the older population—that is, those aged 65 years and over—is projected to increase from its 2016 level of 629,800 to between 1.53 million and 1.6 million by 2051, depending on the migration and fertility assumptions used. In 2016, the number of people aged 0-14 was considerably higher than the number aged over 65, but this will reverse by 2031 under all of the assumptions. The number of older people is projected to steadily increase thereafter. Ireland is therefore well placed to avoid the acute sustainability problems that confront some countries' pension provisions.

In confronting this challenge, the Council believes, a number of policy issues arise.

Pension policy

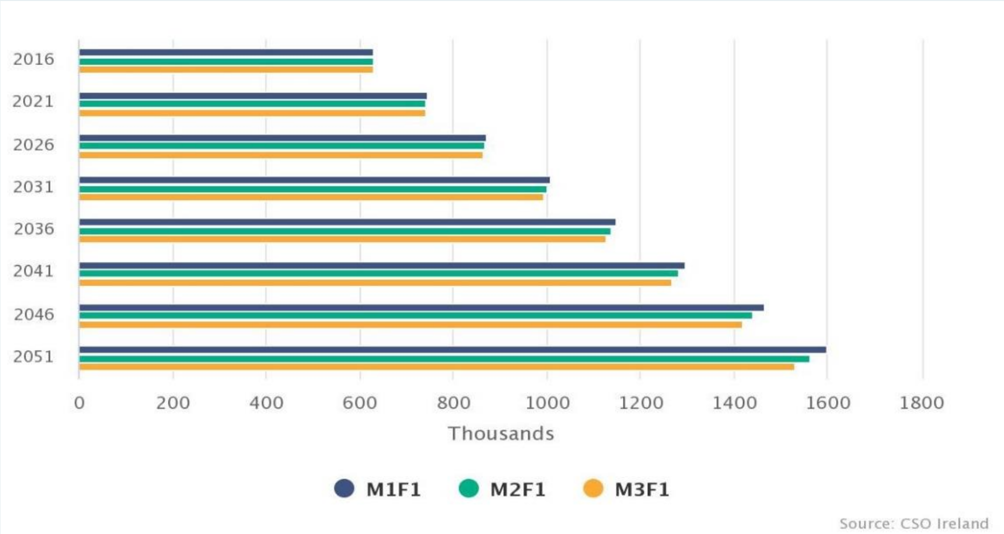
First, pension policy should not be viewed in narrow terms. To prevent an unacceptable long-term rise in the share of the economy accruing to pensions,

17 See, for example, DEASP (2018).

18 See, for example, Government of Ireland (2007a); KPMG (2017).

policies should both increase the share of workers in the population and increase productivity per worker. In regard to the former, Ireland has relatively low participation rates among, for example, women, dependent spouses of welfare recipients, and persons with a disability. The task for policymakers is to devise a labour-market strategy to continue to enhance employment participation overall; this has implications for labour-market services, retirement age, childcare for working parents, immigration policy, and social welfare provisions.

Figure 1.1: Projected population 65 years and over, 2016-2051[19]



Source: CSO, Population and Labour Force Projections 2017–2051.[20]

The role of social insurance and pensions

The second question concerns what role social insurance should have in providing first-tier, state pensions. Clearly, the current arrangements have distinct advantages: the income into the SIF provides an element of pre-funding; the funding, contribution rates, benefit rates, and so on, can be planned and subjected to actuarial review; the current structure effects a degree of redistribution and collective solidarity. Furthermore, the state pension is rooted in an overall contribution and benefit system for a range of contingencies. The OECD observed, however, that while the state pension system has contribution rules, over time the detail of these rules became increasingly opaque and diluted the connection between actual contributions and entitlements. Currently, government policy, as

19 The projections are based on assumptions M1F1, M2F1 and M3F1. F1 is the fertility assumption which maintains the 2016 Total Fertility Rate at 1.8 to 2051. There are three migration assumptions: M1 is an annual net inward migration of 30,000 persons from 2017 onwards; M2 is an annual net inward migration of 20,000; and M3 is an annual net inward migration of 10,000.

20 See https://www.cso.ie/en/releasesandpublications/ep/p-plfp/populationandlabourforceprojections2017-2051/populationprojectionsresults/.

expressed in the National Pensions Strategy, is to institute a Total Contributions Approach (TCA) to strengthen the contribution-entitlement link in the future. However, the TCA approach—as with all contribution systems—may require some element of credited contributions. The question arises as to whether this new approach will be incrementally weakened—and transformed again into a semi-universal benefit—by the re-emergence of various forms of credits, exemptions, and differential treatment for specific categories. The Council therefore considers that, if the underlying policy goal is to have universal or near-universal provisions rather than contributory provision, then an evaluation should be made of the feasibility of some form of Pension Guarantee or Basic Pension. A change such as this could entail the retention of a social insurance pension as a supplementary pension.

Pension age

A third and more immediate challenge concerns the implementation of increases in the pension age. Current policy, as expressed in the *National Pensions Framework,* is to increase the eligibility age for the state pension to 67 in 2021[21] and 68 in 2028, having increased it to 66 in 2014. This policy, the Council notes, entails an increase in the size of the workforce and is broadly consistent with the long-term demographic scenario. The policy challenge in addressing such reforms in Ireland is to balance the economic imperatives against important social and equity considerations; low-income workers who rely most heavily on the state pension will have lower savings, are most unlikely to have second-tier pensions, and are more likely to work in arduous occupations. In addition, employees vary in their health, employment contracts, and preferences. To date, the latter considerations have not informed policy. In the absence of an employment strategy for older workers, simply increasing the pension eligibility age and offering Jobseeker's Benefit as a temporary and transition income will, the Council suggests, disproportionately impinge on lower-income workers, undermine support for the reform, and increase the at-risk-of poverty rate among older people. Accordingly, an immediate challenge arises as to how government policy with respect to the pension age should respond to the ageing of the population, without increasing pensioner poverty or increasing inequality among the elderly.

1.4.2 Family structures

One of the central pillars of the society in which Ireland and other countries devised their social welfare regimes was the conventional family based on marriage, with clearly differentiated roles for men and women. This was the 'male-breadwinner model' of social welfare, so-called because of the way the dominant family form structured welfare provisions: benefits largely predicated on male employment and

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[21] The current Programme for Government *Our Shared Future* (2020:75) states that the increase to 67 is deferred, pending a report from a Commission on Pensions, which is to be established to examine sustainability and eligibility issues with state pensions and the Social Insurance Fund. The Commission will outline options for Government to address issues including qualifying age, contribution rates, total contributions and eligibility rates.

female caring roles, with ancillary dependants' payments for spouses and children.[22] Family structures and employment patterns changed in the last quarter of the 20th century and so too did countries' social welfare systems, Ireland's included. In response to the growth of new forms of family life, increased employment participation among women and greater visibility of care work, Ireland adapted its tax and social welfare system: formal gender equality in benefits was implemented; separate benefits introduced for lone parents; payments for carers were devised, and so on.

However, the social welfare and personal income tax systems are still partially structured around concepts of dependency. The challenge for the future, the Council argues, is to further reform the benefit and tax systems along lines that more closely reflect evolving family/labour-market patterns. Currently, for example, the welfare system (although formally gender-neutral) confers dependency additions with the benefits and allowances. As these additions are means-tested, they add complexity, and can disincentivise employment among lower-income 'dependants'—overwhelmingly women.[23] This dependency status is reinforced by the absence of both rights for and obligations on dependants in respect of work and activation.

The tax system has been partially individualised, but the fundamental unit of taxation is marriage, with tax bands and allowances structured according to the marital and employment status of spouses. There has been intermittent public controversy and policy commentary on the relative tax-benefit treatment of one-earner versus two-earner families, and lone-parent versus marital families.

1.4.3 Addressing child poverty and supporting employment participation

While acknowledging the complexity of the issues and the need for gradual reform, the Council suggests that in the future two considerations justify further reform. First, child poverty and child well-being: the priority should be to direct resources to children in family units of all types rather than to particular family types. Greater individualisation of taxation and benefits could be designed to yield revenue for reallocation to child income support or child-related services.

Second, employment participation: the dependency status underpinning the tax and benefit systems contributes to the low employment participation rate among lower-income women, in particular. There is a link between low income and low education. Low-educated women (and men) in Ireland have low participation rates compared to the EU average. By comparison, women with tertiary education have high participation rates in Ireland, in line with the EU average.

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22 The definitive comparative analysis of gender and social security observed that all developed welfare states in the 20th century adopted this male-breadwinner model to various degrees. Ireland was recorded as having a strong male-breadwinner model (Lewis, 1992).

23 It is noted that if these payments were individualised it is likely they would be means-tested.

1.4.4 Changing patterns of work

The national insurance model of social welfare was always predicated on full employment at a family wage, and stable employment throughout working lives, interrupted perhaps by short periods of unemployment or illness. For reasons well-documented in the international literature, these patterns no longer apply, and contemporary patterns of work in Ireland—as elsewhere—confront its social welfare systems with significant challenges.[24]

First, national insurance systems were always built around non-employment contingencies (retirement, illness, widowhood, etc) on the assumption that employment would always provide an adequate family income.[25] This assumption no longer applies: in fact, low pay and the associated problem of the 'working poor' are widespread in contemporary labour markets. In Ireland, according to the Low Pay Commission, 23 per cent of employees are low-paid. However, many low-paid employees do not live in low-income households, so that only five per cent of those at work are in poverty. Thus, the priority in addressing the issue of low pay needs to be focused on those who are low-paid and in poverty.

Against this background, the Council urges policymakers to address these questions in respect of low pay incomes from employment and self-employment:

- Should labour-market measures in relation to employment regulation or minimum wages, for example, have a greater role in addressing low incomes from labour-market activity or should tax-benefit measures be deployed to redress low incomes?

- If the tax-benefit system is to be used to improve the net incomes of the low-paid, should this be through cash benefits or tax credits?

- Is low income to be redressed only in the case of those with children (through measures such as Child Benefit and Working Family Payment) to prevent family poverty or is there a policy rationale for supplementing the incomes of other low-earners?

Second, part-time employment now plays an important role in the labour market. This reflects both the 'demand' and the need for part-time work in the more service-based economy, and the 'supply' of part-time employees because of multiple responsibilities for caring, work, training, and so on. In contrast, the core requirement for access to Jobseeker's Benefit and Jobseeker's Allowance is the obligation to search for full-time work. Of course, in practice, the Jobseeker's Benefit/Allowance arrangements allow workers 'part-time unemployment' and partial benefits. However, the requirement to demonstrably seek full-time work as a condition of benefit receipt may act as a disincentive to participation in employment and activation. The Council considers that contemporary social and

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24 E.g. Esping-Anderson (2001); Andreβ (2008); Bonoli (2013).

25 It is noted that the Beveridge report recognised that employment would not provide sufficient income to sustain large families and recommended payments for children for those at work.

economic conditions raise questions about the suitability of a (search for) full-time work condition in the administration of benefits.

Finally, social insurance contributions are the medium though which employment generates rights to benefits. Over time, coverage of social insurance has expanded and includes part-time work, for example. However, the variety and complexity of work patterns challenges the capacity of the contributory system to fully incorporate the diverse and intricate forms of employment and self-employment.

1.5 Conclusion/Structure of Report

The social welfare system is not in crisis, but faces challenges that arise from substantial changes in the wider social, economic and demographic contexts. In this report (and in the associated Background Papers) the Council addresses these challenges and proceeds as follows. Chapters 2 and 3 outline the development of the social welfare system and the challenges it now faces, respectively. Chapter 4 sets out a framework for the future. Part 2 of the report proposes some trajectories for reform, and Part 3 is an epilogue discussing the implications of Covid-19 for the social welfare system.

Chapter 2
The Evolution and Key Features of the Irish Welfare System

In seeking to determine what type of welfare system we need for the 21st century, it is helpful to understand how we have arrived at the current system. This chapter first outlines the evolution of the Irish welfare system and describes the current system. It then goes on to discuss the developmental welfare state (DWS), proposed by NESC in 2005, and key changes since.

2.1 Evolution of the Irish Welfare System

2.1.1 Inception: prevention of destitution

The Irish social welfare system began in 1838, based on the English welfare system, with poor-law provisions at the time. The first means-tested old-age pension was introduced in 1908, followed by social insurance in 1911, with unemployment and sickness benefit schemes. Following Irish independence from the UK, there were few developments in Irish social welfare payments until the early 1930s, when unemployment assistance was introduced as the result of world economic depression. There was, however, significant Irish state involvement in measures to redistribute property, beginning with the sale of estates to tenant farmers , and continuing in various guises throughout most of the 20th century. This occurred to a greater extent than redistributing income or providing social services. Norris (2016) has argued that this led to the Irish welfare system developing differently to the systems in other north-western European countries.

2.1.2 Expansion in the 1930s-1960s: introduction of social insurance

During the 1930s and 1940s, social welfare provision expanded to support costs for children and families, as well as employees and older people. The Department of Social Welfare was established in 1947 to co-ordinate the various social welfare schemes which until then had been administered by a number of different government departments and the Revenue Commissioners. Following the British Beveridge-based system, the social insurance fund was established in 1952. The British Beveridge Report (Beveridge, 1942) aimed to provide a comprehensive system of social insurance ‘from cradle to grave’. In reality, this has never happened, with means-tested benefits required to cover gaps in social insurance. The same remains true in Ireland today. Along with the state provision of welfare, the Catholic Church was an early influencer and provider of social welfare, especially to those who were poor and destitute, and until recently also played a central role in the provision of health and education services.

2.1.3 1970s to mid-1990s: expanding coverage of welfare and focus on equality

There was significant expansion of social welfare payments in the 1970s, including a number of measures to support the income adequacy and care of older people, people with disabilities,[26] and women bringing up children alone.[27] There were also some changes to the extent to which social insurance benefits and contributions were pay-related, though pay-related benefit was abolished in the 1990s.

The 1980s, reflecting growing European influence, saw a focus on gender equality, child income support and expanding social insurance coverage. The EEC Directive on Equal Treatment between Men and Women, which came into effect in 1986, removed gender discrimination in relation to rates of payment and access to a variety of social welfare payments. Means-tested Family Income Supplement (FIS) was introduced in 1984, reflecting a concern about replacement rates for low-paid employees with children.

The 1980s also saw the publication of the influential 1986 Commission on Social Welfare report. The commission made a number of recommendations on the social welfare system, including an increase in benefit rates, improvements in child income support, expansion of social insurance and improved delivery of services. Many of these recommendations have been implemented. In 1987, social insurance was extended to self-employed people, entitling them to old-age and widows' pensions; and in 1991 it was extended to part-time employees. This trend was continued again in the 2010s, with Invalidity Pension, Treatment Benefit and Jobseeker's Benefit all opened to self-employed people. The 1980s also saw the first social welfare payments in relation to rents. Rent allowance was brought in for tenants who would have suffered hardship following the decontrol of rents, although it soon expanded far beyond this initial target group.

2.1.4 Late 1990s until the economic crisis: recognition of care and greater attachment to the labour market

The early 2000s saw a continuation of the expansion of social insurance supports, in particular for those who were leaving employment to carry out care. This included the Homemaker Scheme and Carer's Benefit. A greater focus on childcare also became evident, with a free pre-school year of Early Childhood Care and Education (subsequently extended to two years) introduced in 2010. In 2016 Paternity Benefit was launched and in 2019 the National Childcare Scheme (NCS) became operational.

During this period there was an expansion of the social welfare system, through an increase in payment rates and a broadening of contingencies. From the 1990s on, there was also greater concern to link unemployed people to the labour force. The late 1990s to 2008 coincided with a period of strong economic growth in Ireland.

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26 E.g. the Retirement Pension, Invalidity Pension, Old Age (Care) Allowance.

27 E.g. Deserted Wife's Benefit, Prisoner's Wife's Allowance, Unmarried Mother's Allowance.

Community Employment was established in 1994, followed by several similar schemes since, especially with the move from a passive to active labour market under the Pathways to Work strategies from 2012.

2.1.5 Post-economic crash of 2008: reform of welfare

Following the economic crash of 2008, the Government established Intreo in 2010, a one-stop shop where the unemployed could both apply for Jobseeker payments and engage with activation support, with the latter becoming mandatory and reinforced by sanctions.[28] There were also changes to secondary benefits to remove disincentives for people to move from welfare to work, such as the introduction of the Rental Accommodation Scheme (RAS) and Housing Assistance Payment (HAP), which, unlike Rent Supplement, did not penalise those receiving rental support who moved into full-time employment. The Back to Work Family Dividend, introduced in 2015, also aimed to incentivise those with children and on welfare to move into employment.

In the 1990s, a number of changes were made to allow lone parents and qualified adults to work part-time. These changes were followed by more significant changes in the 2010s which require lone parents to engage with activation services once their youngest child is aged 7-14.[29] Similarly, changes in criteria now allow those on disability payments to seek part-time work, if they have capacity to do so.[30]

With the emergence of new social risks, such as the loss of skilled jobs, and the increase in lone parenthood and rising care needs, along with economic globalisation, elements of social welfare provision have become privatised. As a result of the economic crash in 2008, this marketisation of welfare has become more acute, with a focus on activation and the financial sustainability of the social welfare system. For example, 2015 saw the establishment of JobPath, a contracted service to which long-term unemployed people were referred for activation services.

During the financial crash from 2008 to 2013, a range of expenditure cuts were made (see later section in this chapter). Changes to pensions also mean that the age at which a pension can be claimed has increased, while the proposed Total Contributions Approach will make it more difficult to claim a full pension, with both changes reducing social insurance costs.

The next section describes the current Irish welfare system.

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28 The monitoring of jobseekers and the imposition of sanctions for failure to engage with the public employment service was not fully implemented prior to Intreo's establishment (Kelly, E. *et al.*, 2019). However, under Intreo, if a jobseeker fails to engage with the public employment service, he/she will be sanctioned. The number of sanctions has increased from 259 in 2011 to 16,022 in 2018.

29 On Jobseeker's Transition payment. Lone parents whose youngest child is over 14 can now only claim the Jobseeker's Allowance.

30 Through Partial Capacity Benefit.

2.2 The Current Irish Welfare Income Support System

2.2.1 Overview of the current system

As outlined in the previous chapter, Ireland's system of social protection currently comprises the following:

i. social insurance benefits, with eligibility based on PRSI contributions;

ii. a parallel set of means-tested social assistance payments;

iii. a universal payment for dependent children, Child Benefit; and

iv. ancillary benefits such as free travel.

The Irish welfare income support system is a hybrid system of universalist, insurance-based and means-tested payments. It is funded through a mix of social insurance contributions and general Exchequer revenue. The latter is raised through a mix of income, capital, consumption, corporation and property taxes. In 2019, just over €20.9bn was spent on social welfare, with 52 per cent of this coming from Exchequer funding, and the remaining 48 per cent from the Social Insurance Fund, of which employers contributed 73 per cent, employees 22 per cent and the self-employed 5 per cent (DEASP, 2020c).

Table 2.1 summarises the key social welfare payments[31] made in 2019, by expenditure, number of recipients and number of beneficiaries.[32]

When the payments are grouped by type, it is clear that the main expenditure is on pension payments, followed by those for disability and caring, then family payments, and finally unemployment payments (Figure 2.1).

Over time, spending has grown, and will continue to grow, on the state pension in particular. Spending has also increased on disability and carer's payments. However, given the cyclical nature of unemployment, spending on this has been reducing.[33] Even though expenditure on family payments is lower than for pensions and disability and caring payments, the number of recipients and beneficiaries is greater, reflecting the universal nature of the Child Benefit payment, which goes to all children but at a lower rate than most other social welfare payments (€140 per month per child).

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31 They made up 85 per cent of all payments by DEASP in that year. The remainder was spent on smaller schemes and administrative costs. See www.gov.ie.

32 Recipients are the main claimants of the payment; beneficiaries are the recipients plus their dependants, for whom allowances are also paid.

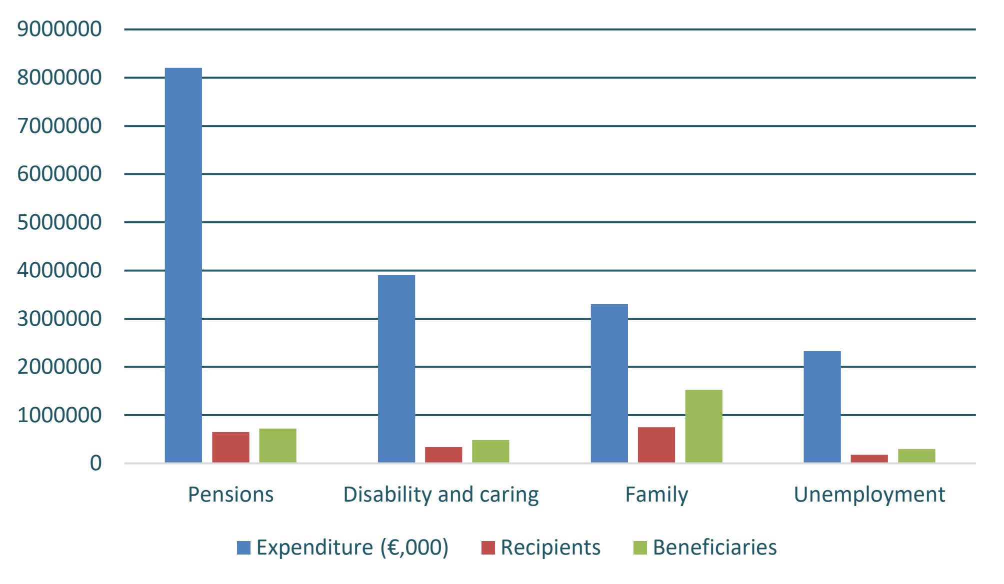
33 These figures are for 2019. Spending on unemployment payments is expected to increase, as a result of the Covid-19 pandemic and the restrictions imposed to contain it.

Table 2.1: Main social welfare payments (2019)

Scheme	Expenditure (€000)	Recipients	Beneficiaries
State Pension (Contributory)	5,603,130	431,224	493,367
Disability Allowance	1,705,970	146,755	207,004
Jobseeker's Allowance	1,629,030	123,633	222,943
Widow's, Widower's and Surviving Civil Partner's Contributory Pension	1,558,920	122,502	132,999
State Pension (Non-Contributory)	1,042,830	94,854	98,553
Carer's Allowance	862,560	84,028	134,662
Invalidity Pension	728,110	58,168	76,577
Illness Benefit	607,220	49,313	64,195
One-Parent Family Payment	533,070	39,533	112,810
Family Income Supplement/Working Family Payment	397,200	53,104	172,575
Community Employment	353,390	21,290	33,651
Jobseeker's Benefit	348,010	34,141	43,338
Maternity Benefit	267,200	21,479	22,816
Total	**15,636,640**	**1,280,024**	**1,815,490**
Child Benefit	2,102,570	637,007	1,216,475
Total including Child Benefit	**17,739,210**	**1,917,031**	**3,031,965**

Source: Statistical Information on Social Welfare Services, 2019.

Figure 2.1: Expenditure and beneficiaries by type of social welfare payment, 2019[34]



Source: Compiled from Statistical Information on Social Welfare Services, 2019.

2.2.2 Social security expenditure

As stated in the previous section, in 2019, just over €20.9bn was spent on social welfare. At an aggregate level, social security expenditure as a per cent of GNP fell, falling over the ten-year period from 2010 to 2019, from 15.1 per cent to 7.6 per cent, as Ireland recovered from the economic crash. Expenditure on social protection as a percentage of general government expenditure was more variable over the period, increasing from 19.2 per cent in 2010 to 28.4 per cent in 2012, before falling to 24.1 per cent in 2019 (Figure 2.2).

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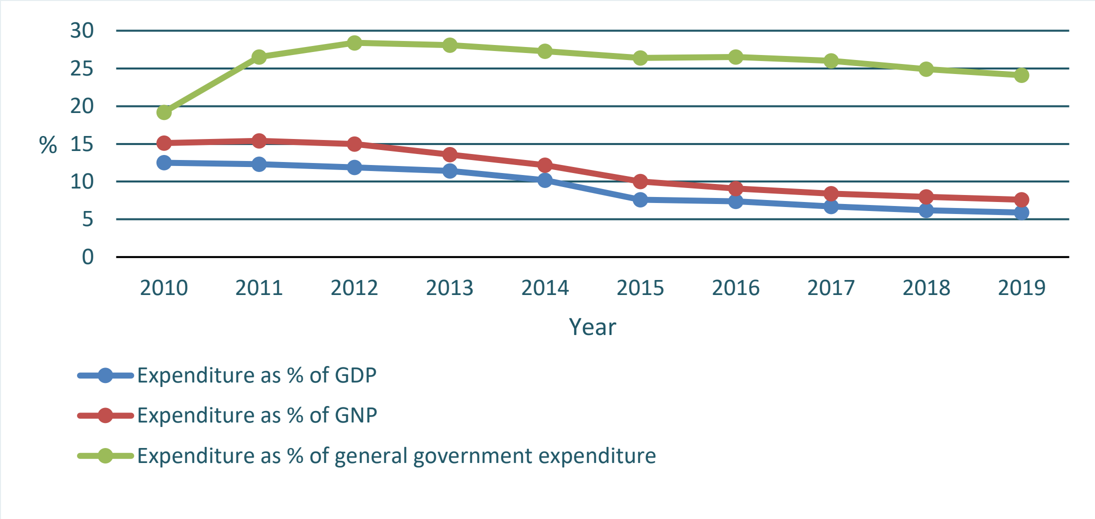
[34] Pensions comprise State Pension (Contributory), Widows', Widowers' and Surviving Civil Partners' Contributory Pension, and State Pension (Non-Contributory); Disability and Caring comprises Disability Allowance, Carer's Allowance, Invalidity Pension, and Illness Benefit; Family payments include One Parent Family Payment, Working Family Payment, Maternity Benefit and Child Benefit; Unemployment payments include Jobseekers Allowance, Community Employment and Jobseekers Benefit.

Figure 2.2: Social security expenditure as a % of GDP, GNP and general government expenditure, 2010–2019



Source: Department of Employment Affairs and Social Protection (2020), *Statistical Information on Social Welfare Services: Annual Report, 2019.*

McCashin (2019) posits that changes in expenditure/GNP are a function of three sets of influences: demographic, beneficiary and a transfer effect. Concerning demography, population change can affect 'demand' for payments, and this can be seen in the increased expenditure on pensions as the number of older people starts to increase. Policy changes in relation to entitlements to payments, such as alterations to eligibility and contribution rules or the introduction of new benefits, have a beneficiary effect. A transfer effect relates to the rate of social security benefits relative to GNP per capita. All three influences (demographic, beneficiary and a transfer effect) affect the share of social security in GNP, and their relative importance varies from one payment to another.

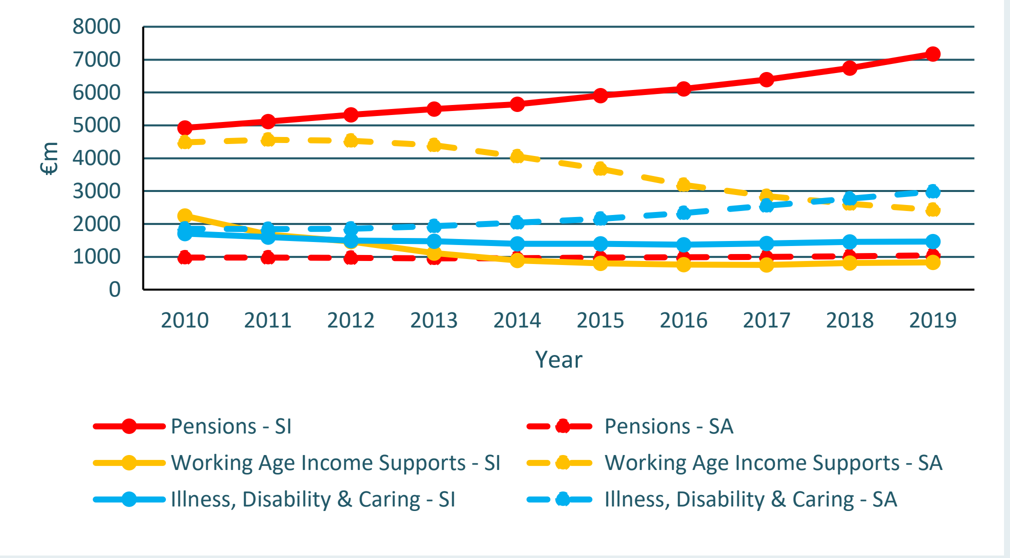
As displayed in the figures above, data on expenditure and benefits reveal a combination of continuity and cyclical change. In international terms, Ireland's benefit regime is a basic security system, where benefits remain modest and there is an 'almost mechanical relationship between benefits and earnings' (*ibid.*: 147). The economic 'bust to boom' pattern observed in the Irish economy is reflected, to some extent, in the social welfare system.

2.2.3 Comparing social insurance and social assistance

Within the social welfare system, it is instructive to examine the trends in expenditure on social insurance and social assistance benefits. Social insurance benefits are available, at least for a period of time, to those who have contributed to the social insurance fund. Means-tested social assistance payments are available to those in need but who do not have access to social insurance payments. Figure

2.3 shows the trends in expenditure on the main social insurance and social assistance payments over the last ten years.

Figure 2.3: Trends in expenditure (€m) on the main social insurance (SI) and social assistance (SA) payments, 2010–2019



Source: Department of Employment Affairs and Social Protection (2020), *Statistical Information on Social Welfare Services: Annual Report, 2019*.

There are three main points to make from the graph. First, expenditure on social insurance pensions has been steadily increasing since 2010, and, in 2019, this was the largest payment expenditure by far, at €7,170m. Second, expenditure on means-tested illness, disability and caring social assistance payments has been gradually increasing over the ten-year period, to €2,980m in 2019, the second largest payment expenditure. Third, working-age income supports showed a more cyclical pattern, especially the means-tested social assistance payments. Expenditure on working age means-tested social assistance payments was €4,480m in 2010, rising to €4,560m in 2011, and then gradually falling to €2,430 in 2019.

Not included in Figure 2.3 is expenditure on children's payments. As noted in Figure 2.1, the main expenditure here is on the universal Child Benefit payment, at €2,100m in 2019. The main means-tested social assistance child-related payment is the Working Family Payment, with an expenditure of €397m in 2019 (more than doubled from €186m in 2010).

It is also worth noting administration costs. These were €543m for the means-tested social assistance payments in 2019, compared to €230m for the administration of social insurance schemes. The social assistance administration costs have increased since 2010, while the social insurance administration costs have reduced over this time period.

2.2.4 Services providing social protection

As well as income transfers, access to services such as education, health, housing and childcare is also integral to a broader understanding of social protection. Where such services are comprehensive, universal and free, there is less reliance on income transfers to prevent and alleviate poverty, and provide an adequate standard of living. However, in Ireland, where these services are not necessarily comprehensive, universal or free, there is a greater reliance on income transfers. For example, while education is theoretically free, there is a requirement in many schools for a 'voluntary' contribution to assist with educational costs. It is acknowledged, however, that there are many initiatives to tackle educational disadvantage. On health, nearly half of the population (45 per cent) rely on private health insurance to access the health system, while a similar percentage (43 per cent) are entitled to free GP and/or hospital care through holding a means-tested medical card.[35] The interaction of the means-tested medical card, as a secondary benefit of an income transfer payment, can constrain the transition from welfare to work for some people. While people moving from welfare into work can retain the medical card for up to three years, uncertainty around continued eligibility can put off families with a chronic illness from returning to the workforce (NESC, 2018a).

The lack of affordable, accessible and available childcare provision hinders many people— those on low income and women in particular—from accessing the labour force, though this is now being addressed, to some extent, through the recently introduced National Childcare Scheme. Currently, the lack of housing, especially social housing, means that an increasing proportion of the population is reliant on the Housing Assistance Payment (HAP), Rental Accommodation Scheme (RAS) and Rent Supplement (RS). For example, total funding on HAP and RS increased by 47 per cent, from €326.7m to €480.8m, between 2015 and 2018 (O'Callaghan & Kilkenny, 2018).

Services providing social protection align well with the European social investment approach. In such an approach, it is argued that society creates its future through investments. A more sustainable state can be built by aligning economic and social policies, and investing in people. This can be done, for example, by enhancing a person's skills and supporting their participation in society and in the labour market. It is argued that this will raise each person's standard of living, as well as boosting the economy. Social investment promotes active inclusion policies, such as affordable, quality childcare and education, prevention of early school-leaving, training and job-search assistance, housing support and accessible healthcare. This European policy approach is very much in line with the developmental welfare state, proposed by NESC in 2005.

These services issues are more fully explored in the next section on the developmental welfare state.

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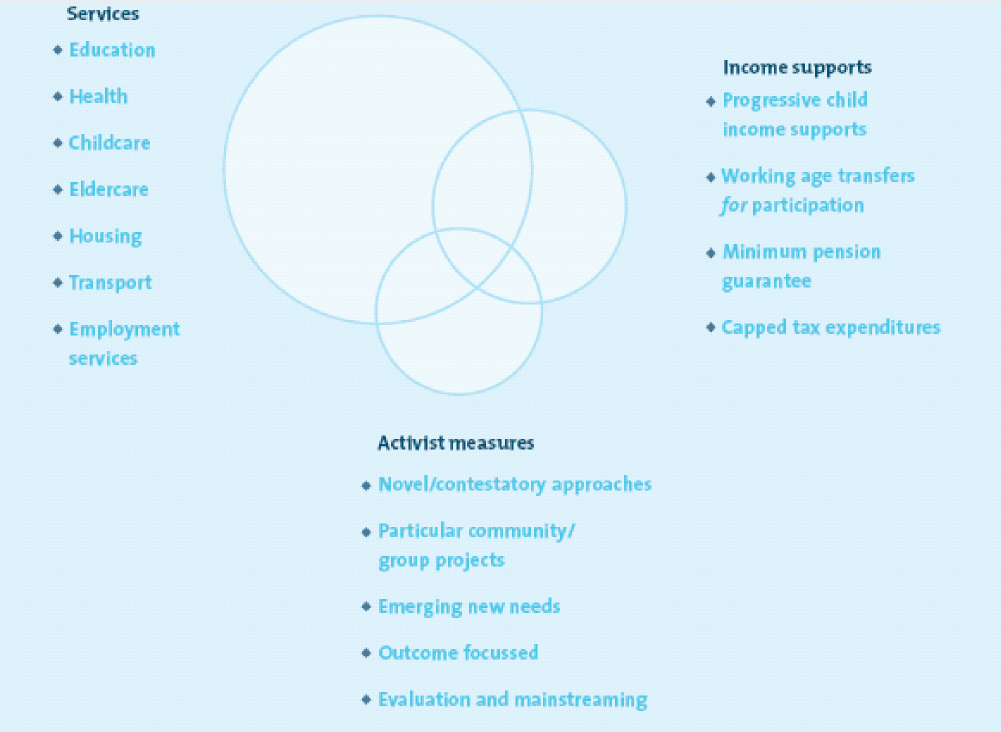
[35] Some medical cards are also available on purely medical grounds, regardless of income.

2.3 The Developmental Welfare State (DWS)

The Developmental Welfare State (DWS), as proposed by NESC in 2005, has since been used as a framework for the development of Irish social welfare policies. A key element of the DWS is the fusion of economic and social policy. Good economic performance can support good social policy, and sound social policy provides a strong basis for economic development. The thrust is to give people a 'hand up' rather than a 'hand out'. In this context, providing a robust welfare system is an important springboard for economic progress and good quality of life, and arguably is even more important in Ireland today than when the DWS was initially envisaged in 2005.

Recognising the focus of Ireland's social welfare system on income supports, the DWS argued for the radical improvement of services such as education, health, childcare, eldercare, housing, transport and employment services. Services and income support should also be complemented by activist measures (i.e. novel approaches to provision, such as community/group projects, which address emerging new needs). These three overlapping areas would therefore make up the core structure of Ireland's welfare state, as outlined in Figure 2.4.

Figure 2.4: The Developmental Welfare State



The DWS argued that Ireland should focus on a number of key policy areas in future. First, Ireland should aim to create a high-participation, high-skilled, high-performance economy, in which worthwhile employment would be a genuine option for everyone. It argued for a focus on the labour-market choices of people with caring responsibilities, those with less than secondary education, and older workers; and for the importance of services and measures that helped people into and in the labour market. This meant a focus on ensuring that secondary benefit withdrawal rates supported participation. It also wanted to see less 'all or nothing' classification of people's capacity to work. Instead, it recommended downplaying a person's 'contingencies' and instead focusing on their current position on a spectrum of being unable to access the labour force, to being able to re-enter it at some stage. Payments and services should be provided in a way that supports partial and sporadic take-up of employment opportunities, and which facilitates people's eventual participation in employment or other social activities.

The DWS also focused attention on the importance of tackling deep-seated disadvantage: in particular among those with low education, and people in employment without sufficient income to purchase needed services. It saw a particular need to tackle child poverty, noting that this is often related to the lack of market income in the child's household. It argued for the need to reduce tax expenditures on social spending, such as private health and pension coverage, as these expenditures are regressive and can lead to the development of a dual welfare system. The DWS also saw a need for greater gender equality.

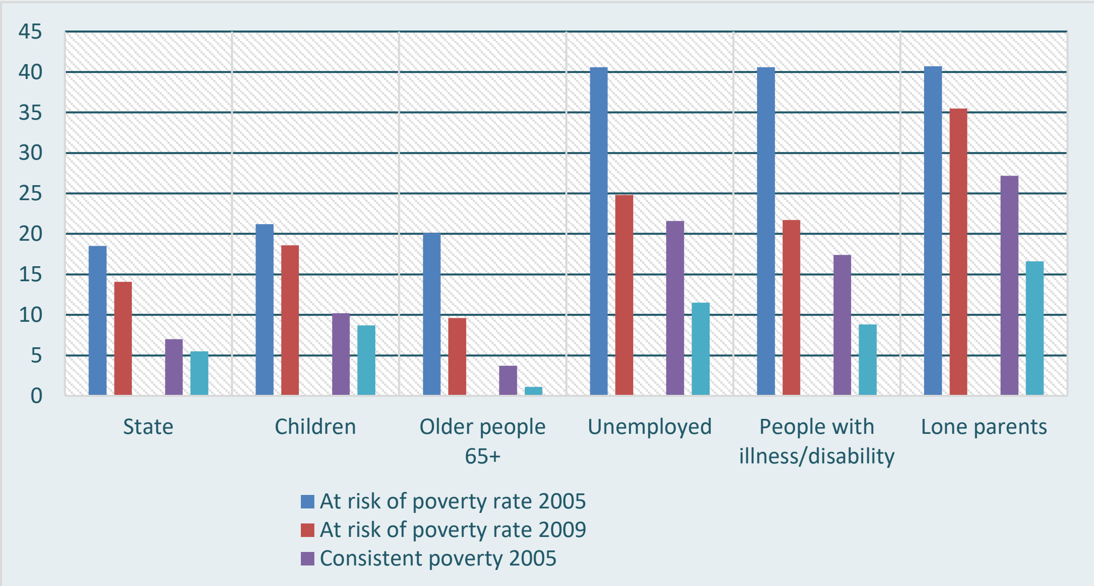
There have been many changes since the publication of the DWS report in 2005, including an economic boom, economic crash and gradual recovery. The following sub-sections outline the main changes in relation to DWS over these three periods.

2.3.1 Social welfare and the DWS, 2005–2008

The DWS was conceptualised at a time when the Irish economy was booming, employment rates and tax revenue were high, and social partnership agreements underwrote the direction of much Irish economic and social policy. Therefore, many of the key elements of the DWS were incorporated into the subsequent social partnership agreement, *Towards 2016*, which was published in 2006. *Towards 2016* adopted a lifecycle approach, organising policy commitments in chapters relating to children, older people, people with disabilities, and people of working age (with a subsection for young adults). Many of these policies proposed in *Towards 2016* were backed up by commitments in the *National Action Plan on Social Inclusion, 2007–2016*, which had a stronger emphasis on service provision than previous action plans focused on poverty, as well as commitments to increase participation, combat educational disadvantage, and reduce poverty. Spending allocations to implement the policies in the *National Plan on Social Inclusion, 2007–2016* and *Towards 2016* were reflected in the *National Development Plan 2007–13*.

With Government revenue high, there were a number of increases in social welfare rates between 2005 and 2008. For example, the state contributory pension increased from €167.30 per week in 2004 to €230.30 per week in 2009. Unemployment, disability and One-Parent Family payments increased from €134.80 per week in 2004 to €204.30 in 2009. Child Benefit increased from €131.60 per month for the first child in 2004 to €160 per month in 2009. Poverty rates for all of these groups fell between 2005 and 2009, most particularly for older people, as Figure 2.5 shows.

Figure 2.5: Poverty rates for various groups, 2005 and 2009[36]



Source: CSO, EU-SILC tables.

2.3.2 Social welfare and the DWS, 2008–2013

The global financial crisis of 2008 led to substantial changes in the context in which Irish social policy operated, with a very different fiscal background, as well as changes to the configuration of institutions, interests and ideologies that influence policy development. This had many impacts on social welfare and the implementation of the DWS framework.

Meeting the requirements of the Troika

From 2010 to 2013, the Troika (made up of the European Commission, European Central Bank and the IMF) had a strong influence on the direction of Irish economic and social policy. In return for providing financial support, in their memorandum of understanding with Ireland, the Troika required cuts to government expenditure, and increases in tax, although they did give the Government leeway to decide exactly where the cuts would be targeted (Hicks, 2018). The Troika espoused an austerity approach to resolve government debt, although further cuts to mainstream social welfare rates were successfully resisted by the Government at

36 Children were defined as aged 0-14 in 2005 and 0-17 in 2009.

that time. The focus on cost control and reporting to central departments also led to an increasingly 'command and control' style of public management, with less autonomy given to local organisations,[37] in contrast to the approach espoused by the DWS.

Cuts to welfare rates and community services

One impact of the financial crisis was a sharp fall in government revenue, combined with a steep rise in the numbers unemployed. The number of people in receipt of a Jobseeker's payment more than doubled from 139,435 in 2007 to 350,145 in 2013. This increase was countered in a number of ways. First, nearly all social welfare rates were cut in the 2009–2011 budgets.[38] While a new government coalition in 2011 committed not to cut headline welfare rates, there were many other changes that reduced access to welfare, such as tightened eligibility for benefits,[39] abolition of a number of secondary benefits,[40] cuts in earnings disregards,[41] abolition of concurrent welfare payments,[42] and holding income limits constant for the medical card.[43] Details on the range of cuts and their impact can be found in the NESC (2013) report, *The Social Dimensions of the Crisis: The Evidence and its Implications*. These changes mirror many of those that Van Kersbergen and Vis (2014) found to be used by states responding to financial risks.

In relation to services, such as education, health and housing, there was increased demand as a result of the economic crisis, while at the same time public expenditure, in terms of budgets, staffing and programmes, was reduced. What was notable across these service areas was the extent and impact of reform. Some of these reforms were in direct response to the economic crisis, others were the result of fiscal adjustment, while others were driven by a desire to restructure service provision (NESC, 2013).

There were also cuts to community services, as detailed in Harvey (2012), who estimated that funding cuts of 35 per cent had been made to community services

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37 See the report of the Independent Review Group established to examine the role of voluntary organisations in publicly funded health and personal social services, (Government of Ireland, 2019b).

38 For example, the headline rates for Jobseeker, disability and one-parent family payments fell from €204.30 per week in 2009 to €188 in 2011. When the Fianna Fáil/Green Party coalition lost power in early 2011, it was replaced by a Fine Gael/Labour coalition which committed not to cut headline welfare rates. However, it did cut Jobseeker's Allowance payments for those under 26.

39 For example, the period during which Jobseeker's Benefit could be paid was reduced by three months in 2013, and the qualification age for the state pension has been raised, from 65 years before 2014 to 68 in 2028.

40 The Christmas bonus, Back to Work Allowance, supports for those on CE, the Bereavement Grant, Telephone Allowance, etc.

41 For example, the earnings disregard for those on One-Parent Family Payment was reduced from €146.50 in 2011 to €90 in 2014. The income disregards for children were reduced under Farm Assist in 2012, from €254 to €127 for the first two children, and from €381 to €190.50 for each subsequent child (CIB, 2018).

42 A number of changes were made on this in 2012. For example, those getting a Widow's, Widower's or Surviving Civil Partner's Pension, a One-Parent Family Payment or a deserted wife's payment ceased to be eligible to half the normal rate of Jobseeker's Benefit. The ability to receive both CE and other welfare payments simultaneously was also abolished.

43 For example, O'Rourke (2019) notes that, from 1998 to 2006, the medical card income limit was regularly adjusted and remained above the level of Jobseeker's Allowance. In 2006 this limit was 18 per cent above Jobseeker's Allowance rates, but it has not been changed in 12 years and so is now below social welfare rates, which have increased by 35 per cent.

(including health, housing, community development, family support, and drug addiction) between 2008 and 2012.

Thus, overall, many people were affected at least to some extent by the crisis, but those who were least well off remained so. Poverty rates during this period are discussed in section 2.4.5.

Increases in tax

With income from cyclical taxes such as stamp duty falling considerably, new taxes were also introduced to plug the gaps in government revenue. Income and health levies were set up in 2009, and replaced by the Universal Social Charge in 2011, while local property tax was introduced in 2013. A temporary levy on funded pension schemes and personal pension plans was put in place in 2011. Taxation of maternity benefit began in 2013.[44] The annual earnings ceiling above which PRSI contributions were not paid was abolished in 2011, leading to more contributions from higher earners. Fees for services previously funded through general taxation were either introduced or increased.[45] Water charges were introduced in 2015, but abolished in 2017 for regular users. Some tax expenditures were reduced with, for example, a cap on the amount of tax relief that could be claimed in relation to pensions from 2013 on, and the reduction of tax relief on health insurance to the standard rate of 20 per cent from 2009 on. Mortgage interest tax relief was abolished for new mortgages from 2012.

Spending of the National Pensions Reserve Fund

The Government also found revenue in the National Pensions Reserve Fund (NPRF). This had been established in 2001, with the Government making annual deposits into it of one per cent of GNP. Its goal was to support the cost of Ireland's social welfare and public service pensions from 2025 until at least 2055. There was approximately €43bn in the fund in 2008, and €20.7bn of this was used to bail out Irish banks in 2009. The remaining €22.1bn was used to establish the Irish Strategic Investment Fund (ISIF) in 2014. ISIF invests its funds to support economic activity and employment in Ireland, and dividend returns are used to pay the interest on Irish government debt.[46] Since then, a new 'Rainy Day' Fund has been established by government to help offset future shocks to the economy.[47] From a social welfare point of view, these changes to the NPRF mean that the savings set aside for state-funded pensions are no longer available for this purpose.[48] Thus there will be much more pressure on the Social Insurance Fund and other sources of government

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44 The rate of maternity benefit was also standardised from January 2014, leading to cuts for those on higher wages.

45 For example, charges for using A&E services without a doctor's referral letter were increased from €64 to €100 in 2008, and the cap for household spending under the Drugs Payment Scheme was increased from €90 per month in 2008 to €144 by 2013.

46 See Parliamentary Budget Office (2019).

47 It is funded by €1.5bn from ISIF, and €500m annually from the Exchequer, starting in 2019. See Taylor (2018).

48 However, no withdrawals are permitted from the fund until 2025. It could still be an option for the fund to help with future pension costs, but to be worthwhile the State would need to make contributions again and modify the mandate regarding investment.

revenue into the future, to pay for state-funded pensions. This has no doubt contributed to the extension of the age at which a person can qualify for a state pension, as well as the proposed introduction of the Total Contributions Approach (TCA) in relation to state contributory pensions.[49]

2.3.3 Recovery from 2013 to 2019

At the end of 2013, having implemented the spending cuts, asset sales and reforms required under the agreement with the Troika, Ireland was once more able to borrow on international markets, and able to exit the bailout agreement. The economy was improving, with GDP growth recovering from as low as minus 5 per cent in 2008 and 2009, to 1.1 per cent in 2013, and over 8 per cent in 2014. The unemployment rate fell steadily from 14 per cent in 2013, to 5 per cent in 2019. Government revenue began to increase again, and, with extra revenue, social welfare rates were gradually increased.

A number of other cuts and taxes instituted during the financial crisis were reversed; for example, the pension levy for private schemes was phased out and ended in 2016, and rates of USC were reduced in Budget 2018. However, some changes were not reversed, such as those made to tax reliefs for pensions, health insurance and mortgages.

2.4 Welfare Policy since 2008: A DWS Perspective

While a focus on cutting state expenditure became key from 2009 on, leading to lower welfare payments and increased poverty rates, the DWS did not disappear as a focus in Irish social policy. During and since the financial crisis, a focus is evident on several key tenets of DWS, such as increasing participation, changing the welfare system to incentivise employment, and supporting the combination of employment and care. The focus on these areas of policy can be linked to the declines in employment and tax revenue between 2008 and 2013, to the aims of the Troika, and to the governments in power then and since. Progress in these areas is outlined below.

2.4.1 Increasing participation

A range of changes were made to support greater participation in the labour force. In late 2010 and early 2011, the Government established Intreo, a one-stop shop where the unemployed could both apply for Jobseeker payments and engage with activation support, as required. However, non-compliance with activation requirements can result in sanctions; the number of sanctions increased from 259 in

49 Currently, to qualify for a full pension, a person reaching pension age must have paid 520 full-rate contributions (equivalent to 10 years’ contributions) and meet the yearly average rule for contributions. When TCA is introduced, it is proposed that a person will get a full pension if they have paid the equivalent of 52 contributions per year over 40 years, which is 2,080 weekly contributions (CIB, 2018).

2011 to 16,022 in 2018.[50] In 2012, the Action Plan for Jobs and the Pathways to Work strategy were initiated. In 2015, JobPath was introduced, a contracted service to which long-term unemployed benefit recipients were referred. Other changes to encourage participation in the labour force included facilitating people on Jobseeker payments to take up temporary seasonal work, and increasing the range of PRSI benefits for which a self-employed person is eligible. New schemes were put in place to encourage employers to recruit unemployed people, such as the internship scheme JobBridge (now terminated) and employer grants through JobsPlus (still in existence).

Changes were also made to encourage participation by lone parents, people with disabilities and qualified adults. From 2013 on, One-Parent Family Payment became payable only until the youngest child reaches seven years of age, and for lone parents whose youngest children are aged 7–14 the Jobseeker's Transition (JST) payment was introduced. Lone parents are expected to seek full-time work once their youngest child reaches age 14. Changes were made to support participation by people with disabilities through the Partial Capacity Benefit, as well as a range of measures proposed in the 2015 *Comprehensive Employment Strategy for People with Disabilities*, and *Make Work Pay for People with Disabilities* report in 2017. This report found that loss of the medical card once earnings reached a certain level was a key barrier in disabled people taking up employment, as was a loss of access to transport supports. There is also a fear that, once a person with a disability moves off a disability-related benefit, it is very difficult to re-access it. A third group who are not required to seek work are the 'qualified adults' or adult dependants of those in receipt of a welfare payment. *Pathways to Work 2016–2020* commits to developing a proactive engagement to support qualified adults in securing employment.

A number of changes have been made to housing and childcare secondary benefits to ease their integration with employment. Due to the limited availability of local authority housing, rent supplement was increasingly used as a short-term measure to support low-income people in private rented accommodation. However, loss of rent supplement was a barrier to people taking up employment. Subsequently, in 2005, the Rental Accommodation Scheme (RAS) was brought in with no restriction on employment, with a differential rent increasing as the tenant's income increases. In 2014, the Housing Assistance Payment (HAP) began to be rolled out and is now available nationally. Although administratively different from RAS, it shares the characteristics of the tenant paying a differential rent for accommodation in the private sector, with no restrictions on employment.

In relation to childcare, the National Childcare Scheme (NCS) is being phased in, providing financial support towards the cost of childcare. There is a universal support for children under three, with additional targeted supports for children aged up to 15 in families that need it most. The rate paid will vary depending on family income, the child's age and educational stage, and the number of children in

50 See https://www.kildarestreet.com/wrans/?id=2019-03-26a.3390, 16/08/19.

the family. The NCS replaces all previous targeted childcare programmes with a single, streamlined scheme.

RAS, HAP and the NCS, therefore, provide supports whose intensity is tapered rather than completely withdrawn as incomes increase. They therefore remove some of the disincentive effects of the welfare system in relation to taking up employment. They also address economic insecurity for those at work.

Another change which can facilitate the move from the Live Register to employment is free medical care. Currently, those dependent on a welfare payment are eligible for a medical card, but many fear losing it when taking up employment.[51] In Budget 2014, the Government announced free GP care for the under-sixes, and this became operational in 2015. Free GP care for all children under 12 is to be phased in between 2020 and 2022.[52] Sláintecare also proposes free GP care for all, rolled out on a phased basis. To date, there is just free access to a GP for under-sixes, with additional expenses such as blood tests and prescriptions not covered. However, this scheme can help ease some of the costs of moving from the Live Register to employment.

2.4.2 More focus on combining childcare and work

A range of supports have also been developed to provide greater support to families combining care of children and employment, as recommended in the DWS.

The NCS, outlined above, clearly supports parents in employment with the cost of childcare. The Early Childhood Care and Education (ECCE) scheme offers pre-school provision for children aged between 2 years 8 months and 4 years 6 months. While ECCE helps working parents with the cost of childcare, it is not specifically geared at working parents, while the NCS is.

In 2016, the State introduced paid Paternity Benefit and in 2019 paid Parental Benefit. Both of these PRSI benefits allow parents to access additional paid parental leave from employment during the first year of a child's life, and are for the first time targeted at fathers.

Another change is the Homecaring Periods Scheme which will award credited PRSI contributions for up to 20 years to those who have provided full-time care to children or other dependents. The main value of the credited contributions will be their role in allowing those who have paid PRSI contributions while in employment to have periods spent as a full-time carer recognised for contributory pension purposes.

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51 As outlined in NESC (2018a), many welfare recipients can keep their medical card for up to three years when moving into employment. However, there is a fear of losing it, particularly when there is chronic illness in the family.

52 See O'Regan *et al.* (2019).

2.4.3 More focus on education

Since the DWS was published, a range of policies have also been put in place to combat educational inequality, and to help support lifelong learning. Several of these policies predated the DWS, and continue a previous focus on more inclusive educational provision.

On educational inequality, there are supports available to combat socio-economic inequality in the education of children and young adults, and support children with special needs, as well as migrant, Traveller and Roma children. A key policy introduced in relation to educational inequality since the publication of DWS was DEIS (Delivering Equality of Opportunity in Schools), in 2006. DEIS provides additional funding, literacy and numeracy programmes, the Home School Community Liaison Scheme, the School Completion Programme, and assistance with school planning to 640 primary and 185 post-primary schools in disadvantaged areas (Smyth *et al.*, 2015).[53]

In terms of higher education, 'free fees' for third-level education were introduced well before DWS, in 1995. However, they have not led to a proportional increase in economically disadvantaged groups in higher education (McCoy & Smyth, 2011; Denny, 2011), for a number of reasons.[54] The *National Action Plan for Equity of Access to Higher Education* for 2015–2019 sets out goals to increase participation by those from disadvantaged socio-economic backgrounds, by first-time mature students, students with disabilities, part-time learners, further-education and training-award holders, and Travellers. This strategy is supported by a number of other initiatives supporting access to third-level education for students from a disadvantaged background.

During the financial crisis, DEIS funding was largely protected, although levels of funding fell for the School Completion Programme. However, some specific schemes were cut, which has had a disproportionate impact on disadvantaged schools and groups; for example, the removal of the ex-quota allowance for guidance counsellors, the reduction in the allocation for language support, and the withdrawal of Visiting Teacher Service and Resource Teachers for Travellers (Smyth *et al.*, 2015).[55]

The overall picture is of some significant steps forward, but some continuing inequalities. These include lower third-level participation by economically disadvantaged groups, and not enough data on the children of migrants to assess their progress. Travellers continue to fare very poorly in the Irish education system.

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[53] The genesis of DEIS was much earlier than the DWS. See https://www.education.ie/en/Schools-Colleges/Services/DEIS-Delivering-Equality-of-Opportunity-in-Schools-/, 12/08/19

[54] The secondary school performance of disadvantaged students is poorer, the direct costs of attending higher education are still high, and, during the Celtic Tiger period, employment was an attractive option.

[55] Now, under the *National Traveller and Roma Inclusion Strategy 2017–2021,* a two-year pilot programme is being developed to target attendance, participation and school completion in a number of Traveller communities. See https://www.oireachtas.ie/en/debates/question/2018-06-27/147/, 13/08/19.

2.4.4 Lifelong learning

Some new supports for lifelong learning, and to combat low educational achievement by older people in Ireland, have been put in place since DWS was published, although many such supports (e.g. VTOS, BTEI) pre-date the DWS.[56] Quite a number of the supports are targeted at people who are unemployed.

Institutionally, since the publication of DWS, SOLAS and the new Educational and Training Boards were established in 2013, providing a new strategic and local structure for further education. SOLAS published its first Further Education and Training (FET) Strategy in 2014. In 2016, a revamped apprenticeship scheme was also introduced, with industry and training colleges working together to develop apprenticeships in new areas away from traditional trades, such as engineering, biopharma, accounting, etc. There is also a commitment to provide free training for those at work with low qualifications.

The EU has set a target of 15 per cent for adult participation in learning activities to be reached by 2020. Despite the supports for lifelong learning (most of which predate the DWS), traditionally Ireland has had a low level of lifelong learning, particularly for those who already have low levels of education. However, recent trends show improvements at an overall level, with a lifelong learning rate of 13 per cent in quarter 4 of 2018 (SOLAS, 2019).[57] Lifelong learning rates increase with education attainment and decline with age. Females made up 59 per cent of lifelong learning participants in Q4 2018.

NESC's work on economic transitions shows that the transition to a lower-carbon, more digital and automated future adds to the importance of participation in lifelong learning.

2.4.5 Focus on poverty reduction

As outlined earlier, the DWS was concerned to tackle poverty, particularly deep-seated disadvantage. Following publication of the DWS report in 2005, the *National Action Plan for Social Inclusion 2007–2016* was published in 2007, which very much had a DWS framework. With the advent of the economic crash in 2008, there was an increase in poverty and many of the goals set out in the *National Action Plan for Social Inclusion 2007–2016* did not progress as envisaged in the plan. In examining the three main measures of poverty in Ireland, shown in Figure 2.6, it is clear that the economic crash increased poverty, which subsequently started to decline again from 2013. (See also Chapter 3, section 3.4 of this report for further information on poverty in relation to income and wealth, and Chapter 11, section 11.3.5 on the need for strong anti-poverty measures as a result of the Covid-19 pandemic and associated restrictive measures).

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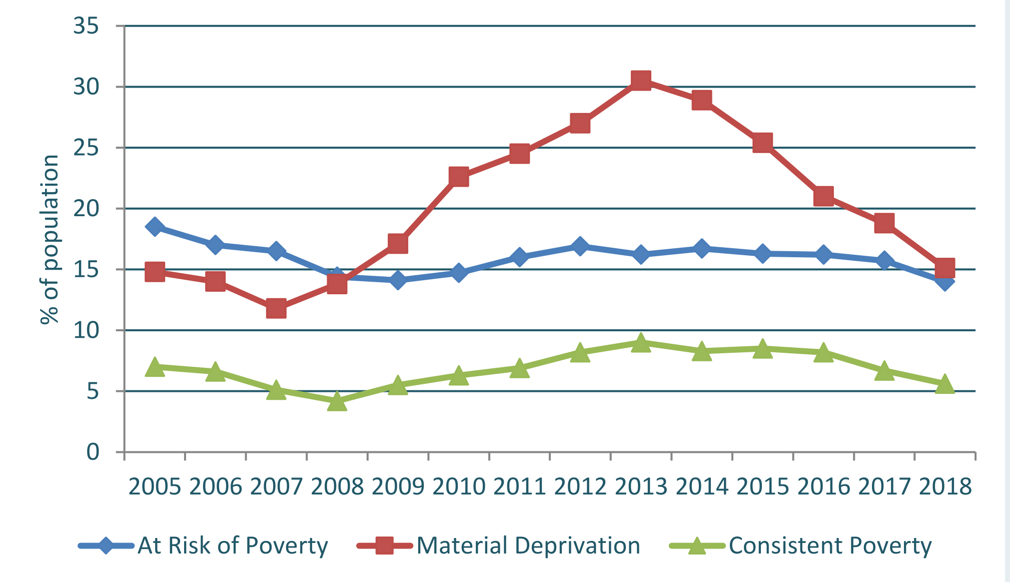
56 See NESC (2018a) for an outline of these.

57 SOLAS and National Skills Council (Solas, 2019).

Figure 2.6: Poverty trends (%) 2005–2018



Source: Compiled from CSO Survey on Income and Living Conditions statistics.

Taking the official Irish measure of poverty, consistent poverty[58] fell to 4.2 per cent of the population in 2008 before the crash (nearly meeting the interim target) before increasing to nine per cent in 2013, following the crash. The consistent poverty rate has since then started to decline and was at 5.6 per cent of the population in 2018 (most recent information available). This amounts to just under 280,000 people, including 90,000 children.

Material deprivation[59] increased substantially in the aftermath of the economic crisis, nearly trebling from 11.8 per cent of the population in 2007 to 30.5 per cent in 2013. It has since shown a decline to 15.1 per cent in 2018, but is still above the 2007 level. A large proportion of those who are at risk of poverty are materially deprived—40.3 per cent in 2018.

58 Consistent poverty is defined as being at risk of poverty at the 60 per cent medium income threshold and living in a household experiencing at least two forms of enforced deprivation from 11 basic deprivation items.

59 Material deprivation refers to the inability to afford basic identified goods or services because you cannot afford them. It is reported at the household and not the individual level, but it is assumed that each person in a household where a form of deprivation was reported experienced that form of deprivation. There are 11 items on the list. If a person experienced two or more of the 11 basic deprivation items due to inability to afford them, they are said to be deprived. The 11 items are: (i) without heating at some stage during the year; (ii) unable to afford a morning, afternoon or evening out in the last fortnight; (iii) unable to afford two pairs of strong shoes; (iv) unable to afford a roast or its equivalent once a week; (v) unable to afford a meal with meat, chicken, fish or its equivalent every second day; (vi) unable to afford new (not second-hand) clothes; (vii) unable to afford a warm waterproof coat; (viii) unable to afford to keep the house adequately warm; (ix) unable to replace any worn-out furniture; (x) unable to afford to have family or friends for a drink or meal once a month; (xi) unable to afford to buy presents for family and friends at least once a year.

The at-risk-of-poverty measure,[60] sometimes referred to as income poverty, was also affected by the economic crash. Because of a fall in the income of the population overall as a result of the economic crash, the at-risk-of-poverty rate actually fell from 18.5 per cent of the population in 2005 to 14.1 per cent in 2009, but increased to 16.9 per cent in 2012. Some 14 per cent of the population were at risk of income poverty in 2018.

Comparing Ireland to other European countries (Table 2.2), Ireland had the eighth lowest at-risk-of-poverty rate in the EU28 in 2018. The social welfare system substantially reduces the risk of poverty, with a 26.9 per cent reduction in poverty after transfers and pensions. The Czech Republic has the lowest at-risk-of-poverty rate at 9.6 per cent of the population, while the Nordic states of Finland and Denmark are at 12 and 12.7 per cent respectively.

In Ireland, some groups in the population have especially high poverty rates, as shown in Figure 2.7. Lack of employment and caring alone for children place people at risk of poverty. People who are unemployed, those not at work due to illness or disability, households where no-one is working, and lone-parent households have the highest poverty rates. This was the case before, during and after the economic crash. Poverty rates went up in the aftermath of the crash as unemployment increased. Children have higher poverty rates than the working-age population and older people, and women tend to have higher poverty rates than men. Other groups known to have high poverty rates are Travellers, homeless people, and migrants, including asylum-seekers and refugees, but these are numerically small groups and so are not captured by the official poverty statistics.

As stated in the DWS, good-quality, accessible and affordable public service provision is required, in addition to income support, to protect and support all citizens, especially those who are vulnerable. As documented elsewhere in this report, there was increased demand for public services as a result of the economic crisis, while at the same time public expenditure on service provision, in terms of budgets, staffing and programmes, was reduced.

In addition, the community and voluntary sector, which was active in implementing pilot projects, complementing public-sector provision and advocacy, was severely affected by the crisis. In the face of increased demand for their services, many organisations saw their budgets cut, and many made adjustments to ensure continued provision. Nevertheless, many services were diminished or closed down. There have been recent efforts to restore or replace some of these services.

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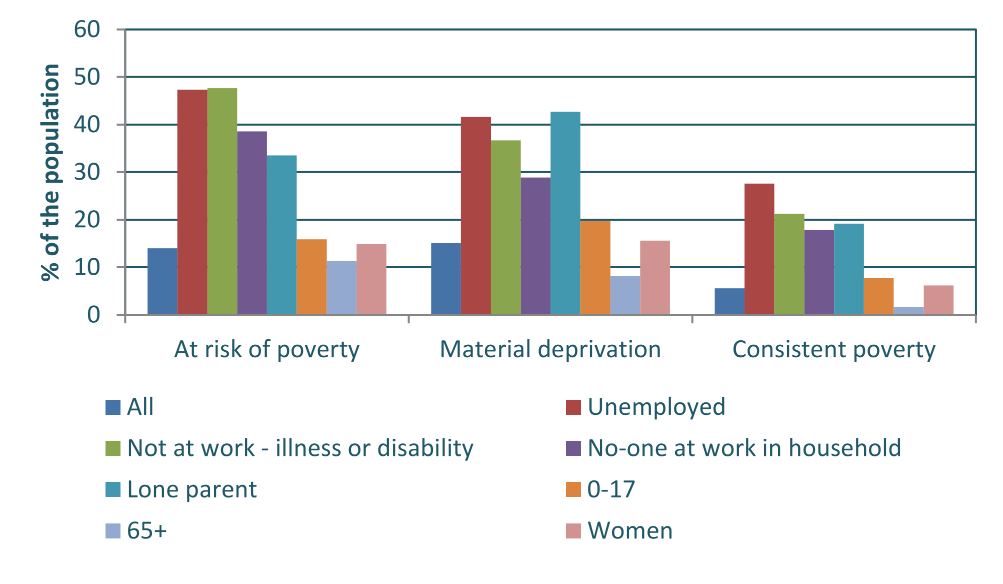
60 The at-risk-of-poverty measure identifies the proportion of individuals who are considered to be at risk of poverty based on the level of their current income and taking into account their household composition. It is calculated as the percentage of persons with an equivalised disposable income of less that 60 per cent of national median income (internationally recognised measure). The median equivalised disposable income in 2005 was €19,768, giving a 60 per cent threshold of €10,057. Therefore, persons with an equivalised disposable income of less than €10,057 in 2005 were considered to be at risk of poverty. The 60 per cent threshold rose to €12,455 in 2008 but fell to €10,762 in 2012 following the economic crash. It was €13,723 in 2018.

Table 2.2: At risk-of-poverty rates in EU28, 2018

Country	Before Social Transfers and Pensions	After social Transfers and Pensions	Reduction
Czech Republic	34.0	9.6	24.4
Finland	43.2	12.0	31.2
Denmark	39.2	12.7	26.5
Hungary	46.1	12.8	33.3
Netherlands	37.9	13.3	24.6
Slovenia	40.5	13.3	27.2
France	45.7	13.4	32.3
Ireland	40.9	14.0	26.9
Austria	43.3	14.3	29.0
Poland	44.4	14.8	29.6
Cyprus	36.9	15.4	21.5
Germany	42.0	16.0	26.0
Belgium	42.2	16.4	25.8
Sweden	44.3	16.4	27.9
Malta	37.0	16.8	20.2
EU28	43.6	16.9	26.7
Eurozone 19	43.8	17.0	26.8
Portugal	43.7	17.3	26.4
Luxembourg	46.0	18.3	27.7
Greece	50.0	18.5	31.5
Croatia	42.9	19.3	23.6
Italy	45.8	20.3	25.5
Spain	44.6	21.5	23.1
Estonia	38.7	21.9	16.8
Bulgaria	45.2	22.0	23.2
Lithuania	41.8	22.9	18.9
Latvia	39.1	23.3	15.8
Romania	45.9	23.5	22.4
Slovakia	:	:	:
United Kingdom	:	:	:
Norway	42.5	12.9	29.6
Switzerland	37.6	14.6	23.0
Serbia	48.7	24.3	24.4

Source: Eurostat, CSO Survey on Income and Living Conditions (SILC) (CSO, 2018c).

Figure 2.7: Poverty rates for selected groups in 2018



Source: CSO, Compiled from CSO Survey on Income and Living Conditions statistics.

As highlighted in its report on the social consequences of the crisis, referenced earlier (NESC, 2013), NESC stressed that policies and institutions do matter in tackling poverty. In that report NESC stated that, while Ireland's social welfare system was reasonably successful in ameliorating the worst effects of the recession, it was valid to ask whether the policies and institutions in place before the economic crisis could continue to meet the demands made of them. In this context, it was suggested that it was timely to revisit the DWS approach to review its appropriateness in the current circumstances, and what changes and reforms might be necessary to ensure that it can protect and support Ireland's society and economy in the future. This report attempts to address these issues.

In relation to social inclusion policy, the National Action Plan for Social Inclusion 2007–2016 was followed by an Updated Plan 2015–2017, collectively known as NAP Inclusion 2007–2017. The national social target for poverty reduction remained: to reduce the percentage of the population in consistent poverty to two per cent or less by 2020. The Irish plan is in line with the European Union's 'Active Inclusion' approach, with a focus on adequate income support, inclusive labour markets and access to quality services.

The Department of Employment Affairs and Social Protection published a Roadmap for Social Inclusion 2019–2025 (January, 2020). It has the ambition of reducing the national consistent poverty rate to two per cent or less of the population by 2025 and making Ireland one of the most socially inclusive states in the EU.

2.5 Conclusions

This chapter has described the evolution of the Irish welfare system and its current status. There is discussion of the elements of a developmental welfare state, as proposed by NESC in 2005, and the changes which have occurred since then, particularly the impact of the economic crash and recovery. A DWS perspective of welfare policy developments since 2008 is also provided. The next section describes the main challenges and opportunities the Irish welfare system is facing.

Chapter 3
Changes, Opportunities and Challenges for the Irish Welfare State

3.1 Introduction

The welfare state in Europe developed mainly over the course of the 20^{th} century, particularly during the thirty-year post-World War Two period, which is now considered to be the golden age of the welfare state in developed countries. As outlined in Chapter 1, during these thirty years, fertility rates were high, and care and household management was typically carried out by a full-time female carer. However, since then lower fertility has led to population ageing, while increased female employment has led to changes in the organisation of care within the family. In addition, during that thirty-year period, full-time jobs in industry were the norm for many men, unemployment was low, and economic growth was high, therefore allowing a generous welfare state to be supported. Although the situation was somewhat different in Ireland, with unemployment high and proportionally more employment in agriculture, the foundations of the modern welfare state were laid down here as well at that time, as outlined in Chapter 2. Since that time, globalisation, digitalisation and financialisation have changed the shape of employment, housing, pensions, and income and wealth distribution, in positive and negative ways, with implications for the welfare state. The capacity of nation states to control national economic and social life, including welfare, has also changed in the last forty years. In addition, the global context is changing, with climate change, a changing balance of world power, and financial crises. And there are also challenges inherent within the welfare system itself.

A summary of the changes, with their challenges and opportunities, is outlined below. These changes are divided into four sections, focusing on society, globalisation, income and wealth, and financialisation. This is followed by a discussion of the implications of these changes for Ireland. A penultimate section discusses support for the welfare state, internationally and in Ireland. Finally, a brief summary of the key issues raised in the chapter is provided.

3.2 Social Changes

Since the 1970s, there have been substantial changes in lifecycle patterns across the developed world, including Ireland. Many people spend a longer period in education, women give birth later and have fewer children—thus fertility rates are lower and families smaller—and many more women are in the labour force. There are fewer traditional families, and more lone-parent families.

3.2.1 Family structures

In Ireland, family structure has changed greatly over the last forty years. The key changes are a decline in fertility, in marriage and in children within marriages. The traditional family now co-exists with many alternative family types. Some key trends are outlined in Table 3.1..

Table 3.1: Changes in family dynamics over the last 30 years

	1986	2016
Babies born outside marriage, as a % of all born	*5%	36%
Number of children born per woman	**4.06%	***1.81%[61]
Nuclear family as a % of all private households[62]	50%	33%
Percentage of married couples with children aged under 15	61%	31%
People divorced/separated, as a % of those married	3%	11%
Couples co-habiting as a % of all married couples	****5%	15%

Note: * Figure for 1980; ** figure for 1964; *** figure for 2017; ****figure for 1996, the first year the Census collected data on cohabitation.
Source: Punch, 2007; Census 1986 and Census 2016.

3.2.2 Balance of care and employment within families

Linked to the changes in family structure, there has also been a strong increase in maternal employment. In 1966, just 6 per cent of mothers were in paid employment in Ireland (Russel, *et al.*, 2017), but by 2016 women's labour force participation had risen considerably, to 60 per cent (CSO, 2017: Table 2.1). This change has enhanced women's incomes and participation in public life. It has also altered the balance of care and employment in families. By 2016, in almost two-thirds of couples with 1-3 children under 18, both parents were in the labour force (Table 3.2).

61 https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=IE, 14/02/20.

62 In 2016 there were 568,317 married couples with children (Table E4008, Census 2016 Profile 4) and 1,702,289 private households (Table E4005, Census 2016 Profile 4). In 1986, there were 492,017 married couples with children (Table 33, Census 1986 Vol 3), and 976,304 private households (Table 2, Census 1986, Vol 3).

Table 3.2: Combination of care and employment among couples with 1-3 children aged under 18, 2016

Principal Economic Activity and Pattern of Hours Worked in Main Job	Percentage of Couples
Both adults at work full-time/unemployed	39.3
One adult works full-time, one part-time	22.1
One adult at work/unemployed, one on home duties	25.4
Other	13.1

Source: Special analysis of SILC 2016, carried out by NESC

However, there were significant class differences in this. OECD data show that, in 2014, only two per cent of Irish parents where both had high levels of education were not in work, with both parents working full-time in 44 per cent of these households. However in 40 per cent of Irish households where both parents had low education levels, neither parent was in work. In only eight per cent of these homes did both parents work full-time.[63]

In terms of preference, 2010–2012 data from the European Social Survey show that 43 per cent of parents with children under 18 in Ireland wanted to have one parent working full-time and one part-time, followed by 34 per cent whose preference was for both parents to work full-time. Only 10 per cent of the parents expressed a preference for the 'sole breadwinner' model.[64]

3.2.3 Population ageing

Another change in society in the last 50 years is greatly increased longevity, as outlined in Table 3.3, which compares life expectancy in the early 1950s with that in the early 2010s in Ireland.

63 OECD Family database, Chart LMF2.2.C. Incidence of full-time dual-earning and of joblessness in couples with children, by couple's combined level of education (2014a).

64 Special run of ESS data by Nadia Steiber of the Institute for Advanced Studies, Vienna, for NESC.

Table 3.3: Life expectancy in years at different ages, 1950-52 and 2012-12, Ireland

	1950-52	2010-12
Life expectancy at birth, male	64.5	78.4
Life expectancy at birth, female	67.1	82.8
Life expectancy at 65, male	12.1	17.2
Life expectancy at 65, female	13.3	20.6

Source: CSO, 2001, 2017b.

In the 60 years between 1950 and 2010, life expectancy increased by 14 years for new-born boys and 15 years for new-born girls, and by 5 years for 65-year-old men and 7 years for 65-year-old women.

However, while people are living longer at one end of the life cycle, as this is being met by falling fertility rates, the population is ageing and the proportion of those at work compared to older people is falling rapidly. Ireland's population is younger than that in the EU overall, but is still ageing, as outlined in Table 3.4.

Table 3.4: Population over 65 as a proportion of those aged 15–64, estimates for 2020–2055

	2020	2035	2055
Over 65s as a % of 15-64 year-olds, Ireland	22.1	31.0	45.3
Over 65s as a % of 15-64 year-olds, EU	32.7	45.5	52.9

Source: Data abstracted from https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=proj_18ndbi&lang=en

Overall, the population over state pension age in Ireland is projected to increase from 12 per cent of the total in 2015 to 17 per cent in 2035, and 23 per cent in 2055 (KPMG, 2017). Therefore, the pay-as-you-go model of social insurance, which relies on a steady stream of workers taking the place of those reaching retirement, is argued to face great difficulty in paying the costs of the current pension system (Gamble, 2016). However, there is disagreement over the extent of this future difficulty. Some argue that the population and economy assumptions used in the models are unduly pessimistic, and that the models assume no future tax rises (see, e.g., Spies-Butcher, 2014). These arguments will be explored in more detail later in this chapter.

3.3 Changes Linked to Globalisation, Digitalisation and Financialisation

3.3.1 Introduction

In terms of economic structures, some of the biggest changes over the past fifty years have been globalisation, digitalisation and financialisation.

Globalisation is commonly understood as the increasing internationalisation of markets for goods and services, means of production, financial systems, corporations, technology and industries. Innovations in transport and communication, as well as the removal of cross-border trade barriers, have facilitated this.

Digitalisation is the application of digital technologies and infrastructures to business, economy and society. Digital technologies allow enhanced and extended interactions among different groups in the economy and society (Autio & Thomas, 2016), and so support direct interactions between service providers and service users, regardless of location. Economic and societal value is created through these interactions.

Financialisation is a process whereby financial actors, markets and prices increase in influence and size in a range of sectors, resulting in a structural transformation of economies, firms, states and households.

These three processes operate independently and together, and have led to some profound changes in, for example, employment, income, wealth, housing and pension provision in the last forty years. These have a number of implications for the welfare state, which will be outlined in the sections below.

3.3.2 Changing patterns of work

The influence of globalisation is evident in employment. A number of companies in the West, seeking lower costs, have outsourced manufacturing jobs to newly industrialising countries. This has led to a decline in jobs in industry in many Western countries, while the proportion of jobs in services has grown. The services sector has many more 'atypical' jobs, which are temporary, part-time, etc, compared to manufacturing.

Digitalisation is also influencing employment in a number of ways, although there is uncertainty about the size and shape of its impacts. There are, for example, innovations that bypass middlemen (e.g. Amazon, PayPal) and replace people with machines (online banking, automated checkouts). More recently, platform work has developed, through digital networks that coordinate labour service transactions in an algorithmic way (e.g. Uber). Some IT platforms allow work to be carried out in a different country to that in which it will be used (e.g. Upwork), a process known as 'telemigration'. This allows educated people in low-income economies to compete with their peers in high-income countries.

Digitalisation also involves automation. Nedelkoska and Quintini (2018) estimate that 14 per cent of jobs are at high risk of automation across the OECD, and, in addition to these, 32 per cent of jobs are likely to change radically as individual tasks are automated. Altogether, they estimate that the digital transition will have a direct and substantial impact on approximately 46 per cent of those employed across the OECD. However, the digital revolution is also creating jobs (McKinsey Global Institute, 2017; World Economic Forum, 2018). The timing of these changes is important. Baldwin (2019) estimates that, in the long run, job creation will offset job losses, but possibly not in the short term.

Changes linked to globalisation and digitalisation have also contributed to a growth in casualised employment, sometimes in sectors which were previously characterised by more secure working conditions. The concept of a 'job for life' is increasingly rare. Platform work is demand-led, with individuals engaged to perform individual tasks or gigs and no obligation to provide further work to that individual once a task is completed. This contributes to insecurity in this type of work.

In Ireland, many of the changes in employment due to the more globalised and digitalised economy since the 1980s have been very beneficial, as Ireland is one of the countries which has benefitted from outsourcing and the movement of global financial capital. The size of the Irish workforce has almost doubled, employment in agriculture has declined considerably, and that in services has increased strongly. Self-employment is less common, in line with the decrease in family farms and small family-owned retail and hospitality businesses. The educational attainment of the labour force has strongly increased, with much higher state spending on this. Foreign direct investment (FDI) has had a strong impact, with almost a quarter of a million people employed directly in FDI companies, and many more in spin-off industry.[65] These changes have led to substantial economic growth in Ireland, allowing corresponding growth of the welfare state.

In terms of part-time employment, with many more mothers in the labour force, and a longer time spent in education, there has been a strong increase in the proportion of part-time workers, which is up from six per cent of the labour force in 1986-7 to 21 per cent in quarter two of 2019;[66] 18 per cent of this part-time employment is carried out because full-time employment is not available, suggesting that the majority of those involved find this form of employment to be positive rather than negative.

However, there have been negative influences on Irish employment due to some aspects of globalisation and financialisation, most particularly during the recession from 2008 to 2013, when unemployment increased from 5 per cent in 2007 to over 13 per cent in 2013. For those who retained their jobs, O'Connell (2020) has

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65 See https://www.idaireland.com/newsroom/ida-ireland-2018-results-highest-number-ever-emp, 24/02/20.

66 1986-7 data from NESC (1992), Women's Participation in the Irish Labour Force, p.24; 2019 data from CSO (2020); Labour Force Survey Q2 2019.

outlined how subjective views of job insecurity, as well as temporary, part-time and variable part-time employment, all increased during that time. However, by and large these have returned to pre-recession conditions, indicating no change in the long-term trend of employment security (see Table 3.5). Globalisation was important in assisting this recovery to pre-recession conditions, with Ireland's large, foreign-owned, export-oriented, multinational sector contributing to the turnaround, along with the State's early and sustained action to deal with the fiscal deficit that emerged in 2008 (see Ruane, 2016).

Table 3.5: Percentage of employees in work that may be precarious, 2007, 2012 and 2018

Year	2007	2012	2018
Part-time employment contracts	18.0	24.0	19.0
Temporary employment contracts	9.6	11.0	10.1
Part-time employees on temporary contracts	4.8	6.4	5.6
Part-time employees with variable work hours[67]	4.8	8.3	2.1
Solo self-employment as a percentage of all at work[68]	10.5	11.3	10.0
Employees fearing they will lose their job in the next 6 months[69]	5.1	17.7	6.6

Source: O'Connell, 2020.

However, O'Connell notes some changes in employment since the Great Financial Crisis (GFC) that indicate greater precarity. One indicator is the proportion of involuntary part-time employment. Although this has declined since the recession, it has not returned to pre-recession levels.[70] In 2007, 11 per cent of part-time employment was involuntary, rising to 38 per cent in 2012 and declining to 18 per cent in 2018. A second indicator is that the security of young people's employment has not returned to pre-recession levels, and in fact in many cases is similar to the conditions during the height of the recession. Table 3.6 outlines changes in the security of their employment.

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67 The figures given here do not measure those in zero-hours or 'if and when' employment, but provide some indication of the proportion who may be.

68 Data from QNHS/LFS, Q2 for each year, using ILO definition of those at work.

69 Eurofound European Quality of Life Survey data, cited in O'Connell, forthcoming. These employees were asked if they consider it 'very likely or quite likely they will lose their job within the next six months'.

70 Although the proportion of all employment which is involuntary part-time employment is nearer to pre-recession levels. In 2007, 2 per cent of all employees were in involuntary part-time work; in 2012, 9 per cent were, and by 2018, 3.5 per cent.

Table 3.6: Percentage of employees under 30 in work that may be precarious, 2007, 2012 and 2018

Year	2007	2012	2018
Part-time employment contracts	19.1	32.9	28.5
Temporary employment contracts	16.6	23.2	22.9
Part-time employees on temporary contracts	8.5	14.4	13.6

Source: O'Connell, forthcoming.

Meanwhile, the impact of greater digitalisation and automation on Irish employment is difficult to estimate. It is estimated that only two per cent of workers across the EU gain most of their income from platform work, but Irish people were among the most likely in the EU to have used a platform service in 2016 (most commonly using accommodation or food services) (Eurobarometer, 2018b). This suggests that employment in platform work may become relatively high in Ireland. However, there is little reliable data on the extent of platform work in Ireland, making it difficult to judge its impact.

3.3.3 Immigration

Globalisation has also seen increased immigration. This throws up a number of opportunities and risks. In terms of opportunity, young migrants can fill labour shortages, increase connections between countries, and help to address the challenges of an ageing population in host countries. On the other hand, they can be viewed as a drain on societal resources, taking jobs from the people already in the country, and depressing wages (Koven & Gotzke, 2010). However, data shows that immigrants are net contributors to the state (as they are typically young, healthy and already educated (Gamble, 2016), even if they are not always viewed as such (Glennerster, 2007).[71] In Ireland, immigrants are considered to have contributed to the economic boom in the Celtic Tiger era, although there has been discussion about the extent to which they depressed wages.

Immigrants to Ireland also seem to have integrated well. Irish attitudes to immigrants are among the most positive in Europe (Eurobarometer, 2018a), and anti-immigration parties consistently do poorly in elections. The cultural similarity

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71 Alesina *et al.* (2019) show that indigenous respondents are less supportive of redistribution when there is a higher share of immigrants in their region. This pattern is more common in countries with relatively large welfare states, and among respondents who are politically centre or centre-right. The effects are also stronger when immigrants originate from Middle Eastern countries, are less skilled than the indigenous population, and experience more residential segregation.

between Irish people and their mostly European immigrant neighbours, in addition to Ireland's history of emigration, and her buoyant economy, may help. However, African migrants have not been integrated as well as others,[72] and there have been objections to settlement of refugees and asylum-seekers in some areas. Continued smooth integration of migrants cannot be assumed.

3.3.4 Changes in the global balance of power

Globalisation has led to changes in the global balance of economic power. Gamble (2016) argues that, in the last 100 years, the West had a privileged structural position in the international economy, which it used to build and entrench its wealth. Now, however, Glennerster (2007) sees Asia, particularly China and India, dominating the future world economy. He argues that this will entail change for the West, and social disruption, which will affect Western welfare states. Trade wars between the US and China will also influence the balance of world power. Brexit will have an impact on trade in Ireland and Europe, and is projected to lead to job losses in some domestic Irish sectors, although there may be increases in employment in other sectors.

It is argued that international banking regulation continues to have weaknesses; in particular, it is contended that the level of capital that banks are required to have remains too low, posing risks of future crises and inefficient behaviour by banks (Admati, 2015). Meanwhile, changes in the international order may increase pressure to spend more on defence in Europe. This can be linked to the increase in terrorist attacks, the Russian annexation of Crimea, and US pressure for NATO members in Europe to augment their defence funding.

3.3.5 Less national and more international pressures on developed welfare states

Globalisation also means more international competition for jobs and investment, and many rising states have a form of capitalism which is not burdened by welfare costs, which erodes the competitiveness of developed countries with expensive welfare states, and puts pressure on them to reduce welfare coverage (Gamble, 2016). In addition, the mobility of capital facilitated by greater globalisation leads to 'tax tourism' among multinational corporations (MNCs), which can reduce the ability of states to raise money from tax to cover the costs of the welfare state.

However, contrary to the argument that the welfare state is a drag on Western economies, a number of researchers have argued that instead it provides the conditions for successful international competition. It helps create conditions under which businesses can thrive, such as education, infrastructure, housing, etc. It corrects some of the downsides of innovation and competition that come from capitalist growth. In Ireland, NESC's *Developmental Welfare State* was based on the

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72 Their unemployment rate is three times that of other nationalities. See *Census of Population 2016—Profile 11 Employment, Occupations and Industry.*

concept that social policy is not simply an exercise in redistributing a surplus left after successful economic performance, but instead that good economic performance and improved social protection can be made to support each other. It argued that significant social progress is, in fact, inherent in the successful unfolding of Ireland's economic development.

In reality, there is evidence of welfare being both a cost and a pre-condition in international competitiveness. But despite its costs, and despite economic downturns, welfare states continue to exist, and indeed expand, in Western states, and have high voter support. Politicians have come under intense pressure from voters to keep benefits (Gamble, 2016; Gough & Therborn, 2010; Van Kersbergen & Vis, 2014), particularly universal ones such as pensions, education, children's allowances, etc. Other interest groups which benefit from the welfare state, such as private companies dependent on public welfare contracts, and employers with staff on in-work benefits, have also pressured politicians not to cut these. Another reason for the persistence of welfare spending is that market solutions do not work well for many aspects of welfare (Glennerster, 2007; Van Kersbergen & Vis, 2014). For example, if workers self-select into private illness insurance schemes, those who are more likely to need them will join over those who do not, leading to an unsustainable business model. Many private pension schemes also ran into serious difficulties during the financial crash (Maher, 2016). The State has much greater power to both require people to join insurance schemes, and to bear the cost of them, than the private sector, and so can be better placed to organise social welfare coverage.

Nation states also continue to retain considerable ability to develop their welfare states as they see fit, which is evidenced by the wide variety of welfare provision in, e.g., different EU and OECD countries. Ireland, for example, has chosen to maintain income redistribution at a consistent level since the 1980s, while it has become more unequal in several EU countries. Ireland has also successfully addressed poverty among older people, while at the same time exercising its choice to lag somewhat behind other EU countries in activating the unemployed, and supporting parents to combine care and employment. Even when under pressure from the Troika during the financial bailout, Ireland maintained its insistence on not cutting headline welfare rates (Hicks, 2018). Such distinctive national characteristics in welfare co-exist, however, with similar trends in new welfare provision in a range of EU countries, such as more financialisation of housing, greater privatisation in pensions, and a general trend towards activation and social investment. However, although such trends can be found in many EU countries, they often take a particular shape in different countries, linked to pre-existing employment and welfare structures.[73]

Therefore, although it can be argued that there are more international pressures on, and less national scope to shape, welfare states, national welfare states have

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[73] For example, although activation is being introduced in a range of EU countries, the form it takes varies, from being focused on human capital development in, e.g., Denmark, to a greater focus on quick movement into employment in, e.g., the UK. This can be related to the cost of wages. Where it is higher, as in Denmark, there is a greater requirement for skilled staff, hence the focus on human capital development. See Rice (2015).

survived and grown, although their shape has changed over time. The example of Ireland's welfare provision over the last century, outlined in Chapter 2, provides an example of this.

3.4 Income and Wealth

Income in Ireland has increased considerably for all groups over the last 40 years, aided by the strong economic growth in Ireland since the early 1990s, with the exception of the 2008–13 period. The vast majority of household income in Ireland is generated from employment, with only the top decile gaining a significant proportion of income from other sources.[74] Nonetheless, globalisation, financialisation and digitalisation are leading to changes in how income is generated, with online search engines, AirBnB, etc providing new sources of income (see Mårten, 2017). The proportion of national output going to labour has also fallen, from approximately 62.5 per cent in 1986 to 48 per cent in 2014 (Sweeney, P., 2013). In line with this, capital's share of national income has risen.

Income (from both capital and labour) has also become more concentrated among the better-off.[75] Changes in education can be linked to these changes in the distribution of market income, as those with tertiary education now earn more than twice the median income in Ireland, while those with less than upper secondary education are at the bottom of the income distribution. Another point of relevance is the divide between 'work rich' and 'work poor' families, with a much higher proportion of more highly educated couples both in work, and a lower proportion of partners in low-educated couples in work, as outlined earlier. Such changes in the distribution of market income have led to greater pressure on welfare states, which have been spending more on transfers since the 1980s in order to reduce market income inequalities. Market income inequality in Ireland is particularly high, but this has been countered by successful efforts to ensure that the share of disposable household income going to different deciles has stayed stable. The Gini co-efficient measuring income inequality has changed only slightly since 1987 in Ireland. This is unusual in international comparison, as in most other EU countries disposable income inequality has increased during this period. Nonetheless, income distribution was unequal in 1987, and remains so. Then and now, only eight per cent of income goes to the bottom quintile while 39 per cent goes to the top.

The DWS was also concerned about the prevalence of tax reliefs that can support private welfare provision and benefit the better-off to a large degree, and, despite some changes to this,[76] the better-off still benefit to a much greater degree from these. Kennedy *et al.* (2016) estimated that 53 per cent of tax reliefs in Ireland

74 An exception to this is that the imputed income from owning one's home is a significant form of income for many households.

75 In Ireland the share of capital income going to the 9th decile and above increased between the late 1990s and 2012, while the opposite was the case for the 1st to 8th income deciles (Kennedy *et al.*, 2016).

76 E.g. the abolition of mortgage interest relief, the standard rating of tax relief on health insurance, etc.

accrue to the top 10 per cent of tax units. There is also a range of tax reliefs of particular benefit to business, such as those for REITs.

There is also some evidence to suggest that wealth inequalities are increasing here. Bogliacino and Maestri (2016) argue that Ireland is moving from being a country with low wealth and high income inequality, to a country with high wealth and high income inequality. Part of this is related to access to housing, both principal private residences and second properties. The 2018 *Household Finance and Consumption Survey* shows that 90 per cent of households in the top income quintile owned their own home, and 33 per cent owned another property. But only 54 per cent of those in the bottom income quintile owned their own home, and just three per cent owned another property. This is a significant change from the position in the 1980s, when a much higher proportion of lower-income groups owned their own home.

The poverty rates of older people have declined over time, thanks to concerted government effort in the mid to late 2000s to lift older people out of poverty. However, although older people tend to have lower incomes, they also tend, on average, to have most wealth because they have had a lifetime to save and to accumulate assets. In 2018, the median net wealth of two adults, where at least one was aged over 65, was €330,000. However, there is quite a lot of variation in the circumstances of older people; 21 per cent of those in two-adult elderly households, and 61 per cent of elderly people living alone, are in both the bottom wealth and bottom income quintile. But 29 per cent of households with two adults, where at least one is aged over 65 and who are in the top wealth quintile, are also in the top income quintile. A total of 18 per cent of single over-65-year-olds in the top wealth quintile are also in the top income quintile.

Meanwhile, some other groups, particularly lone parents, have hardly any wealth. In 2018, the median net wealth of lone parents with children under 18 was €6,100. One reason is their low market income, with the employment rates of lone parents particularly low in Ireland (see Table 3.7).

Other groups most likely to be in poverty, and to have low wealth, are people with disabilities, and the unemployed (see Table 3.8).

Table 3.7: Comparative figures on employment of single mothers, 2014, Ireland and EU

	Ireland	EU
Employment rates of partnered mothers, child aged under 14[77]	63.3	69.0
Employment rates of single mothers, child aged under 14	46.2	64.3
Percentage of employed single mothers usually working less than 29 hours a week[78]	52	19
Percentage of children under 14 in lone-parent households where the adult was not in employment[79]	41*	No average available, but Ireland's figure is 2nd highest in EU

* 2018 figures

Table 3.8: At risk of poverty rates, and median net wealth, by household type, Ireland 2017 and 2018

	At risk of poverty rate, %, 2018	Median net wealth, €, 2018
Average in Ireland	14.0	184,900
Unemployed	47.2	14,700
Lone parent with children under 18	33.5	6,100
Not at work due to illness/disability	47.7	n/a

Source: CSO, 2018b.

77 OECD family database, Data for Chart LMF1.2.D. Maternal employment rates by number of children, 2014 or latest available year.

78 OECD Family database, Table LMF2.3.A. Distribution of working hours for employed single parents, 2014.

79 OECD family database, Table LMF1.1.D. Children in single-parent households by household employment status, 2014.

Altogether, in 2018, just under 280,000 people in Ireland were living in consistent poverty, including 92,000 children under 18 years of age (DEASP, 2020b; CSO, 2018a). Helped by economic growth and a focus in policy on poverty alleviation, the proportion of Ireland's population living in consistent poverty has declined from 15 per cent in 1994, to a low point of four per cent in 2008, rising during the GFC as outlined earlier, before declining back to 5.6 per cent in 2018. This is a welcome decline in poverty, but leaves almost 300,000 people living on a low income and suffering deprivation in 2018.

In addition, measures of income inequality do not take into account access to quality affordable services, such as housing, health and education. Clearly, there is a difference in quality of life and outcomes for a person on a low income in a country where they can benefit from extensive housing supports, free healthcare and free education, and a person living in a country where fewer, or none, of these services are provided. Where such services must be paid for, they reduce the amount of income available to spend on food, utilities and other items, thus effectively reducing available income. As Ireland prioritises cash transfers over service provision, this means that the experience of poverty may be stronger than the figures cited above suggest.

Concerning inheritances, in Ireland in 2015, inheritance varied considerably by income and wealth quintiles, with those in the higher quintiles both much more likely to receive an inheritance, and receiving inheritances worth multiples of those received by those in the lower quintiles, as outlined in Table 3.9.

Table 3.9: Incidence and value of inheritance, by income and wealth quintile, Ireland

	% receiving an inheritance	Average value of that inheritance
Households in lowest income quintile	30	€50,000
Households in highest income quintile	40	€125,000
Households in lowest wealth quintile	10	€10,000
Households in highest wealth quintile	60	€250,000

Source: Balestra & Tonkin, 2018.

McKee (2012) has noted that, in the UK, young people whose parents have housing equity are able to access financial assistance from them and so buy a home long before those whose families cannot offer such assistance. It is likely that such a pattern is developing in Ireland also, and this reliance on 'family welfare' is likely to give rise to greater inequality in home ownership. Tax on property is also low by OECD standards.[80] And, as the main wealth of Irish households is their home (CSO, 2020a), inequality in wealth, and later in inheritances, is also likely to increase. The tax treatment of gifts and inheritances is likely to exacerbate this, as currently an individual is also able to receive gifts or inheritance worth just under a third of a million euros (€335,000) from a parent, without paying any tax on this amount, but only those in the top quintile inherit an amount similar to this.

3.5 Financialisation and Welfare

A number of authors have noted the financialisation of welfare provision (e.g. Klenk, 2015). This has had an impact on how welfare services are provided to individuals. For example, a number of services previously provided through the public sector are increasingly provided through private finance and/or the private sector. Sometimes this process occurs through households taking on debt to provide these services themselves: for example, low-income households who would previously have lived in social housing taking on private mortgage debt. This is aided by the growth in international finance, easier access to credit for households, and the interaction of these processes with a range of government policies. Other examples include the State outsourcing services previously provided by the public sector to private providers; for example, governments ceasing to build social housing and instead leasing it from private providers. Other financialisation mechanisms are more clearly related to private finance, such as the practice of raising financial capital to be invested in social investment bonds.

These processes reduce government spending and so public debt (in the short-term at least), but can mean greater debt for households (Ciarini, 2019), and less economic security. And when a recession occurs, households with higher debt and reduced income can end up more reliant on the welfare system for support.

Financialisation is evident in a range of welfare services, including education, labour-market activation, healthcare, pensions and housing. The impact of financialisation on the latter two areas will be outlined below, as these are particularly relevant to the future challenges of social welfare in Ireland.

3.5.1 Housing

Financialisation has become increasingly evident in housing, one of the pillars of the welfare state (as outlined in Chapter 1), both internationally and in Ireland. In Ireland this can be seen in, for example, the greater reliance on commercial mortgages for home ownership since the 1980s and particularly the 1990s (Norris, 2013). It is also evident in the increase in the proportion of social housing tenants housed in the private rental sector (Byrne & Norris, 2019), and a growth in international real-estate funds (REITs) (Waldron, 2018). In addition, there has been

80 It was worth 1.316% of GDP in 2018, compared to 1.9% on average in OECD countries. See https://data.oecd.org/tax/tax-on-property.htm 08/04/20.

greater volatility in housing costs over the past twenty years, as these became more tied into global financial cycles (see Aalbers, 2008). A range of factors led to greater financialisation in Irish housing. These include government debt curtailing spending on social housing and state-supported mortgages in the 1980s; deregulation of banking to meet European Monetary Union requirements and to allow greater access to capital for business, and the demonstration effect of successful liberalisation of the financial sector in other countries (Norris, 2016; Kelly, J. & Everett, 2004). More recently, the Government has been under pressure to keep spending off the balance sheet, leading to a preference for providing social housing through leasing from the private sector rather than through borrowing for direct construction. Prior to 2008, credit growth, house price increases and economic growth combined to form a 'virtuous' cycle during Ireland's Celtic Tiger period, but this was before the Great Financial Crisis (GFC) led to debt, non-performing loans and credit-tightening (Byrne, 2019). The changes have had a range of effects on housing tenure in Ireland. The effects since 2008 are outlined below, as these put particular pressure on the welfare state.

House price inflation prior to the GFC left 32 per cent of all mortgaged principal private residences in Ireland in negative equity in 2013, improving to four per cent in 2018 (CSO, 2020a). The most severely affected ended up in mortgage arrears, as outlined in Table 3.10.

Table 3.10: Mortgages in arrears[81]/restructured, Ireland, 2004–2013

	2004	2013	2019
% of principal private residence mortgages in arrears or restructured	Less than 1	13	16*
% of buy-to-let mortgages in arrears or restructured	Less than 1	30	25**

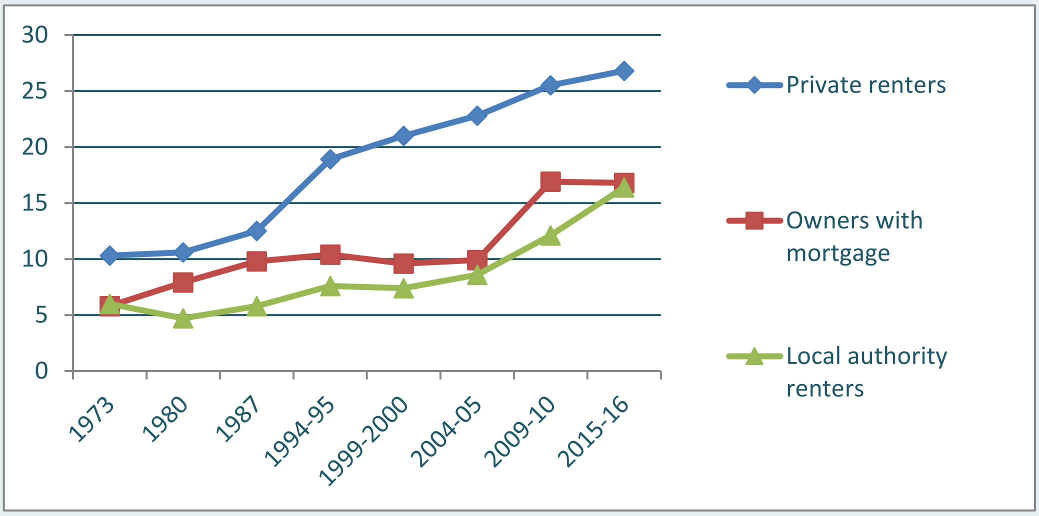
Note: * 6% in arrears, and 10% restructured due to arrears; **14% in arrears, and 11% restructured due to arrears.
Source: NESC, 2014; Central Bank, 2020.

There has also been a lot of volatility in rental prices, which have gone through peaks and troughs in the last decade, and are now up 27 per cent on average since their previous peak in 2008 (Lyons, 2020). These changes have contributed to much higher household spend on housing, particularly private rental housing costs (see Figure 3.1), and in extreme cases, to homelessness, which has increased by almost 300 per cent since 2014.[82]

81 In arrears of over 90 days, which is the amount of time considered problematic by financial institutions.

82 See https://www.focusireland.ie/resource-hub/about-homelessness/, 06/02/20.

Figure 3.1: Weekly rent or mortgage expenditure as a % of household expenditure (by household tenure), 1973–2016



Source: Fahey & Duffy, 2007; CSO, 2007, 2012, 2017a.

Since the GFC, tighter mortgage rules designed to reduce mortgage default and protect the economy from fragility in the property market have been introduced. There have also been significant increases in house prices relative to income since 2013 (Byrne, 2019). These changes have resulted in a larger group in Ireland being unable to purchase their own homes. They have become reliant on the less secure tenure available in the private rental sector, an issue linked to the financialisation of housing internationally (see, e.g., Forrest & Hirayama, 2015; Ronald, 2018; Aalbers, 2015). Home ownership has fallen to its lowest levels in four decades, from 80 per cent in 1991 to 68 per cent in 2016, and this trend continues, despite the economic recovery since the financial crash. These changes have hit some groups much more than others. Ownership rates among those in the lowest socio-economic classes have fallen the most (see NESC, 2014a; Forrest & Hirayama, 2015) for a discussion of this issue internationally), and only 30 per cent of lone-parent households own their home. Social housing has become much more residualised than it was 30 years ago, and those living in it more disadvantaged. Meanwhile, in 2016, 39 per cent of children aged under four lived in rented accommodation, up from 22 per cent in 2002.[83]

3.5.2 Pensions

Financialisation and globalisation have also influenced the structure of pension arrangements, particularly following the GFC. Many countries have introduced

[83] https://www.cso.ie/en/releasesandpublications/ep/p-cp3oy/cp3/agr/, 06/02/20.

much greater reliance on private pensions—although Ireland has not done so to date (see below). In the private sector in many countries, companies are closing defined benefit schemes in favour of defined contribution. These choices are related to a range of issues, such as demographic ageing, government debt, and falling returns in financial markets. These changes individualise investment risk, and leave future pension income dependent on the vagaries of the market (Ebbinghaus, 2015; Maher, 2016). This is exacerbated by low interest rates leading to lower pension annuities than in the past.

Ireland did not initially shift emphasis from public to private pension provision. Instead, the National Pension Reserve Fund (NPRF) was established in 2001. Its goal was to support the cost of Ireland's social welfare and public service pensions from 2025 until at least 2055. The Government made annual deposits of one per cent of GNP into it, and by 2008, there was approximately €43bn in the fund. However, €20.7bn of this was used to bail out Irish banks in 2009, and the remaining €22.1bn was used to establish the Irish Strategic Investment Fund (ISIF) in 2014. This fund supports economic activity and employment in Ireland, and dividend returns are used to pay the interest on Irish government debt (Parliamentary Budget Office, 2019). A new 'Rainy Day' Fund has been established by government since then, to help offset future shocks to the economy,[84] but not to fund state pensions. From a social welfare point of view, these changes to the NPRF mean that the savings set aside for state-funded pensions are no longer available for this purpose, and so there is more pressure on the Social Insurance Fund, and other sources of government revenue into the future, to pay for state-funded pensions. Therefore the Roadmap for Pension Reform 2018–2023 proposes a number of changes which would reduce pressure on the Irish state pension system, but change the position of pensioners in future. These proposals include increasing the retirement age, introducing a stronger link between a person's social insurance contributions and the amount of state pension, and the establishment of an auto-enrolment savings scheme which would provide a second pillar pension for many in employment. To date, however, decisions on introducing these have not yet been agreed by government.

In the private sector, there have been a number of changes in Irish pension provision which place greater risk on individuals. For the 56 per cent of workers aged 20–69 in Ireland with occupational or private pensions, these are less secure now than in the past. In 2009, approximately 52 per cent of Irish workers in an occupational pension scheme had a defined benefit (DB) pension, but by 2018 this had fallen to 43 per cent (CSO, 2020b). Many of the DB pension schemes are in arrears, with as many as 80 per cent in deficit in 2011 (Maher, 2016), although this has improved somewhat since then. Employers also typically contribute less to defined contribution (DC) than DB schemes. The average employer contribution to DC schemes in 2014 was six per cent of pensionable salaries, compared to the average employer contribution rate to DB schemes prior to the 2008 financial crisis, which was 17 per cent (see Maher, 2016: 50). This all contributes to private and occupational pensions being much less secure than in the past.

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[84] It is funded by €1.5bn from ISIF, and €500m annually from the Exchequer, starting in 2019. See Taylor (2018).

Meanwhile, 44 per cent of workers aged 20–69 in Ireland had no occupational or private pension in 2018 (*ibid.*), and so are completely reliant on a state pension. There is considerable variation by sector. Nearly all workers in the public and education sectors have one of these pensions (93 per cent and 84 per cent respectively). However, only 17 per cent of those working in food and accommodation have a private or occupational pension, and only 40 per cent in the wholesale and retail sector. These groups will be almost entirely reliant on a state pension to survive in old age.

3.6 Implications of the Changes

The range of implications arising from these changes to society and the economy, over the past 40 years in particular, are outlined below.

3.6.1 Globalisation and employment

The recent changes in Irish employment show the strong impact of global financial cycles here. The long-term trend is not for employment in Ireland to fall, and globalisation is a key factor in helping it to increase. However, the global recession and credit crunch led to high cyclical unemployment and greater precarity in employment. The impacts of this were countered by high state expenditure on unemployment benefits, which was key in ensuring that poverty rates did not rise more. This expenditure also provided some stability for those who lost their jobs.

Such downturns in global finance and trade, coupled with over-optimistic lending practices, had strong negative impacts on Irish welfare in recent years. These pressures were not foreseen. For example, the actuarial review of the social insurance fund in 2005 did not foresee the 2008–2013 recession. This suggests a stronger need to monitor international trading and political patterns, and to plan for how to deal with the impacts of such volatility on the welfare of the Irish population. Agility in responding to such short-term change is also important. The State may need to be prepared to spend more on unemployment benefits again during cycles of instability in global markets. Brexit, for example, is likely to have negative impacts on employment. And future changes in the global balance of power will also be important for Ireland, for welfare and other policies, as it has one of the most open economies in the world (see Van Kersbergen & Vis, 2014). Global financial crises usually lead to slow growth and high unemployment, which narrows the scope for expenditure on traditional social programmes (Gough & Therborn, 2010). The recently established 'Rainy Day Fund' could provide a useful financial bulwark for these negative aspects of global financial cycles.

There are also debates in several countries about how to effectively tax MNCs, which are able to easily shift profits and tax bases. The OECD has established a group to work on this.[85] This poses both opportunities and constraints for Ireland.

85 See https://www.oecd.org/g20/topics/international-taxation/ 06/02/20.

On the one hand, a higher effective tax rate may offer opportunities to collect increased tax from MNCs to fund social welfare costs, but at the same time this could make Ireland less attractive to FDI and so lead to lower overall tax receipts.

3.6.2 Population ageing

The most recent actuarial review of the social insurance fund, for 2015, projects a funding deficit of around €200m in 2020, rising to about €1bn in 2023 and continuing to increase thereafter. It places strong emphasis on the role of population ageing in creating this deficit. Given current population projections, it estimates that, by 2055, the deficit in the fund will amount to three per cent of GDP (KPMG, 2017). At that stage, pension payments will account for approximately 80 per cent of outgoings from the Social Insurance Fund.

However, it is important to note that such projections on future social insurance deficits rely on a range of assumptions that are subject to uncertainty. The key assumptions relate to population and economic projections. On population, the uncertainty surrounding forecasts means that the CSO produces a variety of population projections, based on variations in expected fertility, migration and death rates. The methodology for such projections is generally based on current trends, as those of the future are so difficult to estimate. Reviews of past Irish population projections show that fertility rates were over-estimated, but migration rates greatly underestimated (Dignan, 2009). The result has been a population much higher than predicted in earlier projections. And, while declining mortality rates have been a strong trend over past decades, in the US mortality rates are increasing, and so could lead to lower pension liabilities in future[86] (Reither *et al.*, 2011; Woolf, 2019). In relation to economic trends, most of the models assume that economic conditions and taxes will remain relatively stable, but, in practice, some countries have seen economic growth since these projections began to be carried out, which provides scope for higher rather than lower tax receipts (Spies-Butcher & Stebbing, 2019), while others have experienced recessionary conditions.[87]

The most recent actuarial review of the Social Insurance Fund (for 2015) uses a range of economic and population assumptions, noting that some are particularly sensitive, including not only population size and life expectancy, but also benefit rates, the total contributions that will be paid over a working lifetime, real earnings growth, and short-term economic shocks (KPMG, 2017). A number of the actuarial reviews carried out of the Social Insurance Fund to date have proved too pessimistic (SJI, 2018). For example, the 2010 review predicted a shortfall of €2bn in the fund by 2015, but this turned out to be €100m. However, the more benign outlook now predicted for the Irish fund can be partly attributed to the fact that changes were made to pension eligibility and payments, in order to address the earlier pessimistic projections, as well as mortality improvement assumptions being too optimistic, and employment growth being higher than forecast.

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86 Although some authors think there could also be higher healthcare demands, as obesity levels rise.

87 As an example, the 2005 actuarial review of the Irish Social Insurance Fund did not foresee the dramatic decline in growth, or in the Social Insurance Fund, which was experienced between 2008 and 2013.

However, although the precise amount of government expenditure required for older people cannot be projected, nor how it will be financed, it is clear that the underlying trend of more older people being supported by fewer younger people is a persistent pattern in all the projections, and this should be planned for.

3.6.3 Contributions to the Social Insurance Fund

Ireland has one of the lowest contribution rates to social insurance in the EU (OECD, 2019b), which means less funding is available to pay benefits, although this is countered by the lower rates of social insurance benefits paid in Ireland compared to many other EU countries.

In addition to the funding problems which will be generated by Ireland's ageing population, when an actuarial view of current contributions to the Social Insurance Fund is taken,[88] they are not high enough to cover the costs it will face. KPMG (KPMG, 2017) calculated that, to cover the cost of providing the State Contributory Pension (SPC) (a key benefit from the fund), a person on average earnings should pay a PRSI rate of 15.5 per cent. Currently, employees in Class A are effectively paying a rate of 13 per cent, while the self-employed in Class S are effectively paying a rate of 3.7 per cent. Therefore, no contributors to the Social Insurance Fund are paying the amount required to cover the pension benefits they receive (and this does not include other benefits they receive), and particularly the self-employed. The recent introduction of paid Paternity Benefit and Parental Leave has not occasioned any increase in contributions either.

Employment changes also have implications for funding and eligibility for social welfare. For example, in regions substantially affected by outsourcing, there are fewer jobs, thus reducing contributions to welfare while increasing payments out. The contributions paid to social welfare funds are also lower for those in part-time jobs. However in Ireland, the picture is different. As stated earlier, Ireland benefitted from outsourcing from wealthier and more industrialised countries, and so the numbers in employment and paying PRSI contributions increased. Most of the growth in part-time employment in the last forty years occurred at the same time as growth in full-time employment,[89] indicating that it did not replace full-time employment and so did not lead to a reduction in social insurance contributions.

However, the picture is different in relation to the self-employed, where a number of issues arise. When they first became eligible to participate in the PRSI system in 1987, the number of benefits which they could access was very small, and their contribution to the fund correspondingly small. However, their access to social insurance benefits has increased considerably. For example, between 2017 and 2019, they became eligible for Invalidity Pension and Jobseeker's Benefit. The latter is a progressive move, as the profile of the self-employed has changed over time,

88 Not all would agree that an actuarial approach should be taken to assessing the future liability of a Pay As You Go pension schemes. For some discussion, see Barr & Diamond (2009; Billig & Ménard (2013).

89 Between 1998 and the pre-recession employment peak in 2007, overall employment increased by 37.6 per cent. During this era of rapid economic expansion, part-time employment increased by 50 per cent while there was also strong growth in full-time employment, of 34.9 per cent.

with fewer farmers and shop/pub owners with assets to draw on during periods of financial hardship.[90] Many of the self-employed who could not find work during the recent recession were not in this position. Addressing this by extending their eligibility to Jobseeker's Benefit is therefore welcome, but there are issues relating to how this is financed, as the contribution made by the self-employed to the Social Insurance Fund has not been increased. Although they are now able to access 93 per cent of welfare benefits, the PRSI contribution rate paid by the self-employed remains seven percentage points behind that of employees (DSP, 2017).

The development of new forms of employment and self-employment with blurred boundaries between them, such as platform work, could also exacerbate the funding difficulties of the Social Insurance Fund, where such new forms are categorised as self-employment. This is due to the lower social insurance contributions and income tax paid by the self-employed. This situation (and the fact that a self-employed person does not have employment rights) may also be incentives for employment to be 'disguised' as self-employment. There is no systematic data to show the extent to which people designated as self-employed are actually employees, but Department of Employment Affairs and Social Protection and Revenue Commissioners inquiries suggest that in some businesses up to a quarter of those registered as self-employed are in fact employees (C&AG, 2018). Clearly, in these cases there is a loss for the Social Insurance Fund and other Exchequer funding streams, as well as less access to social insurance benefits for those affected. Telemigration also creates difficulties about where welfare contributions and taxes are, and should be, paid. This suggests there might be a need for more international co-operation on taxation of income from employment.

Although employment in Ireland is growing strongly, there may also be implications arising from the greater insecurity of young people's employment since the recession, and the rise in platform working and telemigration. First, is the current welfare system adequately set up to support those who are in temporary and part-time employment? Those in temporary employment, or in part-time employment that does not occur each week, are not as able to access social insurance benefits as those in full-time and permanent employment. Is this something that needs to be addressed? There is also the question of whether the more precarious nature of employment for young people will continue as these workers age, and so make precarity more prevalent among the workforce. Does this suggest implications for employment regulation—does it need to be stronger? Or would more employment regulation affect hiring, and hence employment, in the first place?

There are also implications for education and training policy. Ireland has a relatively high proportion of low-skilled people who are not in employment, and the transition to a lower-carbon economy along with increased digitalisation and automation will mean that people will need to change jobs and careers over their lifetime. Employment losses occurring during volatile global trading and financial

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90 When looking at the ratio of debt to assets, a special run of the 2013 Household Finance and Consumption Survey showed that all self-employed were in the best position, followed by the self-employed excluding farmers in an intermediate position, and employees in the worst position. These positions are based on averages, and so some self-employed are also in a more vulnerable position.

conditions also mean that workers will need to stay well-skilled in order to find new jobs. This suggests that a strong focus on lifelong learning, and on combatting inequality in education, will continue to be important.

Finally, Ireland has at times struggled with a relatively high jobless household rate. This lessens the pool of workers available to help fund the welfare state. Many jobless households contain adults who are involved in caring duties, e.g. lone parents, or carers for people with a disability. Others are low-skilled, while some face difficulty paying for housing, childcare and healthcare for a family when on a low wage (see NESC, 2018a). Reducing the number of jobless households therefore merits continuing policy focus.

3.6.4 Redistribution

As outlined earlier, Ireland has been very successful in ensuring that disposable income distribution has remained relatively similar over the past 30 years. However, the mechanism that measures this, the Gini co-efficient, does not include housing costs. The changes in housing affordability over the past two decades suggest that it would be useful to include housing costs in the Gini co-efficient in Ireland, to have a better understanding of the income available to different households once this essential cost is met. There are a range of different ways of doing this, some of which measure the value of imputed housing income. Calculating the Gini co-efficient both before and after housing costs might show greater variability in household income distribution after housing costs are met, and so identify the extent to which this is an issue which needs to be addressed.

The current situation in relation to poverty and wealth inequality has clear implications for future income and wealth inequality, state expenditure on income support and the funding of this. It also has implications for social stability, quality of life, and the future prospects for children in work-poor households. This leads to questions about how public spending should be targeted. There are universal (or practically universal) payments for both children and older people, but should these be targeted more at those who have most need of them? It can also be asked if the scale of tax reliefs available and Ireland's relatively low property tax are appropriate given the likely funding deficit which social welfare will face in future? They reduce the amount of funding available for welfare provision—bearing in mind that 48 per cent of the social welfare budget is paid for through general taxation. And the appropriateness of these provisions can also be questioned given the increasing inequality in wealth. Will they lead to increased inequality in future? It should be borne in mind that, already, almost 300,000 people in Ireland are living in consistent poverty.

The changes in income sources also have implications for social insurance systems founded on the basis of national contributions from employer, employee and government. Ireland has addressed this by subjecting all forms of income to tax and PRSI contributions. But there are new sources of income, such as those arising from digitalisation. How should these be taxed?

3.6.5 Impacts from the privatisation of risk

Faced with economic challenges and tighter fiscal rules, many states have increasingly encouraged individuals and families to provide their own housing, pensions, insurance and education, through, e.g., mortgages, private pensions, health insurance and student loans (Gamble, 2016; Lee & Woodward, 2012). Some argue that such privatisation is also promoted by governments in order to help build stronger domestic finance that could provide their country with greater investment capacities and help create new jobs (see Naczyk & Palier, 2014).

Housing

On housing, greater financialisation has had a number of impacts for government. First, there has been an increase in government spending on housing, e.g. through payments to the private rental sector for rent supplement, RAS and HAP housing; and through work to contain mortgage arrears. While this allows government to keep capital spending low, and to access social housing more quickly than constructing it, the State does not gain any assets through this type of spending. Secondly, paradoxically, moving the risk of housing provision more towards the private sector does not always reduce risk for governments, as the Irish government experience of bailing out banks and supporting home owners in mortgage arrears following the Irish credit crisis shows. Currently, lack of supply combined with appreciating house prices are leading to pressure on governments to address housing shortages, affordability and security.

The Irish welfare system traditionally supported secure housing provision in a number of different ways. It provided social housing for those who could not afford market rents, and supported mortgages for those who would have difficulty accessing mortgages from private lenders (Norris, 2016). It still provides social housing for those who cannot afford market rents (although it struggles to access adequate supply), but there are few supports for those who have difficulty accessing a mortgage from private lenders or who are dependent on the private rental sector.[91] *The Developmental Welfare State* pointed to social deficits in provision for people in employment without enough income to purchase the additional social supports that they need, over and above what they can get through public services. The current housing situation suggests that such social provision deficits exist in housing. And increased housing costs have an impact on poverty as well. The Joseph Rowntree Foundation recently argued that ensuring housing costs are affordable for low-income families is one of the four key ways in which poverty can be addressed.[92]

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91 It is noted that the Rebuilding Ireland Home Loan (RIHL) was introduced on 1 February 2018, with an initial €200m for mortgages available from local authorities over three years, to support borrowers who could not access private mortgages. As the RIHL proved more in demand than originally envisaged, an increase in funding was made available to the end of 2019. A further €210m was made available for 2020. At the end of 2019, over 3,000 mortgages had been approved, in principle, under the RIHL, and over 1,500 mortgages had been drawn down. This represented three per cent of all mortgages drawn down in 2019.

92 The other three are employment, adequate earnings and adequate benefits or other income (e.g. pensions). See Joseph Rowntree Foundation (2020).

Another outcome of the rising cost of housing is lower levels of homeownership among young people. This will affect their housing costs and pension needs in old age (McKee, 2012). In a number of liberal welfare states, including Ireland, high levels of home ownership among older people have meant that state pensions did not need to cover housing costs (Stebbing & Spies-Butcher, 2016). Typically, countries with high levels of home ownership have low state pensions and poorly regulated private rental sectors, with tenure in the latter seen as transitional. Countries with lower levels of home ownership tend to have higher state pensions and well-regulated private rental sectors (see Kemeny, 2001; Fahey, 2003). If pensioners need more financial support to cover housing costs, this will increase pressure on governments to raise pensions and/or to regulate private rental sectors, and/or to support home ownership at earlier stages of the lifecycle, or to provide more social housing for people of retirement age.

Such interventions might help to address another issue which may arise from the impact of housing costs on young people: the later age at which they are setting up independent households, and forming families. Although the impacts of higher education, employment and housing costs on family formation are difficult to disentangle, Mulder and Billari (2010) have found that countries in Europe with high levels of home ownership and easy access to mortgages have the highest total fertility rates, while those with high levels of home ownership and difficult access to mortgages have the lowest total fertility rates. Ireland was among the former group in the early 2000s, when the Irish birth rate was 15.5 per 1,000 population in 2003. However, now Ireland appears to have fallen into the group with high levels of home ownership, difficult access to mortgages and poor alternatives to home ownership in the private rental sector. Although Ireland's birth rate is still high in EU terms, its birth rate fell to 12.6 per 1,000 population in 2018.[93] A sustained lower birth rate would create more difficulties for the ability of the working-age population to support pensioners in future.

Kemeny (2001: 57) has argued: 'change housing in important respects and the consequences of that change are likely to reverberate through the whole welfare system'. This indicates a need to adapt the current model on housing, to reduce the costs of housing and welfare now and in the future, to reduce the volatility of cyclical price changes, and to provide greater security.

Pensions

In relation to pensions, again, moving the risk of pension provision more towards the private sector does not always reduce risk for governments. Examples of this can be seen in the poor financial return for private pensions in south America, leading to Argentina closing its private pension scheme and merging it with the public one, while Chile has changed its pension system to be more universal and equitable (Rys, 2010; see also Ebbinghaus & Whiteside, 2012).

Although many states have (rightly) been concerned with the financial sustainability of pension promises and have made changes to address this, care needs to be taken

93 See https://statbank.cso.ie/multiquicktables/quickTables.aspx?id=vsa02_vsa09_vsa18 06/02/20.

to ensure that pensions in future are adequate (see Ebbinghaus, 2015). In Ireland, the almost half of all workers who have no private or occupational pension will be entirely reliant on the state pension. For those who do have a private or occupational pension, these pensions will be lower than for those currently receiving such a pension, due to the move to DC pensions, and low interest rates affecting annuities. If there is greater reliance on private and occupational pensions, those who have spent time caring will lose out more, as these pensions do not credit contribution years for caring, unlike public pensions. Experience in South America shows that governments are likely to be pressurised to ensure pension adequacy, even where they have tried to distance themselves from pension provision.

On the other hand, if the Irish government successfully collects funds to pay for future pensions, another challenge that will arise is how to manage and invest those funds. The experience of the National Pension Reserve Fund shows that funds holding cash reserves for future pension payments can be used instead for other pressing needs. Such a situation could arise again. This raises the question of what type of conditions should be applied to the management of these funds. This is relevant for both public and private-sector funds. In terms of investment, higher-return investments are risky, and, if they fail, can have damaging impacts on the pensions of some individuals. On the other hand, returns for low-risk investment are very low (e.g. see *ibid.*). This may raise the question of how to maintain the value of the funds.

Who is affected?

An important issue in relation to financialisation of welfare is that these changes to housing and to pension provision have had varying impacts on the economic security of different groups in society. In relation to housing, some have benefitted considerably from the greater commodification of housing, seeing the value of their homes rise, and being able to purchase second properties (some rented). Others have seen the value of their properties fall and have had to leave or sell their homes, or become 'accidental landlords'. Another group is unable to purchase a home and so is more reliant on the private rental sector, with a more precarious grip on housing security than in the golden age of the welfare state.

In relation to pensions, while all groups face challenges in future, those who are better off will have higher pensions. Those who are not able to contribute to pension provision for a time as they are not working—e.g. those who are unemployed, or providing care, etc—will have lower pensions. Meanwhile, changes in employment mean that some of those who most need protection in the labour market (precarious workers) can find it hardest to qualify for assistance in the current social protection systems, which often require contributions over a continuous period of time (Van Kersbergen & Vis, 2014). Frericks (2011) argues that the solutions adopted by governments to marketise social protection have led to a mismatch between social protection design and the situation of various groups of citizens. These mismatches are related to age, life-course trajectory and life-course timing. Arundel and Ronald (2020) have argued that a number of societies are moving to a situation where there is a 'vicious circle' of both insecure housing and insecure employment (see also Wessel, 2011).

3.6.6 Implications of change in family structures for welfare supports

Changes in family structure and the combination of care and employment raise implications for the future structure of welfare services. As outlined above, less than 10 per cent of coupled parents with children under 18 expressed a preference for the 'male breadwinner' model of employment and care. However, the welfare system still contains remnants of the sole-breadwinner model, where the main claimants of a welfare payment are able to claim for their adult dependants, and the latter do not have an independent relationship with Intreo, nor an independent welfare income, unless they claim themselves, which requires them to be available for full-time work. The data on preferences suggests that most parents would prefer both partners in employment, which would give each an independent income, while 43 per cent would like one parent to be in part-time work. The current set-up for welfare claimants does not always support these preferences.

Another implication of Ireland's smaller families, with more women at work, is that fewer people are available to provide unpaid care for older people at home.

All of these changes have led to demands for welfare to cover new social risks, including the costs of providing eldercare and childcare for families where both adults are working, and to combat poverty among lone parents and jobless households.

These changes also have implications for tax structures related to couples and those with children. Currently, tax credits and the tax-rate band can be transferred between a married couple, but not between a cohabiting couple. These tax benefits for married couples are also linked to the state of marriage only, and not to the presence of children. Forty years ago, the majority of married couples had children under 15; thus these benefits helped to support the cost of raising children. There were also very few children living with their unmarried parents. However, now most married couples do not have children under 15, and 13 per cent of couples with children under 15 are cohabiting. This raises the question of whether or not these taxation practices are still appropriate in the changed circumstances.

3.6.7 Climate change

Finally, it is important to consider the issue of climate change. It is likely to lead to calls for new welfare spending, on insurance, housing, flood protection, management of natural disasters, and climate mitigation. It may displace spending on social policy issues by capturing the political imagination and weakening the traditional concerns of social justice.

More profoundly, climate change and the environmental destruction underlying it may challenge economic growth and thus welfare states' past dependence on this. The 'golden age' of the welfare state occurred during the economic growth of the 20th century,[94] and a number of authors wonder if it depends on this growth. If so, climate change will challenge this. While many argue that it is possible to invest in

94 Although during this time many groups were not covered by social insurance, such as married women.

alternative technologies that can achieve growing production and consumption while at the same time cutting carbon emissions, others are not as optimistic, and question if it is possible for growth to be maintained in the West while moving to a sustainable low-carbon world (Wurzel, 2012). If growth in the West is curbed, richer countries would lose out, and the welfare state would have to transform (see Gough & Therborn, 2010). Climate change is also likely to contribute to an increased number of migrants from affected countries, putting more pressure on Western states to absorb them.

NESC has been working on a Just Transition project to look at how to support vulnerable workers and sectors, in cases where digitalisation, climate change and policy decisions to mitigate this could negatively affect them. This work indicates that, in the short term, job churn should help those who lose employment due to automation and climate change to move into new employment. In the longer term, however, it is difficult to foresee the exact impacts of climate change. This is an area that needs monitoring and adjustment to the issues that arise.

3.7 Support for the Welfare State

Although welfare states are popular, and most citizens of European countries strongly support them (Gelissen, 2000), the degree of support varies, both within and between countries. For example, support for welfare state provision is often higher in countries with social democratic welfare structures, and lower in countries with more liberal welfare structures, with the corporatist countries lying somewhere in between (Taylor-Gooby *et al.*, 2018). This is argued to be because social democratic states have more universal benefits, which more people benefit from, thus increasing the pool who support the welfare state (Jordan, 2013). In a range of countries, those who are most likely to be in need of welfare supports (e.g. older people, people with disabilities, women and unemployed people) tend to favour redistribution more than those who are less likely to be in need of them (e.g. those in paid employment, upper classes) (Reeskens & Van Oorschot, 2013; Gelissen, 2000). However, this is not a given; a number of high-income earners also support welfare provision. This can be related to values they hold, with some more highly educated individuals having more left-wing views and thus expressing stronger support for the welfare state (Gelissen, 2000). There are debates in all countries, however, on whether or not the welfare state structure provides ‘incentives’ for people to withdraw from the labour force, and whether welfare recipients are ‘deserving’ or ‘undeserving’ (Van Oorschot *et al*, 2017). Supports for older people tend to get a lot of buy-in in all countries, while it is common for fewer people to support welfare provision for the unemployed (Jordan, 2013).

Some argue that support for the welfare state has declined in recent years. There is now more individualism in the West. The collective organisations which underpinned the welfare state as it developed (churches, trade unions, extended families) are much weaker now. Rodger (2003) has also argued that changing economic and social conditions have led to increased social polarisation, and so there is a decline in the interactions between different groups that increase their mutual knowledge. This has led to less knowledge of the lives and needs of those at the bottom of the social hierarchy, as well as less empathy between groups. This may be a reason why governments have at times found it easier to cut benefits which go to minorities, such as those who are unemployed and low-income families, instead of cutting services which are targeted at all of the population (education, pensions, and health in some countries) (Gamble, 2014).

In addition, with increasingly privatised risk, many citizens also want to pay less on tax and instead have more opportunities (or need) to spend on personal consumption (Gamble, 2016). It is argued that they tend to focus more on supporting their families than supporting the wider community (Rodger, 2003). People may also feel that the welfare state supports others, but not them (OECD, 2019a).

The structure of the welfare system may also lead to less support for it. As welfare services were developed during the mass industrialisation era, they display several characteristics typical of that era. For example, they are typically collectivised, top-down, and with little possibility for citizen involvement, participation or choice. Power is concentrated in the hands of managers, professionals and experts, with an emphasis on hierarchy, discipline and efficiency (Gamble, 2016; Page, 2012). However, this is counter to how many other areas of economic and social life are organised now. Service users want more choice and a focus on individual needs, and tend to distrust experts.

However, it is hard to gauge if support for the welfare state has changed significantly. Kangas (1997) found that people show a strong commitment to social solidarity at a general level, but self-interest comes more to the fore as more specific issues are addressed (see Gelissen, 2000). Rodger (2003) argues that support for welfare was always based on mutual insurance rather than social altruism. This is supported by the arguments outlined above, showing that those who have more need of welfare, or are more likely to benefit from it, tend to support it more. This trend has been found in a variety of studies from the 1990s to the present day.

It is likely that this situation can change over time. For example, if more groups begin to experience a need for welfare, then support for welfare provision can increase. A recent study by Rehm *et al.* (2012) found that support for the welfare state is influenced by which groups in society are at economic risk. Both the disadvantaged and the economically insecure benefit from the welfare state. In their study, they show that, when the most disadvantaged are the most economically insecure, support for the welfare state tends to be weaker. However, when other groups in addition to the disadvantaged become economically insecure, there is more widespread support for the welfare state. This can be linked to the OECD (OECD, 2019a) finding that, in countries which spend less on social provision, there is in general more appetite for increased government support to promote welfare.

Another reason why support for the welfare state may not have changed significantly is that welfare states have different ways of providing support, and different groups may prefer different types of support. For example, Reeskens and Van Oorschot (2013) distinguish between three different principles underlying the justice of redistribution: equity, need and equality. Equity posits that those who contribute more should receive more when a social risk happens to them. In a welfare state, this is often applied through social insurance (and also, although the authors do not say so, through tax reliefs). Need states that primarily or only those in need should receive welfare, implying that the better-off can provide for themselves. This often involves means-testing, with redistribution focused on the poor only. Finally, equality posits that every citizen is entitled to the same type and degree of welfare provision, irrespective of need or contribution.

Ireland displays elements of all three principles of redistribution in its welfare state. For example, Jobseeker's Assistance and One-Parent Family Payment in Ireland are focused on need, while Child Benefit, which is paid in respect of all children, demonstrates equality. And although Ireland's social insurance benefits are flat-rate and so do not distribute more to the better-off, tax reliefs provide this type of support, as those who pay more tax are able to receive more tax relief.

Reeskens and Van Oorschot (2013), in their study of 24 European countries in 2008, show that different groups in society prefer different types of redistribution. They find that, in most countries, those with higher education and incomes are strongly in favour of equity (i.e. those that contribute more should receive more if they face an economic crisis). On the other hand, those with lower education and income and the long-term unemployed are more in favour of the equality and need principles in redistribution. These results suggest that what looks like ambivalent support for welfare state redistribution could in fact be different groups in society favouring different types of redistribution, so that different types and levels of support co-exist.

In Ireland, the welfare state combines both liberal and corporatist tendencies. Payne and McCashin (2005) have argued that Irish people display a 'split consciousness' towards welfare provision (although, as outlined above, this is quite common in many countries). For example, they note that comparative European surveys show that, while almost 70 per cent of Irish people feel that the State should take responsibility for help for older people living in the community, 55 per cent also agree that it is fair that those with private health insurance can get better health services.

OECD data for 2018 (Frey, 2019) show that 65 per cent of Irish people felt that many people receive public benefits without deserving them. Only 32 per cent of Irish people felt they could easily access public benefits if they themselves needed them (higher than the OECD average of 20 per cent), and only 25 per cent of people in Ireland agreed or strongly agreed that they feel they receive a fair share of public benefits, given the taxes and social contributions they pay. This was a much more common view among respondents from higher-income groups, of whom 57 per cent felt they were not receiving their fair share, compared to 40 per cent of low-income respondents. Meanwhile, only 20 per cent of Irish people feel that government incorporates the views of people like them when designing or reforming public benefits. In general, these views are not out of line with those of respondents in other OECD countries.

On the other hand, 70 per cent of Irish people surveyed for the OECD study wanted government to do more to ensure their economic and social security. They particularly favoured better healthcare, pension provision and affordable housing. Some also indicated willingness to pay more tax to fund this; 52 per cent said they were willing to pay more tax to make housing more affordable, and 45 per cent were willing to pay more tax to have greater funding for pensions.[95] In 2016, 88 per cent of 3,000 self-employed workers surveyed said they would be willing to pay higher PRSI rates in return for at least one extra social insurance benefit.

This data on Ireland links in with international studies showing that support for welfare can be ambivalent. As in many other countries, people in Ireland want the government to provide welfare supports, indicate willingness to pay for them, and want to be able to access them when they need them. However, they often feel that they cannot access these supports when they need them, that they are designed without taking their views into account, and that they are contributing more than they receive. These feelings may also reflect different views in society about how the welfare state should redistribute. Such feelings are common in many OECD states, and show that there is a delicate balance between providing the right welfare supports and gaining citizen satisfaction.

In the Irish case, it is possible that increasing insecurity in, e.g., housing and pensions has led to greater support for more state intervention in these areas, although, without long-term comparative data, it is difficult to tell.

3.8 Conclusions

This chapter has outlined a range of challenges and opportunities that the Irish welfare system faces in future. The exact shape which these will take is not always clear, particularly for those which are more long-term. Dealing successfully with the challenges that arise in future will require agility and responsiveness in order to balance the changing positive and negative possibilities they embody. The State also has varying abilities to shape these opportunities and challenges, with some exogenous and some more amenable to policy choice by government.

The challenges and opportunities include:

- globalisation, offering both economic growth and volatility in global financial and trade cycles;
- changing patterns of work;
- population ageing;
- funding of social welfare;
- inequality of income and wealth, and groups in consistent poverty;
- changes in housing and pension provision;

95 70 per cent of those surveyed in Ireland also felt that 'the rich' should be taxed more to support the poor (including 60 per cent of those in income deciles 8-10), but it is not clear who they believe 'the rich' are.

- change in family structures;
- changing balance of world power;
- climate change and challenges to economic growth; and
- ambivalent support for welfare provision.

Of these, the first eight are immediate opportunities and challenges, and the shape of some is clear. For example, volatility in global finance and trade cycles led to challenges for the welfare state in the 2008–13 period, and is likely to do so again. The main uncertainty is precisely when this will happen. Ireland has benefitted in many ways from globalisation and access to global finance. Being prepared to deal with some of the negative outcomes of these processes is therefore a necessary part of Ireland's engagement with global trade.

Changing patterns of work are also evident, as are changing family structures, and new ways of combining employment and care. Increased immigration, to date a benefit to Ireland, is also occurring. There are benefits to these changes, as well as some challenges. The shape of several of these challenges, such as the need for childcare and eldercare, and the risks posed by disguised self-employment, is already clear. This makes them more amenable to being addressed by current action. The impact of digitalisation on employment is less clear, and needs to be monitored closely over time.

Funding challenges are currently evident, with the contributions paid into the social insurance fund not adequate to cover the costs of future benefits. This situation will be exacerbated by population ageing and a relatively smaller workforce in future, although the exact parameters of this are unknown. The immediate aspect of this challenge can be countered by increasing contributions now, while the longer-term implications need to be constantly reassessed and planned for. Increasing participation and productivity will be important, which will involve a focus on reskilling those with low skills. Work will also be needed on the best ways to manage any funds that are built up.

Inequality of income and wealth, and groups in consistent poverty, are challenges for welfare systems. In Ireland, disposable income distribution has remained unchanged for several decades, due to a focus on this in government policy, aided by economic growth. However, it is possible that disposable income after housing costs is becoming more unequal. Data would need to be collected to assess this, and, if growing inequality is evident, it would need to be addressed. Wealth inequality also appears to be increasing, and is likely to increase further due to changes in home ownership. The shape of these challenges is relatively clear now, and thus open to being addressed through current policy interventions.

Meanwhile, privatisation and the declining security of housing and pensions is already under way. While some groups have benefitted from these changes, there are negative outcomes for some groups, particularly in relation to housing. These changes to housing and pensions affect the security of lower-income groups, and, in the longer term, wealth distribution. Changes to housing affordability and security may also depress birth rates. The future implications of declining security and increased costs for both housing and pensions for some groups in old age are also clear and need to be planned for.

Ambivalent feelings about welfare provision (which may not be new) are another challenge. A fine balance needs to be struck between the contributions which taxpayers are willing to pay, the changing social risks which need to be addressed, and how they are attended to. As risks change, it is important to ensure they are addressed. More quantitative and qualitative data and exploration of this issue could be useful to enable greater understanding of the opportunities and challenges in this area, and to deal with them in the most effective way.

Finally, climate change, the challenge it poses to current models of economic growth, and the changing balance of world power, are more long-term and nebulous changes. Their exact form is difficult to assess. As with the prospect of an ageing population, they need to be regularly reassessed over time, and planned for based on these assessments.

In Chapter 4 and Part 2 of this report, ways of addressing the challenges identified will be considered.

Chapter 4
Framework for the Future

4.1 Introduction

This chapter sets out a framework with some structural choices for the future of the Irish social welfare system, and provides a link to Part 2 of the report that sets out trajectories for the future. The last time the Government examined the social welfare system in depth was through the Commission on Social Welfare in 1986. The commission's landmark report (Department of Social Welfare, 1986) made 65 recommendations on improving the social welfare system. It focused on improving the existing system rather than taking an alternative approach. The main recommendations related to increases in benefit rates, improvements in child income support, expansion of social insurance and improved delivery of services. The commission significantly shaped thinking on the development of social welfare since 1986, and the current system reflects this.

We now need to reassess the Irish social welfare system for three reasons:

i. The Commission on Social Welfare did not place social welfare in the wider context of social protection more generally. Therefore, there is a need to consider the cash-services mix, as discussed in earlier chapters of this report and captured in the developmental welfare state, proposed by NESC.

ii. The nature of social welfare provisions was different then, with lower payment levels, less complete PRSI coverage, no formal equality between men and women, etc.

iii. Substantial changes have taken place in our broader societal context (as described in Chapter 3), such as demographic ageing, precarious labour markets, environmental concerns, and so on.

A combination of these reasons prompts the question of what type of social welfare system we need for the future. As noted in Chapter 3, Irish people show some ambiguity in their support for the welfare state. In general, people in Ireland want government to provide welfare supports, indicate a willingness to pay for them, and want to be able to access them when they need them. However, people often feel that they cannot access supports when they need them and that they are contributing more than they receive. Thus, there is a delicate balance between providing the right welfare supports and gaining citizen satisfaction.

This chapter sets out a framework to address the question of what type of social welfare system we need in future. First, the values and objectives of a welfare system are presented. The chapter then goes on to discuss the principles that underpin the Irish welfare system, as proposed by the Commission on Social

Welfare in 1986 and more recently by the Roadmap for Pensions Reform 2018–2023. Finally, the chapter proposes a framework within which to consider a social welfare system for the 21st century. The chapter provides a basis for proposing trajectories for the future.

4.2 Values and Objectives of a Welfare System

In setting out the objectives of a welfare state it is useful to rehearse earlier work by NESC, in 1981, which set out a broad framework of values as the basis for policy formulation (NESC, 1981). These values were threefold:

i. Belief in the dignity and right to personal development of the individual, and in the value of bonds of mutual obligation between all members of the community.

ii. The importance of fair shares within the community, including in particular the right of access of all people to adequate income, housing, education and health services.

iii. The securing of these rights within a democratic framework.

These objectives are very much encapsulated in the developmental welfare state (DSW) put forward by NESC in 2005, and described in Chapter 2. The DWS promotes participation of all individuals according to their ability, and supports community cohesion, especially through activist measures. The DWS sits very much within a democratic framework. One of the key features of the DWS is the provision of good-quality, accessible service provision, supported by adequate income.

The DWS builds on the 1986 Commission on Social Welfare, which focused on three financial objectives of social security:

i. The prevention of poverty.

ii. Redistribution—with the redistribution of income addressing the impact of distribution generated solely by market forces. This redistribution by the social security system takes places in tandem with the role of taxation and the provision of public services.

iii. Income replacement—with social security to go beyond poverty relief to include replacement of income, with an earnings-related dimension.

As noted by the Commission on Social Welfare, no system of social security is explicitly or consistently based on one of these objectives. There are trade-offs between them. At the time of its report in 1986, the commission's overriding priority was improving the lowest payments to alleviate poverty, and on improving child income support. The commission also recommended expanding social insurance. Since its publication, the commission's report has influenced the direction of social welfare reform. Thus, these objectives continue to provide a useful philosophical frame for the Irish welfare state.

4.3 Principles

In discussing the Irish social welfare system, it is useful to understand the principles which underpin it. The 1986 *Report of the Commission on Social Welfare* and the 1996 review, *Social Insurance in Ireland,* identified the key principles underlying the social welfare system as adequacy, redistribution, comprehensiveness, consistency and simplicity. In considering social insurance systems, it is common to cite the solidarity and contributory principles. The more recent Pensions Roadmap states that the principles that should guide the evolution and development of the pensions system are adequacy, sustainability and equity.

The nine principles named have been described as follows:

i. Adequacy—payments should be adequate to prevent poverty, which should be judged in line with prevailing living standards.

ii. Redistribution—the attainment of a significant redistribution of resources is a widely accepted aim of social policy and social welfare payments are an important part of the redistributive process.

iii. Contributory—whereby there is a direct link between contributions paid or credited and entitlement to a varying range of benefits which are payable if, and when, particular contingencies arise.

iv. Solidarity—whereby contributions paid by insured persons are not actuarially linked to benefits at the individual level but can be distributed to support other contributors. It is therefore an expression of solidarity between different earning groups and different generations.

v. Comprehensiveness—any social welfare system must be comprehensive if it is to be effective, with a safety-net provision, without stigma, for any residual categories which may emerge.

vi. Consistency—it is essential, in the social welfare system, that identical needs and circumstances be, as far as possible, dealt with identically, and also integrated with other social policies such as labour-market policy, health, education, housing, childcare and transport.

vii. Simplicity—the social welfare system should be as simple as possible for both claimants and administrators.

viii. Equity—where there should be equitable treatment among different recipients by reference to their need and to their record of contributions, and there should be intergenerational fairness.

ix. Sustainability of funds to ensure finances are available to pay for pensions and other social welfare commitments today and in the future.

These nine principles differ somewhat from, and sometimes are in tension with, each other. More importantly, like almost all principles, none has an unambiguous meaning. Therefore, each requires further factors to be taken into account in their application in any given context.

Since the establishment of the Irish welfare state, the main concern has been with the adequacy of the welfare system in order to prevent poverty. The contributory principle has been important in relation to the social insurance system, a contribution through PRSI to cover the risk of potential contingencies such as illness or unemployment. As with any insurance policy, the contributor hopes they do not have to avail of it. The current exception here is the state pension: most PRSI contributors expect that they will avail of it.

A complementary, but also conflicting, principle is solidarity, where the insurance contribution is not necessarily for oneself but for others who may experience various contingencies. This is a collective, altruistic principle of a democratic society. This principle is somewhat muddied by the privatisation of welfare, when individuals purchase private welfare services where they see the state-provided services as inadequate, thus undermining the principle of solidarity. The *Developmental Welfare State* report argued that the State should guarantee and regulate the standards of public services by all providers (state, private, voluntary and community), and if service provision is good, accessible and affordable then private purchase by individuals should be rare and additional, to prevent the residualisation and stigmatisation of public services.

An important principle is redistribution to address inequalities, as outlined in Chapter 1, and to provide fair shares for all. The Irish social welfare and tax system does a good job of redistributing income, sometimes referred to as 'doing the heavy lifting' to redistribute high levels of market income inequalities. Over the years, the social welfare system has become more comprehensive, with social insurance covering more contingencies and more groups in the population, as discussed earlier. Comprehensiveness is associated with greater equity in the system. With greater comprehensiveness, however, questions of sustainability arise, as more demands are made of the social welfare system. This is something we will return to in Part 2 of the report.

The principles of consistency and simplicity relate to how the system is administered, in that it should be seen to be fair and easy to understand. This is an ongoing challenge, with increasing complexity as the system meets new challenges and demands, as outlined in Chapter 3.

Having outlined the values, objectives and principles which have been inherent in the development of the Irish welfare system to date, we now go on to set out a framework for an Irish welfare system of the future.

4.4 What Kind of Irish Welfare System for the Future?

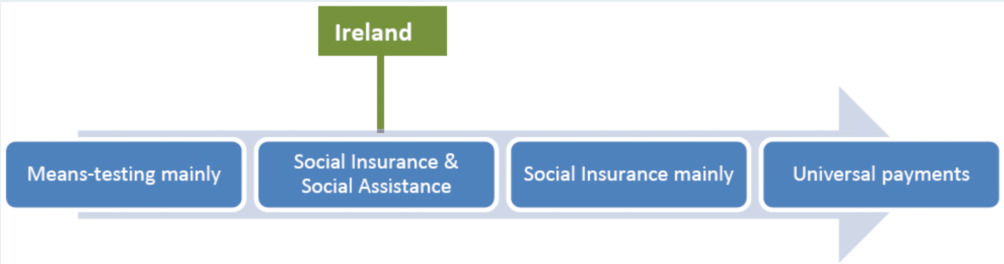
Chapter 1 discussed the relationship between income supports and public services in the Irish welfare system. In comparison with other, continental and northern European social welfare systems, in particular, Ireland is heavily reliant on cash income supports rather than service provision in meeting basic needs. The examples of payment of Disability Allowance and Housing Assistance payment, rather than supports for the employment of people with disability and provision of social and affordable housing, were given.

As argued in Chapter 1, in line with the main thrust of NESC's *Developmental Welfare State* report, there are limits to the effectiveness of cash benefits. In this context, the DWS argued for the radical development of services as the most important way to improve social protection. Good-quality, accessible service provision would be supported by adequate income supports and activist measures, such as community projects, new approaches and evaluation.

A key question to be answered in the future direction of the Irish social welfare system is whether we want to continue to move towards greater development of services and activist measures to complement income supports. To meet the challenges outlined in Chapter 3, it seems clear that Ireland should follow the direction of travel set out in the DWS, with some modifications. In particular, there may be a need for better regulation of service provision in some areas, proportionate to the importance of these services in people's lives. Ireland has developed a system of good regulation in some areas (e.g. childcare), but to date regulation has been poor in areas such as housing provision and pensions.

At the core of this report is consideration of income supports within the broader social welfare system, so that we need to consider the possibilities for the direction of income supports in future. As discussed in earlier chapters, Ireland has a mixed social welfare system, with a reliance on both social insurance and social assistance payments, along with universal child benefit. On a continuum from a reliance on means-tested social assistance payments, to a social insurance and social assistance mix, through social insurance mainly, to universal payments, Ireland is located somewhere on the social insurance/social assistance mix, as shown in Figure 4.1.

Figure 4.1: Ireland's position on a universal, social insurance, social assistance continuum



There are advantages and disadvantages to this position, as outlined earlier. A key question for the future of the Irish social welfare system is the direction of travel. This could be towards a stronger social insurance system, where social assistance plays less of a role. Or, the social welfare system could move even further towards a more universal system, for example, developing a basic income approach or a more integrated approach. Alternatively, Ireland could move in the other direction, towards means-tested social assistance payments mainly, which would be targeted at people on very low incomes. Or Ireland could stay where it is, with modifications to its existing social insurance/social assistance mix. For example, development of the current system could incorporate greater tapering in the withdrawal of means-tested payments, and greater individualisation of benefits.

What, then, should be the direction of travel, how far do we want to go and what are the implications? These questions will be addressed in Part 2 of the report, which sets out some trajectories for reform.

4.5 Conclusions

This short chapter has set out a framework for the future. The values and objectives of the social welfare system have been presented, along with its underlying principles.

There remains a case for the continued implementation of the direction set out in the Developmental Welfare State, with some modifications in terms of regulation of services. However, questions arise in relation to the direction of travel for our income support system. Taking into account the key challenges for the future, discussed in Chapter 3, these questions are addressed in Part 2 of the report.

Part 2 sets out some trajectories for the future of the social welfare system, based on issues highlighted in earlier chapters. The framework for the future set out in this chapter envisages a greater role for services akin to DWS, and sets out a number of possibilities for the future of the income support system, along with taking into account the need for sustainability.

PART 2:
Trajectories for Reform

Chapter 5
Introduction to Part 2

5.1 Introduction

Part 1 of this report set out a framework for the future, indicating a directional approach for Ireland's income support system (see Figure 4.1).

As discussed in Chapter 4, Ireland's position is currently a mixture of social insurance and social assistance payments. In meeting the challenges outlined in Chapter 3, it is argued that we should move towards more social insurance contributions but with additional tapering in the withdrawal of payments to reduce poverty and unemployment traps, and ease the transition to work. It is envisaged that there will still be a need for social assistance payments for those who do not have social insurance.

This system of income support payments will take place within the wider context of a developmental welfare state, recognising the importance of human services and activist measures, which will need to continue to be enhanced. The financing of the future income support system also needs to be developed, with implications for the tax, as well as the social welfare, system.

Chapter 3 in Part 1 outlined a number of the changes which Ireland's welfare system will need to plan for in future. It noted that the exact shape which these changes will take is not always clear, particularly for changes which are more long-term. The State also has varying abilities to shape these opportunities and challenges: some are exogenous while others are more amenable to policy choice by government.

Chapter 3 in Part 1 also outlined Ireland's economic growth in recent decades, which has allowed expansion of the welfare state. Ireland's wealth, economic growth and youthful population compared to the EU average provides the country with time and finance to plan well for the welfare implications of the changing context.

Revisiting the emphasis on the developmental welfare state approach, meeting the challenges and taking the opportunities outlined in Chapter 3, and observing the direction of travel presented in Figure 4.1, Part 2 of this report outlines a number of policy choices which could be adopted to address some of the challenges faced by the welfare system in future. Specifically, it sets out three trajectories for reform, plus two supporting actions: financial sustainability and implementation measures.

Part 2 of the report is structured as follows:

i. ensuring adequacy and alleviating poverty;

ii. modernising family supports to reflect gender and care needs;

iii. supporting high participation;

iv. enhancing financial sustainability; and

v. implementation measures.

5.2 Rationale for this Approach

As argued in Part 1 of this report, our belief is that the overarching nature of the Irish welfare state is still well characterised by the developmental welfare state approach proposed by the Council in 2005. However, Part 1 discusses the changing external—demographic, economic, social and environmental—and internal contexts, and the implications these have for the Irish welfare system.

Part 1 argues that the Irish welfare state will retain its mixed nature—in terms of reliance on social assistance and insurance—and that further integration between the benefits and tax system will be achieved by implementing the proposals presented in Part 2. It also argues that the three trajectories for reform and two supporting actions outlined above will help the Irish welfare system meet the challenges of the 21st century.

In making these reform proposals, the Council is proposing incremental change to the Irish welfare system, based on the changing context within which the welfare system operates, and based on the key issues emerging from the background papers. If these proposals are implemented, along with the suggested reforms to the tax system, and improvements in supportive services, the combination of these changes could result in substantive change to the income-support system as envisaged in *The Developmental Welfare State.* It is noted that pension reform is also an important element of the welfare state that is not considered here, as it is the focus of notable work by other groups.

The remainder of Part 2 sets out the proposals for reform, financial sustainability and implementation.

Chapter 6
Ensuring Adequacy and Alleviating Poverty

This chapter discusses reform proposals for ensuring the adequacy of social welfare payments and other reform measures to alleviate poverty. Specifically, the chapter discusses child income support and the importance of services, as well as ensuring social welfare payments are adequate to prevent poverty.

6.1 Ensuring Social Welfare Payments are Adequate to Prevent Poverty

As stated in Part 1, one of the aims of the social welfare system is to keep people out of poverty when they are old, sick, unemployed or otherwise unable to adequately support themselves. As outlined in *The Developmental Welfare State*, this can be done through adequate social welfare rates, supportive services and activist measures. Here we focus on the adequacy of social welfare payments, as one of a number of proposals to reduce poverty.

To recap from the analysis in Part 1, poverty rates increased during the economic crash of 2008 and its aftermath, falling again as the economy recovered. In 2018, 5.6 per cent of the population was in consistent poverty; that is, 280,000 people, including 92,000 children, experiencing a combination of income poverty and deprivation. As outlined in Part 1, the risk of poverty is higher for some groups than others: people who are unemployed, not at work due to illness or disability, households where no-one is working, and lone-parent households. Children also have higher poverty rates than the working-age population and older people, and women tend to have higher poverty rates than men. Other groups known to have high poverty rates are Travellers, homeless people, and some migrants, including asylum-seekers and refugees, but are numerically small groups and so are not captured in the official poverty statistics.

As stated earlier, social transfers reduce the risk of poverty. For example, in 2018 social transfers (including pensions) reduced the at-risk-of-poverty rate from 40.9 per cent to 14 per cent. As noted above, however, some groups in the population remain at risk of poverty.

The Vincentian Partnership has meticulously calculated a minimum essential standard of living (MESL) for different household types, which provides a tangible benchmark to measure the adequacy of social welfare supports. The Vincentian Partnership found that in 2018 there had been continuing progress towards income adequacy for a greater range of household types and compositions.[96] A combination

[96] See https://www.budgeting.ie 06/02/20.

of increases to social welfare rates of payment along with modest reductions in the cost of a minimum essential standard of living resulted in the adequacy gap between need and income reducing, and saw a number of household compositions move to a position of income adequacy. For example, a pensioner living alone in an urban area has €8.59 more income than expenditure per week, but a lone parent with two children (at pre-school and primary level) in an urban area spends €7.17 more than their net income, while with a child at primary and secondary level this gap increases to €80.19 per week. In 2020 (pre-Covid) the minimum essential standard of living was met in the case of six out of 14 social welfare payments.[97]

This analysis shows that, to reduce poverty, social welfare rates need to be increased for some contingencies. It is important to bear in mind that good-quality, accessible and affordable public service provision is also required to protect and support all citizens, especially those who are vulnerable (see section 6.3). In addition, the community and voluntary sector has an important role in supporting communities at a local level, through pilot projects and complementing state service provision.

In this broader context, a key question is how best to target increases in social welfare rates to have the greatest impact in lifting the most vulnerable groups out of poverty. Various approaches are available to do this: annual budget increases, increases with rate of inflation, increases in line with wages, or as a proportion of earnings. To alleviate poverty for those most at risk of poverty, NESC suggests that it would be useful to have an agreed mechanism for increasing social welfare rates, and that this mechanism should take into account the adequacy of payments for those population groups most at risk of poverty. An independent indexation group could be established to undertake this work, and to advise government on the appropriate rate of increase.

6.2 Improving Child Income Support

For children in poverty, the problem is generally less that there is a low level of child income supports, but that often their parents have a low level of market earnings, and also face high net costs for services such as childcare, healthcare and housing when they are in employment.

All parents receive Child Benefit in relation to dependent children, and if unemployed they will receive the Increase for a Qualified Child (IQC). However, if they move from welfare to employment it is likely that they will lose the IQC, although they retain Child Benefit. They may qualify for the Back to Work Family Dividend, and may also receive the Working Family Payment (WFP) if they are on a low income. However, the Back to Work Family Dividend is not income-based, and although WFP is, it requires a job to last at least three months and be of at least 38 hours per fortnight. It is also only awarded based on an application signed by a

[97] Personal communication with the Department of Employment Affairs and Social Protection.

person's employer. These factors mean that take-up rates are lower than they could be.

Therefore, NESC proposes the introduction of a two-tier child income support (rather than the current three-tier structure described above), which would comprise a universal child benefit paid in respect of all children with an automatic supplement payable in respect of children whose families are in receipt of a social welfare payment or in low-paid employment. This supplement would merge the Increases for a Qualified Child with Working Family Payment. As it would be automatic and income-related, it is likely to make it easier for people to move from welfare to work without worsening the level of support, in most cases. The focus is on smoothing the transition from welfare to work, thus encouraging people to make this transition without the uncertainty of possibly losing income support for their children. In addition, the approach could address many of the difficulties associated with the current system, such as take-up of WFP, and the exclusion from WFP of self-employed workers and those in temporary or low-hours work.

Similar proposals were made by the Advisory Group on Tax and Welfare in 2012.[98,99] The group identified a number of issues which would need to be addressed prior to implementation, including: upper age limits, payment thresholds, rate of payment, assessable income, withdrawal rate and operational issues. The overall cost of the project would also need to be considered. The rollout of the IT system for the National Childcare Scheme since then means that it is now easier to assess a family's income, and this system may provide a good administrative base for the rollout of an integrated child income support.

6.3 Supportive Services to Complement Income Supports

As stated above, good services are required in addition to income supports to prevent poverty and support participation in the labour market. Research shows that high net costs for services are a disincentive for parents in particular to move from welfare into work, and this is an issue highlighted for action in *The Developmental Welfare State*. A range of changes have been made to supportive services since 2005, such as the introduction of RAS and HAP, and the new National Childcare Scheme. However, some issues remain, and are discussed below.

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98 Building on previous work by DSCFA (1996), NESC (Sweeney, J., 2007), and the Department of Social Protection (2010).

99 The Advisory Group on Tax and Social Welfare's 2012 *Report on Child and Family Income Support* examined and analysed in detail (i) taxation of child benefit and (ii) a two-tier Child Income Support payment, including seven illustrative cases of the impact of taxing child benefit and nine illustrative cases of a two-tier child income support payment, showing gains and losses for the various cases. Certain payment parameters are specified for the illustrative cases, which could be altered.

6.3.1 Education

In relation to education, in 2018, 85 per cent of those aged 25-64 with a third-level qualification were in employment, compared to 35 per cent of those with no formal education/primary education. In addition, as outlined in Part 1, those with tertiary education earn more than twice the median income, while those with less than upper secondary education are at the bottom of the income distribution; and the employment rate of parents in Ireland where both had high levels of education was 98 per cent, compared to 60 per cent in households where both parents had low education levels.[100]

In Part 1 of this report we outlined developments in lifelong learning, noting that lifelong learning rates increase with education attainment and decline with age. We also noted that, as we move to a lower-carbon, more digital and more automated future, participation in lifelong learning and skills development will become even more important as people adjust to the changing nature of some areas of work. In this context, it will be crucial to put in place appropriate and tailored education and training initiatives to support people with little education or few skills to gain qualifications and upskill.

6.3.2 Childcare

In relation to childcare, the National Childcare Scheme (NCS) will help to reduce the costs of childcare, and will do so in relation to household income. There will be universal supports of up to €1,040 *per annum* for children under three, and targeted supports of up to €145 per week for children aged up to 15 in families that need it most. This important change in support for childcare provision in Ireland is welcome. However, the NCS cannot be claimed where a child is cared for by an unregistered childminder,[101] which is not a requirement for those minding fewer than three children. Childminders are less expensive than centre-based care (CSO, 2017), and are more able to provide care in the evenings and at weekends to cover atypical work patterns than crèches, which typically operate from 8 to 6, Monday to Friday. Therefore, low-income earners are more likely to use childminders. *First Five—the Whole of Government Strategy for Babies, Young Children and their Families 2018–2020* commits to extending regulation to all other paid, non-relative childminders on a phased basis. However, this will take time and could mean that those with low incomes benefit proportionally less from the scheme. Some concerns have also been raised about the fact that some very disadvantaged parents will gain less childcare support under the NCS than they did under earlier schemes (Wayman, 2019). Therefore, NESC proposes that the take-up of the NCS by different socio-economic groups be kept under review, to ensure that barriers in relation to taking up employment, because of the costs and/or availability of childcare, do not continue to exist, especially for low-income households.

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[100] OECD family database, Chart LMF2.2.C. Incidence of full-time dual-earning and of joblessness in couples with children, by couple's combined level of education.

[101] The objective is to protect children and provide quality assured services.

6.3.3 Healthcare

In relation to healthcare, the costs of this are a barrier to leaving welfare for work. Research evidence (see NESC, 2014b) shows that the loss of a medical card can still be a disincentive to those on welfare taking a paid job, especially if they or someone in their family has a permanent, chronic or sporadic condition, and/or the work available is low-paid or unpredictable. Although many welfare recipients can keep their medical card for up to three years when moving into employment, the fear of losing it remains, particularly for those with a disability. The Council believes that people with chronic illness or long-term disabilities should be able to retain the medical card on taking up paid employment, but that this should be reviewed over time.

6.3.4 Housing

In relation to housing, while RAS and HAP have addressed the disincentives associated with Rent Supplement, the escalating cost of privately rented accommodation, its insecurity, and its limited availability have meant that housing remains a barrier for many people on welfare wishing to transition to employment. As outlined in Chapter 3, the escalating cost of housing has also put financial pressure on the State through high current spending on housing, and has led to lower home ownership rates. This could lead to pensioners requiring higher pensions to cover rental housing costs, and/or pressure on governments to support home ownership at earlier stages of the lifecycle, or to provide more social housing for people of retirement age. NESC has published a number of reports outlining ways to support a higher supply of affordable housing. These reports cover social housing, the private rental sector, housing supply and land, and urban land, housing and infrastructure (NESC, 2014a, 2014c, 2015a, 2015b, 2018b). They include recommendations on provision of cost rental housing and increased social housing, stronger direct government intervention, rent regulation balanced with incentives for landlords to support renting, and active land management. The Council recommends that work to continue to implement these recommendations be continued.

Chapter 7
Modernising Family Supports to Reflect Gender and Care Needs

The Council believes that the social welfare system should reflect and accommodate changing patterns of household and family formation, the widespread commitment to equal gender roles and rights, and sharing of family responsibilities.

Over time, policy has moved substantially in this direction. For example, the tax system now confers standard rate bands on both taxpayers in dual-income families; all social insurance contributions from males and females of all married statuses earn identical rights to benefits, and, in conjunction with employment legislation, both men and women have some provision in relation to maternity and paternity.

However, it remains the case that the core social welfare system is predicated on the adult + 'dependent' partner and children model. An adult claimant is eligible to claim a qualified adult (QA) allowance for their partner if they have no, or limited, means. There were over 71,000 qualified adults of main claimants on working-age payments in 2019.[102] A 2011 study of couples on the Live Register showed that claimants with a QA (with or without children) had 67 per cent of the average rate of claim closures and were considerably less likely to leave the Live Register (Murphy, 2012: 35). Women with low levels of education have very low employment rates[103] and lone parents, who are overwhelmingly women, have both low employment levels and some of the highest poverty rates, as outlined in Part 1.[104]

These issues suggest that greater individualisation of the tax and benefit system should guide future policy. As well as supporting greater gender equality, this could also help to tackle child poverty, and to move Ireland further towards a high-participation economy.

7.1 Individualisation of Social Welfare

At government level, a number of recent changes to individualise aspects of social welfare have taken place. For example, the payment of a QA allowance for a person receiving a state pension is now by default paid directly to the qualified adult (although the QAs of someone on a working-age payment do not have the QA

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[102] Including disability and carer payments. Data is drawn from *Statistical Information on Social Welfare Services 2019*, Tables D2, E3 and F2

[103] OECD data for 2014 show that only 27 per cent of mothers with less than secondary education were in employment in Ireland, compared to 42 per cent in the EU as a whole.

[104] The at-risk-of-poverty rate for households made up of a single person and dependent children was 66 per cent in Ireland in 2017, compared to an EU average of 47 per cent. See http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do, 25/03/19.

allowance paid directly to them). The QAs of the self-employed can now also make PRSI contributions in their own right. Activation and training supports are now available to QAs who proactively contact Intreo seeking this support, based on commitments in *Pathways to Work 2016–2020*.

There have also been proposed changes to further individualise aspects of social welfare. In 2006, the *Government Discussion Paper on Supporting Lone Parents* laid out a blueprint for the future treatment of lone parents and qualified adults in the social welfare system (DSFA, 2006). It recommended the payment of a means-tested parenting allowance, to both lone parents and qualified adults in low-income couples. The payment would be for seven years, and paid at the full adult rate of social welfare. This would remove the disincentive for lone parents to move into relationships (as the social welfare payments for a couple are lower than those for two parents living separately). It would also tackle child poverty in low-income families, and remove the concept of a qualified adult in such families. The Government Discussion Paper also recommended that the rule on genuinely seeking full-time work be amended to reflect more accurately the work sought by women and many in atypical employment. Instead, seeking work of 19 hours per week would be sufficient. And it also stated that comprehensive childcare provision, some targeted at lone parents, would be required in advance of any activation measures.

Since 2013, many of these recommendations have been implemented for lone parents[105]—but not for QAs. This has resulted in inconsistencies between the treatment of lone parents and some widows, and the partners of claimants of a social welfare payment. For example, lone parents or widows/widowers with young children on means-tested payments are required to meet a form of conditionality, to engage with activation and to job-seek (depending on the age of their children), but these requirements do not apply to QAs. They also do not apply to widows/widowers in receipt of a contributory widow's/widower's pension. In addition, an eligible employed mother would be entitled to 26 weeks' maternity benefit, but would then have to return to employment to gain an income. However, QAs are supported indefinitely if they choose not to be in employment, and widows in receipt of a contributory widow's/widower's pension are supported regardless of their income (so long as they do not remarry). This raises the question of how the State wishes to support adults who are not in employment, but who are living within families.

For these reasons, NESC proposes that it would be useful to apply the changes made in income supports to lone parents to QAs also, as originally planned by government. NESC also proposes that various aspects of individualisation applied internationally be applied in Ireland, phased in over time, to couples in receipt of welfare payments. These aspects of individualisation, addressed in the following

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[105] For example, OPFP became payable until the youngest child reached seven years of age, instead of 18. Jobseeker's Transition (JST) payment was introduced for lone parents with children aged 7–14. It allows the parent to claim a Jobseeker's payment without requiring them to seek full-time work, although the parent is required to meet DEASP for activation during this time, and can take up employment.

subsections, include claiming, means-testing, benefit receipt, conditionality, job-seeking and activation.

7.1.1 Claiming, means-testing and benefit receipt

In relation to claiming, means-testing and benefit receipt, in Ireland currently a main claimant makes the benefit claim for him/herself and the QA, and by default the benefit and QA allowance are paid to the main claimant. However, in Australia, from 1994, partnered women were required to claim in their own right, although previously they had been treated as dependants of their husbands or partners. The claims had to be made individually, and the means test was changed to include both individual and joint elements. The payment was then split between each individual in the couple (Ingold & Etherington, 2013; Millar, 2003).[106] These practices could provide learning for greater individualisation in the Irish context.

7.1.2 Conditionality, activation and job-seeking

In relation to conditionality, activation and job-seeking, currently in Ireland the QA allowance is paid without the QA having to satisfy any conditionality requirement; i.e. there is no specific 'state' which they must be able to prove in order to be eligible for payment, such as caring for young children, unemployed, or having a disability or illness. QAs are also not required to job-seek or engage in activation, although they can proactively access Intreo activation services. The opposite situation applies if a QA and their partner decide to each claim separately for Jobseeker's Allowance. If they do so, the QA becomes an individual claimant, and so must engage with Intreo activation services, and be available to genuinely seek full-time work.

Different practices in relation to activation and job-seeking requirements for QA have been adopted internationally. In 2003, work-related activity requirements were introduced for both partnered and lone parents in Australia. Similar changes were made in the UK, with more conditionality for partnered women, and their move into activation programmes (Ingold & Etherington, 2013; Millar, 2003). However, not all partners of welfare recipients are 'inactive', but instead can be caring, undertaking voluntary work, studying or training. The Netherlands has put in place a system of activation that takes this into account. There, the application of the 'genuinely seeking work' criterion for unemployment benefits also applies to a person seeking part-time work. An unemployed person can receive the maximum amount of unemployment benefit if they seek work for the same number of working hours as in their previous job. If they move from a full-time job to seeking a part-time job, or if they are only available for a part-time job, they will still get unemployment benefit, although it is a reduced amount (Knijn, 2003). The Dutch also recognise the provision of unpaid care to children as an activity in calculating the right to receive unemployment benefit. A person who has worked at least 52

[106] Australian policymakers and implementers stressed the importance of individual access to benefit as a foundation for activation supports, saying that 'if you want to engage with partnered women directly, they need to be recipients of income support' (Ingold & Etherington, 2013: 629).

days in each of the past four years is eligible for unemployment benefit. In this calculation, the whole period of caring for a child under six and half of the period of caring for a child under 12 is included. This is a way in which a welfare system can become more individualised while taking caring responsibilities into account. There may be learning from this approach for Ireland. It has also been proposed that the JST model be applied to QAs in Ireland (Murphy, 2018), and this is another approach which could take into account the caring role of QAs with young children, while also moving towards greater individualisation in the treatment of QAs.

7.1.3 Other issues to take into account when moving towards greater individualisation

Since very little data is currently collected on QAs in Ireland, basic information collected about their partners is not collected in relation to them, such as their work experience and education level. Nor it is known if they are caring for others or not. NESC proposes that such data on QAs be collected, collated and made publicly available, and that it feed into how individualisation is applied to couples in receipt of welfare payments. Learning from pilot projects carried out with qualified adults under the *Action Plan for Jobless Households*, and from the changes made for lone parents since 2013, should also inform this process.

It would also be important to ensure that adequate secondary benefits and income disregards are in place if QAs are encouraged to participate more in the labour force. Similarly, attention would need to be paid to the impact of any changes on eligibility for other benefits, to ensure that those affected are not worse off.

The issue of childcare is also important. Murphy (*ibid.*) shows that many QAs are in low-paid part-time employment, and thus are unlikely to be able to afford high childcare costs. Therefore, as outlined in section 6.3.2, it will be important to monitor the access of low-income parents to adequate childcare supports as the NCS is bedded down.

7.2 Balancing Work and Family Commitments

As outlined in Part 1, Chapter 3, in 2016 in most households with children under 18 in Ireland, both adults were at work; 32 per cent of these parents both worked full-time (the largest group), and 22 per cent had one parent working full-time and one part-time. In a further 22 per cent, one adult was at work and one on home duties.

In several EU countries, parents are entitled to take part-time leave when they have younger children.[107] Given that the option of one partner working full-time and one part-time is the most popular preference among Irish parents of under-18-year-

[107] For example, in Austria, Belgium, France, Germany, Iceland, Italy, the Netherlands, Poland, Slovenia and Sweden (OECD, 2016).

olds,[108] this option should be considered in Ireland. It would also be useful to have a provision for parents to be able to take paid leave from work when children are ill. For example, in Sweden employees are entitled to up to 120 days of paid leave per year to stay at home with a sick child under 12 years.[109]

As the population ages, there is also a need for flexible work patterns to support those looking after older people. Recent research shows that, in Ireland, nine per cent of women and seven per cent of men were involved in adult care on a daily basis, for on average 19 hours per week. Over 80 per cent of these carers were of working age (Russell *et al.*, 2019).

Therefore, NESC proposes that more flexible work options be developed, taking cognisance of the outcomes of the Citizens' Assembly on gender and care; *First Five—The Whole of Government Strategy for Babies, Young Children and their Families*; and the *Future Jobs Ireland* commitments on developing more flexible work options.

7.3 Taxation

There are currently a number of anomalies in the Irish taxation system for couples. While both married and cohabiting couples must be jointly assessed for social welfare, a married couple can choose to be jointly assessed for taxation purposes, but a cohabiting couple cannot. Each member of the cohabiting couple must be assessed individually for taxation, and they cannot transfer unused tax credits and the standard rate cut-off point between each other, with the result that they can lose out financially compared to a similar married couple. The transferable tax credits and standard-rate cut-off point available to married couples are also not linked to the presence of children, but to the state of marriage only. The Home Carer Tax Credit is linked to the presence of children[110]—but only in a marriage or civil partnership. As a result,

- childless dual-income earning married couples can benefit from the transferable tax credits and standard rate cut-off point;
- married couples with children can benefit from the transferable tax credits with the standard rate cut-off point or the Home Carer Tax Credit; but
- cohabiting couples with or without children cannot avail of either.

The current position is related to a Supreme Court ruling that the marital family cannot be treated less favourably than two single people, although it has since been argued that it would be possible to extend the tax treatment of married couples to

[108] This data is from the European Social Survey of 2010-2012, and was supplied to NESC by Nadia Steiber, co-author of Steiber & Haas (2015).

[109] Go to this link for further information.

[110] Or the care of a dependent person in the home.

cohabiting couples without offending the articles in the Constitution dealing with the family (Government of Ireland, 1999).

Here, the purpose of the transferability of credits and cut-off points arises. If their original purpose was to support the care of children, it could be more beneficial for them to be available to those with dependent children, rather than just two people who are married. The statistics on family structure outlined in Part 1, Chapter 3 show that the proportion of married couples with children under 15 declined from 61 per cent in 1986 to 31 per cent in 2016. The questions of a) why married couples without younger children are benefiting from this tax relief, and b) if they should benefit from this tax relief, can be raised. Due to the decreasing proportion of married couples with young children, and the growing proportion of cohabiting couples with young children (15 per cent in 2016), NESC proposes a review of the transferability of credits and cut-off points, and of the Home Carer Tax Credit, to assess if they can be refocused to be available to married and cohabiting couples with dependent children only. This would involve an assessment of the legislative, administrative, tax code and possibly constitutional changes that might be required. It would also take cognisance of the review of the Home Carer Tax Credit recently carried out for Budget 2020 (Government of Ireland, 2019a: 74), and the review of the tax treatment of cohabiting couples planned by the Department of Finance.[111] If refocusing the tax treatment of families towards those with dependent children led to savings, these could be targeted at children in low-income families.

[111] Personal communication from Department of Finance.

Chapter 8
Supporting High Participation

One of the key areas identified in *The Developmental Welfare State* is the development of a high participation economy in which worthwhile employment would be a genuine option for everyone. This means focusing on the labour-market choices of people with caring responsibilities, those with less than secondary education, people with disabilities, and older workers, and considering the importance of services and measures that help people into, and in, the labour market.

This chapter identifies a number of proposals which work towards meeting this objective. The nature of the working environment is changing, as outlined in Part 1, Chapter 3. These changes affect the social welfare system, and, in this chapter, measures are proposed to address that. The public employment service plays a crucial role in supporting people into the labour force, and proposals are made to make the service more inclusive. One approach is to pilot a 'participation income' to recognise work of societal value, and consideration is given to potential initiatives which would support low-paid workers without children.

8.1 Dealing with the Complexities of the Changing World of Work

Social insurance and assistance schemes are typically based on the model of a full-time permanent employee receiving regular wages. This means that people not in such jobs (such as the self-employed, and atypical workers) can have more difficulty accessing supports when they are unemployed, ill, have a disability or are accessing maternity leave. This can relate to difficulties verifying income, and/or qualification periods requiring continuous employment over a certain period of time. These issues can be a disincentive to participation in the labour force. On the other hand, new forms of employment can provide employers and workers with flexibility and autonomy.

A broad range of changes can be made to address these issues. For example, there is scope to develop legal solutions. Helpful reforms would aim to support employment rights and standards to both improve the security of those in flexible forms of employment, and provide flexibility so that employers can have the room for manoeuvre they require from a modern workforce (Mac Flynn & Wilson, 2018). Consideration can also be given to tailoring or adapting social protection regimes to better suit atypical work, self-employment and platform work, by linking entitlements to individuals rather than jobs. For example, in Denmark, eligibility for unemployment benefits is based on reaching a minimum taxable income threshold over a three-year period (OECD, 2018a: Box 1.2), while platform work is recognised as work for access to social benefits. This type of radical change would break the traditional link between employment and social insurance.

A variety of proposals already exist to support those in atypical work. Therefore, NESC proposes that a tripartite group (e.g. the LEEF) or similar body should assess the type of reforms which would achieve flexibility and security for the greatest number of workers, in the interests of promoting quality work which allows flexibility.

As highlighted in Chapter 3, there are also concerns that some self-employment is set up to avoid both responsibility for provision of employment rights, and the payment of higher income tax and social insurance contributions, leading to 'false' self-employment. Digital platforms which categorise those carrying out work under their aegis as independent contractors or self-employed, rather than salaried employees, can lead to similar issues. However, a benefit of platform working is that it creates new employment opportunities, because it has fewer barriers to participation for groups that have weaker links to the formal labour market.

Again, legal, regulatory and social dialogue options can tackle the downsides of platform work, and combat 'false' self-employment. For example, the Minister for Social Protection recently announced that a new guidance document on employment status is to be put on a statutory footing to provide clarity on obligations and rights with regard to employment. New legislation is also to be drafted to make it a criminal offence to wilfully misclassify a person as self-employed when he or she is an employee; this will include penalties and anti-victimisation measures.[112] It has also been suggested that a single rate of PRSI contribution should apply to both employees and the self-employed, to help reduce any incentive for would-be employers to try to avoid paying higher PRSI contributions in respect of employees. Social dialogue, sectoral employment orders and/or collective agreements focused on the dependent self-employed and/or platform workers may also help their position. The Competition (Amendment) Act 2017 has opened up the possibility of trade union representation for the false or dependent self-employed, and this may provide an avenue to develop greater protection for them. Therefore, in an effort to resolve the complexities of dealing with the changing world of work, NESC proposes that a tripartite group (e.g. the LEEF) or similar body be set up to explore and recommend further effective options to combat 'false' self-employment.

8.2 A More Inclusive Public Employment Service

The establishment of Intreo saw payment administration previously carried out by the Department of Employment Affairs and Social Protection merged with the activation services previously provided by FÁS. Prior to Intreo, FÁS's activation services could be accessed by anyone requiring job-seeking support. Intreo changed the provision of both payment and activation services, by requiring those in receipt of a Jobseeker's Payment to engage with its activation services. However, those who were not in receipt of a Jobseeker's Payment were no longer able to access the

[112] See https://www.kildarestreet.com/debates/?id=2019-12-04a.94, 19/03/20.

activation services.[113] This decision may have been made in light of the high numbers in receipt of Jobseeker's payments at the time. However, commitments in *Pathways to Work 2016–2020* have now opened Intreo's activation services to groups who are not on the Live Register. This underlines the importance of ensuring that the public employment service is tailored to the needs of the new groups now accessing this service. The needs of, for example, Qualified Adults (QAs), people with a disability, and those not in education, employment or training (NEETs), some of whom are far from the labour force, are not always the same as the needs of those on the Live Register.

Research, including that carried out for NESC's study on low work-intensity households, shows that effective public employment service engagement with groups more distant from the labour force is characterised by a number of elements (INOU, 2018; Whelan, 2018; Bonvin, 2019). These include tailored supports, greater intensity of support, a focus on the person's interests, adequate time to build trust, clear communication, and the provision of good information and career guidance. For those who are particularly vulnerable, more intensive and wrap-around supports, delivered using a multi-agency case-management approach, have been found useful internationally (Stropnik, 2015). Staff need to be trained and skilled in working with these groups, to have good skills in career guidance, to provide a consistent service, and to have adequate resources. Good inter-agency links and good relationships with employers are also necessary. Allowing those with caring responsibilities or with a disability to seek less than full-time work can also be useful.

8.3 Piloting a Participation Income

To encourage greater participation and potential progression, the *Developmental Welfare State* pointed to the merits of supplementing the current contingency-based welfare payments with a 'participation income' based on 'meaningful participation'. Such an income could take the shape of a person receiving an income for making a societal contribution, such as voluntary work, caring, or other work of societal value—contributions which are not always recognised.

While there are currently people making contributions of this nature, they may have relatively low labour-force participation rates, yet seek an opportunity to engage in the labour force to make a contribution and receive an income, thus improving their circumstances and preventing poverty. The idea behind a participation income is that work which is currently unpaid, but of societal value, can be recognised in some way. Recognition of such work would place value on the work at an individual, community and societal level. It could be argued that schemes and programmes, such as Community Employment, Tús and the Rural Social Scheme, already provide such recognition, but the eligibility rules can exclude people undertaking work of this nature.

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[113] Although the Local Employment Service and SICAP would have provided some services to those not on the Live Register.

To see how such a scheme might work, the Council suggests undertaking a pilot of participation income, very much in line with the activist measures and novel approaches suggested in *The Developmental Welfare State*. In designing the pilot, consideration could be given to pilots and schemes which have been tried, and in some case evaluated, elsewhere (see the Background Paper on 'Towards a More Integrated Income Support System', and particularly Appendix 1 within).

The pilot should be targeted at people not currently in the labour force but who could make a contribution to their local community or society. Participation in the pilots should be voluntary and not necessarily time-limited, and could offer opportunities for progression—e.g. education and training. The scheme would be targeted at groups of the population with low participation rates, such as qualified adults, people with disabilities, some ethnic minorities, and those with low educational levels. It may be that existing schemes could be adapted or indeed combined, such as Community Employment, Tús and the Rural Social Scheme, as part of the pilot. Carer's Allowance and One-Parent Family Payment could also be considered in the development of such a participation income.

It would be important to document the learning from the pilot so that 'what works' could be adopted on a wider basis. The details should be worked out by the Department of Employment Affairs and Social Protection, with the local development companies and the community and voluntary sector.

8.4 Supporting Low-paid Workers

For those in low-paid employment, and at risk of poverty, there have been concerns about the financial benefits of working compared to being in receipt of benefits (replacement rates), and in ensuring that people who are working are not at risk of poverty. The 'working poor' are a relatively small but important group of people. As noted earlier, the latest poverty figures show that in 2018 some 5.1 per cent of people who were working were in income poverty, with just 1.6 per cent in consistent poverty (also experiencing deprivation).

Currently low-paid working people with children are entitled to Working Family Payment, which is gradually withdrawn as their income increases. They may also be entitled to the Back to Work Family Dividend if they have moved from social welfare into employment. However, there is no such support payment for low-paid workers without children. To support this group, consideration could be given to amending the Working Family Payment to ensure that this group are included (e.g. people without children).

Another potential measure which would provide targeted support for low-paid workers is making personal and employee tax credits refundable. A person who is single and in employment is entitled to a personal tax credit of €1,650 and an employee tax credit of €1,650, so that when the total amount of tax owed is calculated, €3,300 is deducted. People who earn less than €16,500 per year do not pay any income tax because their tax credits of €3,300 are more than or equal to the amount of tax that they are due to pay.[114] However, they cannot benefit from tax credits. If tax credits were made refundable, the unused part of the tax credit (for people who earn less than €16,500 per year) would be refunded by the Revenue Commissioners.

Details on who exactly would be eligible for these would have to be considered carefully to ensure that the refundable tax credits would lower poverty rates. For example, eligibility criteria could be set to ensure the measure was targeted, in terms of setting a minimum age, a minimum annual income from employment, a minimum of PRSI payments, a maximum level of annual earnings, and so on. Entitlement to the refundable tax credit would be assessed and paid at the end of the tax year. Such a proposal would have to be carefully costed before its introduction.

These proposals also have to be seen in the context of the complexities of the changing world of work, discussed in section 8.1. In most cases, employers should be providing an adequate wage to prevent poverty and provide an adequate standard of living. Recourse to the income support system to support low-paid workers should be the exception rather than the rule.

[114] People may have to pay the Universal Social Charge if their income is over €13,000, and PRSI, depending on how much they earn each week.

Chapter 9
Enhance Financial Sustainability

9.1 Introduction

One of the challenges outlined in Chapter 3 of Part 1 is ensuring adequate funding to cover welfare costs in future. It is clear in all population projections that the underlying trend of more older people being supported by fewer younger people is a persistent pattern. This needs to be planned for. Currently, the Social Insurance Fund does not have adequate reserves to pay for estimated pension provision in future. In addition, even if the ratio of workers to retired people stays the same as currently, those working at present do not pay enough contributions into social insurance to pay for the benefits they are likely to receive.

Exactly how the estimated deficits in social insurance and welfare funds can be addressed is subject to debate. A range of suggestions have been put forward internationally; for example, reducing benefits, greater means-testing of benefits, increasing contributions/taxes, increasing the age at which pensions can be taken (see e.g. Kitao, 2014; Heritage Foundation, 2011), and setting up a Pensions Reserve Fund, as happened in Ireland.

Arguments are put forward for and against each option. For example, some researchers reject the conclusions in many actuarial reviews to cut expenditure on state pensions. Spies-Butcher and Stebbing (2019) note that the focus in these reviews on expenditure on state pensions has obscured the fact that governments also fund private pensions through tax reliefs. While there have been reductions in eligibility for state pensions, there has often been little or no change in the application of tax reliefs to private pensions, even though these benefit those with the highest incomes and who therefore have the least need for a state pension. Reducing tax reliefs on pensions is another way to reduce government expenditure on pensions, and would have the benefit of focusing such cuts in government spending on those with least need for them. Farnsworth and Irving (2015) have also noted that the greatest concerns about rising public debt and expenditure have been raised in liberal welfare regimes, which tend to have comparatively low tax rates, and therefore more scope to increase tax.

Other researchers reject the proposal of increasing taxes and contributions to fund future welfare costs. For example, Kitao (2014) finds that total taxes on earnings would have to rise by 9.3 per cent to cover the costs of paying out pension benefits. In her model, people work slightly more hours and years to cover these costs, partly as after-tax earnings decline. The increased taxes would lead to a decline in disposable income, and in assets (by 5.3 per cent) and consumption (by 5.5 per cent). The Heritage Foundation (2011) argues that increasing taxes to cover pensions for older people would erode competitiveness, discourage entrepreneurship and investment, and thereby slow growth and job-creation.

Others argue against increasing pension ages, noting that larger increases in the age at which pensions are paid (e.g. up to 70 years) are of greater benefit to those who are better off, as they tend to live longer, and so are more likely to benefit from these pensions than those who die younger (see Whitehouse & Zaidi, 2008).

Given that there are varying views on how the future funding of social welfare can be met, with pros and cons to the different mechanisms suggested, a range of options which can be taken to develop a more financially sustainable social welfare system are outlined in Table 9.1. These options are divided into three types: those which could increase funding for welfare, those which would manage net expenditure on benefits, and other actions which could help reduce the pressure on the welfare system but are external to the welfare system.

Table 9.1: A range of options to help develop a more financially sustainable welfare system

Options to increase funding	Options to manage expenditure	Options for other actions
• Higher taxes, e.g. through: ○ Higher PRSI contributions, e.g. from self-employed; reduction in 'bogus' self-employment ○ PRSI contributions based on all forms of income ○ More income from corporation taxes , REITs, etc ○ More capital & property taxes, less exemptions from them ○ Multiple rates of income tax ○ Increase rate and coverage of USC	• Increase pension age • Benchmark benefits, to e.g. wages, CPI • Restructure benefits, e.g. through: ○ Tapered means-tested pension (as in Australia) ○ Surtax on higher pensions (as in Canada) ○ Automatic Balancing System for social insurance pensions (as in Sweden)	• Increase participation in labour force (see section below) • Support immigration • Support higher fertility rates • Facilitate/incentivise employment of people of pension age • Change taxation of pension contributions & drawdown; change tax reliefs on pension contributions • Pension Reserve Fund/ Rainy Day Fund • Second and third pillar pensions (suitably regulated) • Affordable housing for those dependent on welfare, and those on low incomes • Regulation of international online work

9.2 Options to Increase Funding

9.2.1 Increase PRSI contribution revenue

As outlined in Part 1, the social insurance system is characterised by rates of employer and employee contributions that are low by international standards. There is a strong case to increase these rates, not only to improve the financial sustainability of the Social Insurance Fund, but also to highlight the link between contributions and benefits for citizens, contributors and taxpayers. A specific aspect of PRSI is that contributions for the self-employed are seven percentage points lower than those for employees, even though the self-employed are now able to access 93 per cent of the social insurance benefits available to employees. The self-employed have also expressed willingness to pay higher PRSI contributions (DEASP, 2019b).

Therefore, several studies and working groups looking at the Social Insurance Fund have recommended that the self-employed pay more into the PRSI system (see Background Paper on Self-employment). The suggested contribution to be paid varies in the different studies, but is at least 1.5 percentage points greater than at present. For these reasons, NESC proposes that the PRSI contribution of the self-employed be increased to reflect the benefits they are now eligible to receive.

Suggestions on tackling 'false' self-employment (outlined in Chapter 8) would also help to ensure that all relevant PRSI contributions are fully paid.

9.2.2 Assess tax on all forms of income

Chapter 3 in Part 1 outlined how new forms of work, through e.g. digitalisation and telemigration, are leading to new sources of income. It is important that these new sources of income be subject to tax in the same way as existing sources of income.

9.2.3 More capital and property taxes, and less exemption from them

As outlined in Chapter 3 in Part 1, data show that Ireland is moving from being a country with low wealth and high income inequality, to one of high wealth and high income inequality (Bogliacino & Maestri, 2016). Meanwhile, taxes on wealth—Capital Acquisitions Tax (CAT), Capital Gains Tax (CGT), Local Property Tax (LPT) and stamp duty—currently make up a very small proportion of all tax paid in Ireland—five per cent in 2018.[115] Property tax, relatively recently introduced, is set at just 0.18 per cent of the property value, per year, [116] and the values on which it is based have not been updated since 2013, despite significant property value inflation in the interim. There is no wealth tax, although CAT and CGT apply to capital gains and

[115] See Revenue (2018). The percentages are based on all taxes collected by the Revenue Commissioners, including those collected by them for other organisations, such as LPT and PRSI.

[116] For properties valued at over €1m, the standard tax rate of 0.18 per cent applies to the value up to €1m, and a higher rate of 0.25 per cent applies to the amount that exceeds €1m.

acquisitions. However, CAT is subject to large exemptions when wealth is inherited or gifted from parents and other close relatives, and only those in the top wealth quintile in Ireland inherit an amount near to the exemption threshold,[117] indicating that this element of the tax system is very regressive. Capital gains and capital acquisitions are also not taxed at the same rate as income. The rate (33 per cent) is lower than the marginal tax paid on higher incomes (40 per cent income tax, and 52 per cent when USC and PRSI are included).

Internationally, the growth in concentration of wealth, and lower taxation of it, has a number of negative consequences, including wealth inequality increasing as capital becomes more concentrated, and wealth increasingly deriving from economic rents rather than productive activity. It is also argued that growing income and wealth inequality is correlated with declining GDP growth in developed countries.[118]

Ireland is among a number of countries that have introduced wealth taxes and later withdrawn them. There are a number of reasons for this. One is that they are often unpopular with electorates. There are also fears about capital flight. Another reason is the administrative burden involved, due to the need for assets to be valued before they can be taxed. Often the yield is also relatively low (see e.g. Glennerester, 2011; OECD, 2018). In a review of the evidence, the OECD (2018) found that there are limited arguments for having a wealth tax where there are broad-based capital income taxes and well-designed gift and inheritance taxes. Other options include removing opportunities to avoid tax, and taxing property, an important form of wealth (Cingano, 2014; Roberts & Kwon, 2017; OECD, 2018b).

Therefore, to help support equitable distribution of wealth in Ireland, and the financial sustainability of the social welfare system, the Council proposes that the rates of capital taxes, and their exemptions, be reviewed. It also proposes that the recommendations of the Interdepartmental Group Review of Local Property Tax be implemented—i.e. that the base on which local property tax (LPT) is calculated be revalued, that local authorities would not be able to reduce the rate of this tax, and that several exemptions from LPT be removed (Department of Finance, 2019).[119] In the longer term, NESC (NESC, 2018b) has already pointed out the advantages of a land or site value tax.[120]

It may also be useful to review the tax treatment of REITS. REITs, or Real Estate Investment Trusts, are publicly listed companies whose main activity is the ownership and management of income-producing real estate, and which allow investors to hold property through shares rather than direct investments. They are often invested in by global hedge funds and institutional investors, and are attractive at the current time given high rental yields compared to other forms of

[117] The exemption threshold is €335,000, and the average inheritance of those in the top wealth quintile is approximately €250,000 (Balestra & Tonkin, 2018).

[118] See Brueckner & Lederman (2018); Cingano (2014).

[119] The Report recommended that the exemption for first-time buyers in 2013 be ended; that the exemptions for trading stock by builders be ended; and that all the exemptions be reviewed regularly and kept to a minimum.

[120] There are a range of views on the advantages and disadvantages of a site value tax—see, for example, Thornhill (2015), Inter-Departmental Group (2012).

investment. REITS are also attractive to governments following a market crash which has led to investors being risk-averse, as they draw new sources of capital into the property market and promote transactions. This was the case in Ireland in 2013, when a REIT framework was included in the Finance Act. Significant tax advantages were written into the REIT legislation, allowing international investors to minimise their tax exposure.[121] It is now argued that the active asset management practices of REITs and other investors have resulted in dramatically rising rents, which are feeding the crisis in affordable housing supply, as well as affecting Ireland's broader economic competitiveness (Waldron, 2018). Therefore, it would be useful to examine the impact of the tax supports available to REITS on the affordability of housing, and to determine the effectiveness of continuing the current tax supports.

9.2.4 Cap tax expenditures

It is difficult to calculate the cost of tax expenditures, which include tax reliefs, exemptions and credits, as many of the forgone expenditures have to be estimated. There are also different views as to what constitutes a tax expenditure. Therefore, there are different estimates of their value in Ireland, ranging from €32bn per year (in a comprehensive list collated by the Revenue Commissioners)[122] to €5bn per year (as estimated by Kennedy *et al.* (2016), who use a tight definition).

The Council believes, as stated in the DWS, that tax expenditures with a social purpose (such as pension and health insurance tax relief) should be capped, for a number of reasons. First, they are expensive and regressive. Data show that they benefit wealthier members of society to a greater extent, as outlined in Table 9.2. In fact, Avram *et al.* (2014) find that Ireland is one of the three countries in the EU where tax reliefs do most to increase inequality.[123]

Second, certain tax expenditures support dual provision of services, such as private pensions, and privately sourced healthcare. In turn, dual provision results in unequal access to services, thereby reinforcing the impact of inequalities based on income.

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121 'A REIT is exempt from corporate tax provided it distributes 85% of its annual earnings to shareholders, derives 75% of its profits from rental property and maintains a loan-to-value ratio below 50%. Instead, income tax is applied to domestic investors on their dividend payments and capital gains tax on the sale of their shareholdings… Foreign investors are subject to withholding tax (20%) on their dividend income, but certain investors can be exempt from this withholding tax subject to the nature of the tax treaties signed by their resident jurisdictions with Ireland' (Waldron, 2018: 211).

122 See https://www.revenue.ie/en/corporate/information-about-revenue/statistics/tax-expenditures/costs-expenditures.aspx, 30/04/19, and Dáil Éireann (2019).

123 The other two are France and Belgium.

Table 9.2: Distribution of tax allowances at each income decile

	2002	2007	2012
Decile 1	1.1	0.3	0.4
Decile 2	1.1	0.7	1.3
Decile 3	1.8	1.4	2.1
Decile 4	2.4	1.9	2.6
Decile 5	3.1	2.5	3.4
Decile 6	4.0	3.6	4.7
Decile 7	5.5	5.1	6.8
Decile 8	8.1	8.0	9.7
Decile 9	12.6	13.7	15.7
Decile 10	60.2	62.8	53.1

Source: Kennedy *et al.,* 2016: 109-53.

The Council agrees with the proposals made in the Oireachtas Committee on Budgetary Oversight Tax Expenditures report that tax expenditures be regularly reviewed, and that there be a yearly report on the expenditure and income forgone under them. It welcomes the fact that the Department of Finance publishes an annual report on tax expenditures, and reviews a number each year. However, the Council seeks to go further, proposing a yearly analysis of the impact of expenditure and income forgone through tax expenditures on the different income deciles. [124]

In line with the proposals of the 2009 Commission on Taxation (CoT), the Council agrees that, in general, direct Exchequer expenditure should be used instead of tax expenditures (section 8.3 of CoT report), that tax expenditures for individuals should be subject to a ceiling (section 8.5 of CoT report), and that tax expenditures should be time-limited, and discontinued in certain circumstances.[125]

9.2.5 Multiple rates of income tax

Taxes and contributions in Ireland are intended to have a progressive rate structure**,** but the two-rate system of income tax, with the higher rate applicable at around average earnings (for single taxpayers), does not conform to this. As the share of top incomes in the income distribution rises, the two-rate system is increasingly inappropriate. It also reduces the possibilities for targeted redistribution of state funds. Multiple rates that span the income distribution would provide a more progressive income-tax structure, and are feasible in a context where pay and tax systems are computerised. The structure of rates and bands for USC (in 2018, five

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[124] This would include all forms of income, e.g. that from employment, self-employment and capital.

[125] If the tax expenditure is not efficient, stable and simple, it should not be extended (section 8.4 of CoT report).

rates, the highest starting at €100,000) offers a benchmark for this. A recent IMF paper proposes the merging of income tax and USC, along with more rates of tax and recalibrated tax credits. This, it considers, could have a number of potential positive impacts, including maintaining the progressiveness of the tax system and tax yield, as well as reducing administration and increasing the incentive to work for low-income earners. However, it would have implications for the individualisation of tax (IMF, 2019).

In this regard, and in relation to other proposals made in this paper, the Council proposes that the possibility of multiple rates of taxes be reviewed. This could be carried out by a group set up for that purpose (e.g. a regular Commission on Taxation) or by another suitable group. This would allow the rates and coverage of USC to also be reviewed.

9.3 Options to Manage Expenditure

The Council acknowledges that a financially sustainable benefits system requires monitoring and management of total benefits expenditure. However, a number of fundamental issues should inform analysis of expenditure trends.

First, in relation to social welfare, a distinction should be made between gross and net social welfare spending, as gross expenditure is offset by contribution income. Second, some of the contingencies addressed by the social welfare system also attract tax credits/exemptions, and expenditure monitoring should therefore assess overall expenditures (cash benefits plus tax expenditures). Third, while it is clearly essential to evaluate the equity, efficiency and other impacts of specific benefit programmes, there is no agreement on appropriate levels of total expenditure or the extent to which Ireland's social welfare expenditures depart from any accepted norm. Fourth, the Council notes the sharp bursts of expansion and contraction in total and programme-specific expenditures in the past; this highlights the need to consistently manage expenditures in the light of relevant macroeconomic and other variables. Finally, in managing benefits expenditure, it is necessary to distinguish at programme level the specific factors driving changes in expenditure. For example, demographic ageing has a predictable, quantifiable impact on pensions expenditure, but expenditure on working-age payments is subject to sharp cyclical variation. These trends reflect complex social factors.

The following sub-sections discuss a number of options for managing expenditure.

9.3.1 Increase pension age

Expenditures on old-age pensions comprise the largest benefits programme, and, as widely documented, these expenditures are projected to grow. In response, Ireland increased the pension age to 66 in 2014 and plans to increase it to 67 by 2021,[126]

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[126] The current Programme for Government *Our Shared Future* (2020:75) states that the increase to 67 is deferred, pending a report from a Commission on Pensions, which is to be established to examine sustainability and

and 68 by 2028. The 'savings' gleaned in future expenditures from the increased pension age have been quantified in the most recent Actuarial Review of the Social Insurance Fund. This measure is an example of how restricting eligibility to a major programme can control future expenditures. Equally, it brings into sharp relief the social and distributional consequences of such measures, as it entails a reduction in the social protection of workers retiring at 65 and disproportionately affects workers without occupational or other supplementary pensions. Accordingly, the Council considers it important that such changes be matched by changes in legislation and practice to actively facilitate employment participation among older workers and/or ensure that retirees have an adequate income if they are not yet eligible for a state pension.

9.3.2 Benchmark benefits

Chapter 6 earlier outlined the possibility of establishing a group which could advise on payment rates for welfare benefits. This is a possibility for benchmarking welfare and/or pension payments as one element in a framework of expenditure management. There are two issues here.

First, the level and structure of the benefit system. The Council notes the observation of the Commission on Social Welfare in 1986 that the level and structure of the benefits and allowances were never constructed on an objective analytical basis. The current benefit system, therefore, reflects the accumulated, *ad hoc* increases and adjustments to the benefits and allowances over time.

Second, there is no formal, statutory system of indexation of payments, making it more difficult for policymakers to make expenditure plans and to rationalise adjustments to payment rates. The Council does not recommend any specific indexation formula here, but notes the variety of methods in use internationally. Some countries link payments to wage levels, others to the Consumer Price Index, and some use a mix of these (Alho *et al.*, 2005). It is also common for pension payments to be indexed differently to the generality of benefits. For example, the indexation formula for pensions can incorporate trends in life expectancy, a proposal outlined in Ireland's *National Pension Reform Plan*, and in use in a variety of OECD countries (Godínez-Olivares *et al.*, 2016).

The Council considers that it would be useful for Ireland to adopt an indexation system (see proposal in 6.1 of this report). Depending on the method adopted, indexation can help ensure adequacy in welfare payments, maintain a consistent relationship between these payments and other incomes and prices in the economy, and support the long-term financial sustainability of social welfare expenditure.

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eligibility issues with state pensions and the Social Insurance Fund. The Commission will outline options for Government to address issues including qualifying age, contribution rates, total contributions and eligibility rates.

9.3.3 Controlling pensions expenditure

A range of options are used in other countries to manage pension expenditure by limiting payments. These include lowering the amount of state pension paid to better-off groups, and lowering state pension payments when contributions to the Social Insurance Fund fall below a certain level.

On the first option, a variety of methods are used to lower the amount of state pension paid to better-off groups. Means-testing can be used, but instead of setting a means test which excludes those who are not destitute, means-testing can instead exclude the affluent, and thus help reduce the costs of large publicly financed welfare schemes (Chomik & Piggott, 2015). These means-tests are essentially a tax on assets or capital income. Examples of these are in place for pensioners in Denmark, Australia and Chile, with each country using different eligibility, asset and tapering systems. Such systems can be designed in a way that minimises work disincentives and administrative costs.

In Canada, there is a tax on the flat-rate state pension paid to all residents. This tax, the Old Age Security (OAS) pension recovery tax, is levied on those with higher incomes. In 2016-17, for instance, full OAS benefits were paid up to income levels (for individuals) of $72,809. The OAS benefit was completely clawed back at an income level of $118,055 (Clemens & Parvani, 2017; Schmidt-Shoukri, 2018). This system has the same impact as the means-testing of pension benefits carried out in Australia, as both reduce the state pension paid to pensioners with higher incomes.

Under the second option, Automatic Balancing Systems (ABM) are used in Sweden, and a variant of them in Japan, Canada and Germany. In Sweden, when the balance between the social insurance fund reserves and pension payments declines beyond a certain point, based on a set formula, contributory pension payments are reduced until the balance improves.[127] The change in payments is not set by government, but instead by an independent review group established to do this. During the Great Financial Crash, this led to political pressure on government, as cuts to payments increased the poverty of older people. As a response, the Swedish government reduced the tax rate for retirees, and also paid for more housing and other supports. However, there was still a saving of almost €3bn from the cuts (ISSA European Network, 2010; Jedynak, 2018).

9.4 Other Actions

Other actions can be taken that are outside the direct funding and payment mechanisms of the social insurance system. The first point to note here is the Council's strategic argument that, historically in Ireland, social welfare cash benefits—and their associated expenditures—tend to displace direct services in meeting social need. Second, the Council's strategic approach stresses the need for a high-employment economy and recommends consideration of a variety of

[127] The ABM does not apply to the means-tested pension scheme.

measures to help increase the number of people in the labour force, which in turn will increase the number of contributions to the social insurance system. Actions to increase participation among the existing labour force (see also Chapter 8) include incentives to encourage those of retirement age to continue in employment. Other actions can expand the labour force; for example, supporting immigration and an increase in fertility. The latter has been promoted in countries such as France, where the state provides a range of benefits to ease the cost of raising larger families. Although many factors affect fertility rates, France has one of the highest fertility rates in the EU, along with Sweden. Both countries provide significant state support for the costs of childcare. Ireland currently does not, but does have a high total fertility rate. Looking to the future, state supports such as childcare may help Ireland's high fertility rate to continue.

Other actions can ease the cost of pension provision: for example, reducing the tax relief available for those on higher incomes for pension contributions. As noted above, not only would this reduce government expenditure in relation to pensions, but it would also have the benefit of focusing such cuts on those with least need for them. Several countries also promote the establishment of second and third-pillar pension schemes, although (as outlined in Chapter 3) this can give rise to other issues, such as the adequacy of private pensions, and the regulation of pension funds. The existence of a Pension Reserve Fund can also help by saving funds for payment of future pensions.

Actions outside the pension system which can ease state costs in supporting older people are ensuring that adequate affordable housing exists for pensioners. This allows the payment of lower state pensions, as funding is not needed to pay rental costs (as outlined in Chapter 3). Where sufficient affordable housing is available for all groups, this may (as also outlined in Chapter 3), assist family formation and a higher fertility rate.

Chapter 10
Implementation

10.1 Introduction

This chapter first sets out some of the factors that promote good implementation, before looking at support for the welfare state in Ireland and the potential for change. The chapter then outlines some administrative changes that would potentially make it easier for staff working in social protection, and for welfare recipients making the transition from welfare to work. A final section draws conclusions from the overall report, with a focus on implementation.

It is often said that Ireland has developed great policies but has been less successful in translating these into actions. The 2003 National Partnership Agreement *Sustaining Progress* recognised this shortcoming, stating: 'the challenge now is … to ensure real and significant progress in relation to implementation. The emphasis must be on implementation and the challenges that that presents' (Government of Ireland, 2003: 56). This challenge was recognised again in *Towards 2016* which noted that 'we need to recognise that the challenge is now delivery', with a recognition of the need to 'bridge the implementation gap' (Government of Ireland, 2007b: 3).

In some areas, there are policies that have been well implemented, such as the centralisation of cancer care, implementation of the smoking ban and the road safety strategy. In other areas there have been delivery difficulties—e.g. the mental health policy *A Vision for Change* (Johnston, 2014). Lessons can be learnt from the successful, and less successful, implementation of policies to identify critical success factors. Implementation may be more straightforward at project or programme level where factors are more easily managed than at a wider policy, strategy or system level where many, sometimes conflicting elements are involved. In essence, however, implementation is about putting a plan into action, where the 'how' is as important as the 'what'.

10.2 Factors Required for Good Implementation

The literature suggests a number of factors that increase the probability of successful policy implementation (see, for example, CES, 2020). Strong, and often distributed, leadership is cited as a key element of good implementation, sometimes referred to as 'authoritative and accountable' leadership (Johnston, 2014). Good stakeholder engagement (including with the public) is required along with the resources to carry out the implementation. Other factors seen to be important are good planning, skilled staff, and the use of implementation teams. Training and capacity-building, plus coaching and mentoring, also have important roles. A key factor is a supportive organisational culture with good communication and dissemination of information. As initiatives are implemented, there is a need for ongoing monitoring, evaluation and continuous improvement cycles.

There are also barriers which can present a challenge to implementation. It is good to be aware of the barriers at an early stage so that they can be addressed. Some of the key barriers that have been identified are influences in the external environment, resistance to change and the role of vested interests. For instance, it has been said that 'the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new' (Eile, 2011).

The following section discusses support for the Irish welfare state, bearing in mind enablers and potential areas of resistance to the implementation of new approaches.

10.3 Support for the Welfare State

Public support is mentioned as important in most of the implementation literature. One of the issues highlighted in Part 1 of this report is the level of support for the welfare state, and the delicate balance between providing the right welfare supports and gaining citizen satisfaction. This is an important backdrop to the willingness of taxpayers to fund welfare supports. Citizens want to feel that the supports they are looking for are available, and that there is a balance between what they pay in and what they are able to receive if they need support. However, different groups have different views about what types of support should be provided, and for whom.

There is little research on the level and type of support for the welfare state in Ireland. It could be useful for more research to be carried out on this, using specialist analysis of the European Social Survey and International Social Survey Programme, both of which contain international and Irish longitudinal, demographic data on support for the welfare state. This could help to identify which groups are in favour of what type of welfare support in Ireland, which would help to shape the response to some of the challenges faced by the welfare state. For example, as outlined in Chapter 9, surveys indicate that the self-employed would be willing to pay higher contribution rates in return for access to a more comprehensive range of benefits. This suggests public buy-in for PRSI contribution rates for the self-employed to be increased.

10.4 Administrative Issues

This section presents three administrative issues that, if implemented, would make the welfare system easier to operate and more transparent.

10.4.1 Reducing complexity

One of the issues which makes it more difficult for people to move from welfare to work is the complexity of the supports available (see NESC, 2018a). For example, there are a number of inconsistencies between welfare payments, such as variable income disregards (ranging from €50 a week for Jobseeker's Allowance to almost €350 a week for Carer's Allowance) (Kane, 2018), and variations in the disregards for the value of capital and property not personally used. These inconsistencies increase the uncertainty and complexity which people face when moving from welfare to work, and thus can lead to them deciding to stay with the certainty of their current welfare payment.

The Council proposes that a working group be established, made up of the Department of Employment Affairs and Social Protection, the Citizen's Information Board, other relevant departmental representatives (e.g. Department of Housing, Planning and Heritage) and civil society groups. This group's role would be to carry out a regular audit of such inconsistencies between welfare supports and the reasons why they exist; and where appropriate, how they can be addressed.

10.4.2 Single-portable means test

This working group could also examine how a single-portable means test could be operationalised. Currently, when a person becomes unemployed, they might apply for Jobseeker's Benefit/Allowance and Rent Supplement, and have to provide documentation on means (i.e. incomes, savings or assets) for both applications. This duplicates work for both the applicant and the public sector. To help reduce such duplication, during the early 2000s, work was carried out on a 'central means system', under which applicants for state benefits could allow one state body to view financial data collected by another, for the purposes of applying for these benefits. Such options currently exist in the application process for Student Universal Support Ireland (SUSI) and the National Childcare Scheme, and could act as a model for further work in this area, bearing in mind GDPR requirements.

10.4.3 Interaction of taxes and contributions

The interaction of taxes and contributions for those on lower incomes should not be unduly complex or give rise to potential disincentives to employment. For all low-paid employees with earnings in the range of €15,000 to €23,000, the marginal withdrawal rate is elevated above 40 per cent, because of the structure of PRSI and USC at that point in the income range. Across that narrow band of income, taxpayers traverse three different rates of USC and three different rates of PRSI.[128] Therefore, the Council proposes a restructuring of the rates and bands of PRSI and USC for those in these income brackets. This could help to reduce some potential disincentives to take up or increase employment.

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[128] In the case of PRSI, there is an exemption below €352 per week, then a rate of four per cent offset by a tapered credit until income reaches €424 weekly, then a rate of four per cent.

10.5 Data Improvements

A key aim of *The Developmental Welfare State* was better data collection to allow providers and policymakers to know which groups policy should target, and to facilitate evaluation of services and programmes to know which interventions work best. Progress has been made on this within government departments and agencies, and with the rollout of the National Data Infrastructure (Government of Ireland, 2015). For instance, the HAP Shared Services Centre (based in Limerick City and County Council) is a good example of a centralised office which administers and reports on HAP across 31 local authorities. The data it provides on HAP recipients could be informed by developments in wider social welfare reform.

However, in some areas there is still a shortage of data. Therefore, the Council proposes that additional data be collected where it would be useful to help deliver key goals of *The Developmental Welfare State*. This would include, for example, data on qualified adults, on the outcomes for migrant children in the Leaving Certificate and in further/higher education, on the progress of children from disadvantaged socio-economic backgrounds to third level, on platform work, on false self-employment, and on atypical work such as variable-hours contracts.

10.6 Conclusion

Part 1 of this report set out the context for consideration of the future of the Irish welfare state. It documented the evolution of the welfare system and identified its key features. Changes, challenges and opportunities were identified, and Part 1 concluded with a proposed framework for the future.

Part 2 has set out trajectories for reform, based on the proposed framework. It has presented proposals on: ensuring adequacy and alleviating poverty; modernising family supports to reflect gender and care needs; supporting high participation, and enhancing financial sustainability.

This chapter has focused on the importance of implementation. It has touched on the implementation literature, including the factors that enable and hinder implementation. It has considered support for the welfare state, which is important in facilitating the implementation of measures. Three issues which would make the welfare system easier to operate and more transparent were then discussed. This chapter has concluded by emphasising the crucial role that good data collection and analysis plays in providing evidence to inform improvements to the system.

Part 3: Epilogue–Implications of Covid-19

Chapter 11
Implications of Covid-19

11.1 Introduction

Parts 1 and 2 of this report were written in advance of the arrival of the Covid-19 virus in Ireland. While the long-term challenges facing the Irish social welfare system still stand, along with the proposals made in the report, this closing chapter highlights issues which have arisen in light of the measures taken to address the fall-out of the pandemic and reflects on their implications for the future of the Irish social welfare system. This includes reflection on how to manage social welfare expenditure in future, as government spending to deal with the pandemic has altered the fiscal environment for many areas of Exchequer spending.

Section 2 of this epilogue summarises the measures of relevance to the social welfare system which were taken as a result of Covid-19. The third section discusses issues which have emerged as significant in light of the measures taken. A concluding section draws out the main lessons for the future.

11.2 Measures Taken as a Result of Covid-19

Since the arrival of Covid-19 in Ireland, the Government has introduced a series of public health measures designed to combat the spread of this virus. The pandemic and the emergency measures introduced to combat it resulted in a sharp downturn in economic activity, falling incomes and a sharp rise in unemployment.

The Government acted swiftly and purposefully in developing a range of policy measures designed to mitigate the immediate economic and social impacts of the global pandemic and at the same time provide a foundation for economic recovery. These actions included specific social welfare measures to protect employment and ensure people had adequate incomes, and also ensure that those who displayed symptoms of the virus could self-isolate and did not have to go to work. Other actions supportive of the social welfare measures were taken in relation to childcare, health and housing. These measures are summarised in Table 11.1.

More detail on these measures is included in Appendix 2.

Table 11.1: Outline of key welfare supports put in place by the Government during the Covid-19 pandemic[129]

Support	Description	Innovative elements
Pandemic Unemployment Payment (PUP)	DEASP payment of €350 for those who have lost employment due to Covid-19 Rate for lower-paid workers reduced from 29 June 598,000 recipients by end May 2020 No payment for dependants Taxable	All those who have lost employment due to Covid-19 are eligible for the PUP despite contract status Payment higher than JA/JB rates Can be claimed by a person who has had to leave work to care for a child due to Covid-19 childcare closures[130] Partly pay-related
Enhanced Illness Benefit (EIB)	DEASP payment of €350 for those in self-isolation or diagnosed with Covid-19	All employees & self-employed are eligible No waiting period (usually 6 days) Payment higher than Illness Benefit
Temporary Wage Subsidy Scheme (TWSS)	Revenue Commissioners' payment of up to 85 per cent of take-home pay for employees of companies which have lost 25 per cent of turnover 508,000 recipients in early June 2020 Taxable No payment for dependants	Benefit is pay-related Payment aims to keep business afloat and prevent job losses—preventive rather than reactive
Supports to childcare sector	Enhanced TWSS paid in respect of childcare workers Extra subsidy for overheads available to childcare providers	No other sector is eligible for enhanced TWSS, or for the overheads subsidy, indicating systemic importance of sector for parental employment
Health support	No fee for Covid-19 GP consultation	Free universal primary care in relation to an illness
Housing supports	Three-month moratorium on notices to quit rental accommodation, and on rent increases Flexibility on rent supplement eligibility Payment breaks on mortgages	These changes were rapidly agreed and the scale of them is unusual

129 Some of these measures have been revised and extended under the Government's July Jobs Stimulus Package; see https://www.gov.ie/en/publication/c48ab-july-jobs-stimulus/. In relation to the Pandemic Unemployment Payment (PUP), it will be paid until April 2021 but from 17 September 2020 a number of changes will apply: the payment will be closed to new entrants; a new rate of €250 will be introduced for people who previously earned between €200 and €300 per week; and the maximum rate of payment will be reduced from €350 to €300 for people who previously earned over €300 per week. The rate of payment will be reduced again in February 2021 to bring it gradually in line with the standard Jobseeker payment of €203 per week. The Temporary Wage Subsidy Scheme (TWSS) will be replaced by the Employment Wage Support Scheme (EWSS) from 1 September 2020 and run until April 2021. Under the EWSS, employers and new firms in sectors affected by Covid-19 whose turnover has fallen by 30 per cent will get a flat-rate subsidy of up to €203 per week per employee, including seasonal staff and new employees. Activation measures have been enhanced.

130 This applied during the first lockdown, when childcare facilities were closed and childcare workers could not care for children in another person's home

11.3 Significant Issues Emerging

As a result of the measures taken to deal with the fall-out of the coronavirus pandemic and the subsequent restrictions, a number of issues have emerged as having the potential for profound change:

- a stronger social insurance system;
- reconsideration of flexicurity;
- recognition of atypical work;
- great tapering in the withdrawal of benefits;
- stronger anti-poverty measures;
- appreciation of caring;
- piloting a participation income;
- importance of the other elements of the DWS—services and community innovation; and
- strengthening funding mechanisms.

It is acknowledged that making progress on a number of these issues will require increased government expenditure, and that in light of the impact of the pandemic there will be many demands on government resources. While these competing demands will have to be managed prudently, many economic commentators assert that, in such a health and economic emergency, the Government needs to protect society and the economy. This provides an opportunity for transformative actions.

Each of the issues identified is now briefly discussed.

11.3.1 A stronger social insurance system

The payment of the Pandemic Unemployment Payment (PUP) and Enhanced Illness Benefit (EIB) at €350 per week, to employees and the self-employed, indicates a realisation of the need for some element of a pay-related social insurance payment, above the social insurance Jobseeker's Benefit and Illness Benefit of €203 per week.[131]

This reflects the Council's previous observations that the Irish system of social welfare payments is weak in relation to its social insurance element, and that this

[131] It is noted that more than 60 per cent of welfare recipients are in receipt of means-tested payments, as they are not eligible for social insurance payments, such as Jobseeker's Benefit and Illness Benefit (DEASP, 2019a).

should be strengthened. While it is acknowledged that continuance of the PUP, EIB and TWSS would be expensive, and this has already been recognised in modifications to these schemes, it does raise pertinent questions in relation to the future of social insurance in Ireland. For example:

- Should an individual's entitlements be more explicitly related to their contributions?
- Should there be a pay-related element to social insurance payments?
- Should the level of contributions, especially those of employers and the self-employed, be increased to strengthen the finances of the Social Insurance Fund?
- Should a better balance be struck between contributory principles, on the one hand, and principles of redistribution and solidarity on the other?
- How should people with inadequate contributions be supported?

Social protection expenditures are of benefit to employers and employees, and to the economy more generally. Payments such as the TWSS and the TWSCS, though not funded through the Social Insurance Fund, benefit both employers and employees. This consideration should be factored into the debate about who should pay into the fund and how much they should pay.

11.3.2 Reconsideration of flexicurity

The TWSS demonstrates a deepening synergy between labour-market and welfare policy that could potentially lay the basis for more innovative policy approaches. For instance, it may be worth exploring the development of an income continuance plan modelled on the European concept of 'flexicurity', which combines a high level of mobility between jobs with a comprehensive income safety net for the unemployed and an active labour-market policy. The idea of flexicurity was promoted in NESC's *Developmental Welfare State* report, with the Council supporting 'the deliberate development of an Irish form of Denmark's 'flexicurity' (NESC, 2005: 220).

In the current context, IBEC has called for such a model (Sheehan, 2020). This could allow much deeper discussion about the nature of work, training, employee retention and mobility, and the relationship and role of state supports in future. Indeed, the crisis and actions taken provide an opportunity to develop an approach tailored to the specifics of the Irish labour market and economic model, led by government working closely with employers, trade unions and other stakeholders.

11.3.3 Recognition of atypical work

The eligibility conditions to receive PUP and TWSS went a long way to recognising atypical work contracts. They are both paid based on an individual being in work immediately prior to the crisis, rather than on the basis of number of PRSI contributions, or household means. They are therefore available to those on many different types of atypical contract status—part-timers, the self-employed, migrants, students. They also allocate each recipient social insurance contributions appropriate to their normal employment status, so that there is no loss of eligibility for any social insurance payments (DEASP, 2020a: 30).

The applicability of PUP and TWSS to students is interesting, as they are not available for full-time work, and so usually are not eligible for unemployment payments. This observation suggests the possibility of some flexibility for those only available for part-time work to be eligible for unemployment payments, without the requirement to seek full-time work.

11.3.4 Greater tapering in the withdrawal of benefits

Tapering the withdrawal of social welfare payments prevents a 'cliff-edge' when payments are removed, reduces poverty and unemployment traps, and eases the transition to work. The calculation of tapers is a detailed, but important, process involving cooperation between the DEASP and the Revenue Commissioners. While tapering of benefits has not been an explicit element of the payments put in place as a result of the Covid-19 pandemic, modifications have been made to payments that reflect this level of understanding and cooperation. Building on this, consideration could be given to the further tailoring and tapering of benefits as people's financial situation changes. Other examples include the Housing Assistance Payment (HAP) and the National Childcare Scheme (NCS), where the level of benefit received reduces as people's earned income increases. Principles to be borne in mind should include adequacy of the payment and making sure that work pays. The provision of good jobs is a key element in this equation (NESC, 2020).

11.3.5 Strong anti-poverty measures

The speedy introduction of the PUP, EIB and TWSS at €350 per week ensured that the payments were readily available and indicated the Government's awareness of the need to replace lost earnings. There has been no change, however, for people who were reliant on social welfare before the pandemic; for example, the unemployed and people with disabilities. These payments remain at a basic personal rate of €203 per week, and some people receive partial payments at a lower rate (e.g. the pro-rata contributory pension).

While poverty statistics are not yet available for the period of the pandemic (2020), we know that lack of employment and caring alone for children place people at a risk of poverty. People who are unemployed, not at work due to illness or disability, households where no-one is working, and lone-parent households have the highest poverty rates.[132] Recent research by the St Vincent de Paul organisation estimates the cost of poverty to the State to be €4.5bn every year.[133] This estimate relates to

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[132] See https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2018/ 20/04/20.

[133] See https://www.svp.ie/news-media/publications/social-justice-publications/the-hidden-cost-of-poverty.aspx 20/04/20.

additional spending to deal with the poor health outcomes associated with poverty, provision of housing supports, addressing educational disadvantage and contending with the consequences of social and economic disadvantage in the criminal justice system.

During the pandemic we have seen an increase in food poverty as many families have required food parcels distributed by community and voluntary organisations.[134] With the increase in unemployment and the loss of jobs, as a result of the coronavirus restrictions, Covid-19 adjusted unemployment was estimated to stand at 26.1 per cent in May 2020, rising to 51 per cent for 15 to 24-year-olds. Tackling long-term and youth unemployment will be particularly challenging in future, but will be necessary given their association with a high risk of poverty. Child poverty is also likely to increase as a consequence of the rise in unemployment.

These after-effects of the coronavirus pandemic strengthen the case for investment to prevent poverty. Measures that could be considered include a commitment to a living wage for the low-paid and investment in public services. The implementation of the Roadmap for Social Inclusion 2020–2025, though challenging, will be important. Overall, these trends underpin the case to ensure that social welfare payments are adequate, and reinforces the case for an agreed mechanism for increasing social welfare rates and the establishment of an independent indexation group to advise the Government on appropriate rates.

11.3.6 Appreciation of caring

The importance of childcare has become very evident during Covid-19. The response from government has been mixed. On the positive side, it has recognised the strategic importance of the sector in supporting parental employment, by providing significant financial support to keep childcare businesses afloat. This includes the decision to introduce the enhanced TWSS for childcare workers (the Temporary Wage Subsidy Childcare Scheme, TWSCS), and a subsidy towards the overhead costs of childcare providers, calculated at 15 per cent of gross weekly costs for eligible staff. This overhead subsidy is unique to the childcare sector and it is notable that it was made available to the sector when it was not providing a service, albeit in the context of public health guidelines.

However, despite these extensive supports, no childcare was provided, even for essential workers, during the lockdown period. In addition, several unlocking phases occurred before childcare facilities were allowed to reopen, even though employees working in the 'unlocked' sectors would have been obliged to return to work. It is possible that, if some childcare centres were run directly by government, it would have had more flexibility to provide childcare services for essential workers. This raises questions about the degree of government involvement in providing essential services. If government decided to have greater involvement in provision of childcare, a range of options could be considered. For example, the State could

[134] However, school meals which are usually provided in DEIS schools were provided as food parcels and delivered to families as a pre-emptive measure.

continue the model of the TWSCS and pay the wages of childcare workers; the National Childcare Scheme could be expanded to cover all costs paid by parents, or the State could provide some childcare services directly through the public sector. Such options could ensure greater certainty and quality of provision, while recognising the essential role of the childcare sector. The benefits of childcare provision for children, especially children from disadvantaged backgrounds or with special needs, is also an important aspect of childcare. Evidence demonstrates the benefits of early childhood provision.

Although remote working provided possibilities for combining work and childcare during the lockdown period, this is only possible in some jobs, and those in employment requiring face-to-face contact could not benefit from this. Therefore, those who left work to care for a child because of school or childcare lockdown closures, with their employer no longer paying them, could apply for the Pandemic Unemployment Payment (PUP) during the first lockdown.[135] This is similar to a participation income which recognises the value of unpaid work such as childcare. It is not known how widely the payment has been taken up for childcare purposes, or how aware workers are of this option. In addition, if these PUP recipients are later transferred onto Jobseeker's Benefit or Assistance, they could face difficulty if they cannot demonstrate that they are genuinely seeking (full-time) work, an eligibility requirement for these Jobseeker payments. The TWSS, although it has stronger ties to the labour market, cannot be accessed for childcare purposes. Instead, workers must leave employment to access such supports.

On a related point, the PUP does not explicitly provide payments for dependants. This raises the issue of the most effective way to support dependants in the social welfare system. In relation to adults, the PUP is completely individualised, and thus every adult in a household who was at work and has lost their job due to the pandemic is able to receive the PUP in their own right and without application of the limitation rule which operates for Jobseeker payments.[136] The fully individualised payment to each adult has been welcomed by the National Women's Council, which would like to see this development retained (NWCI, 2020). Meanwhile, those with both adult and child dependants have been advised to apply for Jobseeker's Benefit as it would provide a higher rate of payment than the PUP.[137] In relation to child dependants, an option that could be developed in future is targeted supports for families with children, e.g. through an integrated child income support for lower-income families, no matter what the source of this income. This might more effectively address child poverty in future, as well as assisting in the individualisation of welfare payments to adults.

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135 See https://www.citizensinformation.ie/en/education/pre_school_education_and_childcare/childcare_and_covid19.html 20/04/20.

136 Under the limitation rule, in households where both adults have eligibility for a payment in their own right (e.g. both are unemployed) the total payment to the household is reduced to 1.7 times the rate of two adult payments. Jobseeker payments to couples where both are unemployed are also typically made to only one claimant rather than each individual (see NESC, 2018).

137 See https://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/unemployed_people/covid19_pandemic_unemployment_payment.html 20/04/20.

For those who are able to benefit from remote working and its possibilities for combining employment and care, a clearer legal structure is needed. This could help to ease some of the tensions which employees face trying to work at home; for example, on the right to switch off.

11.3.7 Piloting a participation income

As noted above, employees who had to leave work to care for their children during the first pandemic lockdown, could apply for PUP. This is similar to a participation income which recognises the value of unpaid work.

The OECD (OECD, 2020b) notes the similarities between various pandemic welfare supports in many countries (such as the PUP and TWSS), and a universal basic income (UBI). This has led to many calls for a UBI to be introduced on a more permanent basis. However, the OECD argues that, as time goes on, the cost of such a payment, and the fact that such payments do not require job search and thus can decrease the incentive to search for work, are likely to preoccupy policymakers' minds to a greater extent. Earlier OECD analysis argued that a fiscally realistic UBI would be too low to provide reliable poverty alleviation on its own. The OECD also notes that the Covid-19 crisis illustrates a further limitation of relying on a UBI as the only or main form of income support. As it is a transfer that does not depend on income or employment, it would not expand in response to income shocks and so could not act as an automatic stabiliser in the economy. Therefore, the authors argue, universal transfers are best seen as a useful element in an overall income-support strategy, rather than the main pillar of social protection. This still leaves space for such schemes to play a part in a social welfare system, however, and reinforces the proposal to pilot a participation income.

11.3.8 Importance of other DWS elements—services and community innovation

The developmental welfare state comprises three overlapping dimensions: income support, services and community innovation. While this report has been mainly concerned with income supports, these should be seen within a broader context of supportive services and community provision. These elements have also been significant in responding to the Covid-19 crisis; some of the measures are summarised in Table 11.1.

For example, the importance of childcare was highlighted in section 11.3.6. In relation to healthcare, the learning from the Covid-19 health response demonstrates the capacity of the health system to undertake much-needed reform and underlines the importance of implementing *Sláintecare* and *Sharing the Vision* in moving towards a more universal healthcare system.[138] On housing, a number of measures were put in place during the initial stages of the Covid-19 pandemic to

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[138] *Sláintecare* is the Government's ten-year plan for reforming the health system towards universal health care. *Sharing the Vision* is the Government's mental health policy for 2020–2030.

assist people with housing costs, especially those in the private rented sector, with the need for greater provision of social, cost-rental and affordable housing becoming even more apparent. In responding to the high levels of unemployment as a result of the virus pandemic, and a changing labour market, tailored education and training initiatives to support people with little education or few skills to gain qualifications and upskill become even more important.[139]

In respect of the third dimension of the DWS, community innovations, in response to the restrictions placed on people by the pandemic, community and voluntary organisations have been sustaining vulnerable people and communities through providing contact, food, medicines and other much-needed support. This initiative has led to fora being set up in each local authority as part of Community Call.[140] However, funding for, and sustainability of, many community and voluntary organisations is under pressure, especially in relation to fundraising activities. While a €40m package of supports for community and voluntary organisations, charities and social enterprises has been provided by the Department of Rural and Community Development, their important role as the 'third leg' of the DWS needs to be borne in mind, with longer-term support structures and funding models put in place.

11.3.9 Strengthening funding mechanisms

The issue of how to increase finance for the social welfare system (and other government funding streams) has come much more to the fore now that supporting the population throughout the coronavirus pandemic has greatly increased government costs and debt. In addition, in the short-term, government revenue is likely to decline as taxes from income, social insurance, corporations and consumption fall due to lockdown measures. This will lead to challenges in funding government commitments, including social welfare and insurance costs.

The OECD is among a number of observers[141] that have pointed out that, in the medium to longer term, taxation will have a key role to play as countries look to restore their public finances after the pandemic. They suggest a number of possibilities on this, including changes to taxes, such as reducing inefficient tax expenditures, strengthening carbon taxes and prices, more consumption taxes, broadening the tax base, and some form of tax on wealth to pay for the costs of Covid-19. Suggestions on the latter range from a time-limited, European-wide progressive wealth tax, assessed on the net worth of the top one per cent richest individuals (as in Germany post-World War 2) (Landais *et al.*, 2020) to less direct taxes on sources of wealth. These would include, for example, capital gains tax on

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[139] The July Jobs Stimulus Package contains a range of education and training initiatives.

[140] Community Call provides a telephone and email helpline in each local authority, which can be contacted by cocooners to organise for the delivery of food, fuel and medication; transport to medical appointments, etc. The helpline is run and staffed by local authority personnel, and the shopping, deliveries and transport are provided in the main by volunteers in local community and voluntary bodies. These different organisations meet regularly, together with other stakeholder groups, at a co-ordinating forum chaired by the local authority, to co-ordinate the delivery of the services.

[141] See OECD (2020a); Tax Policy Center (2020a, 2020b) and FitzRoy & Jin (2020).

former main residences passed on after death (except to spouses/partners/carers), reduced capital gains tax allowances, abolition of higher-rate tax reliefs for pension contributions (Elliott, 2020), and recurrent taxes on immovable property.

Commentators at the IMF also argue that ‘aggressive tax minimization by large taxpayers—however legal it may appear—will become even more intolerable to society at large’ following Covid-19 (Gaspar, 2020). As businesses in many countries have been financially supported by the state during Covid-19, there may be more scope to raise taxes on businesses, particularly those not negatively affected in the longer term by the lockdowns. The OECD proposes ensuring that MNCs pay a minimum level of tax; other suggestions include an ‘excess profits’ tax on corporations that benefit from the pandemic, and digital taxes (Avi-Yonah, 2020; OECD, 2020a). Ireland is constructively engaged in the ongoing work at the OECD on addressing the challenges of the digitalisation of the economy.

The International Labour Organization (ILO) has noted the role that can be played by higher social insurance contributions in restoring the finances of social insurance funds after the pandemic. In Ireland, it has been noted that social insurance contributions are lower than those paid on average in the EU (Parliamentary Budget Office, 2018), while the contributions paid in respect of the self-employed are low in relation to the range of benefits for which they are now eligible. This suggests some scope to increase social insurance contributions.

11.4 Conclusions

This report, *The Future of the Irish Social Welfare System: Participation and Protection,* takes a long-term view of the opportunities and challenges facing the Irish social welfare system. Trajectories for reform are proposed in four areas:

i. ensuring income adequacy and alleviating poverty;

ii. modernising family supports to reflect gender and care needs;

iii. supporting high participation; and

iv. enhancing financial sustainability.

Since the preparation of the report, the coronavirus pandemic has required extraordinary measures to be put in place. Those relevant to the social welfare system are presented in Table 11.1. These measures have reinforced the importance of many of the proposals made in this report, and this epilogue has highlighted a range of measures which could be built upon. In summary, this closing chapter has argued the case for:

- a stronger social insurance system;
- reconsideration of flexicurity;
- better recognition of atypical work;

- greater tapering in the withdrawal of benefits;
- stronger anti-poverty measures;
- more appreciation of caring;
- the opportunity to pilot participation income; and
- the importance of supportive services and community innovation.

To bring about these developments and reforms, a sustainable funding mechanism is required. Suggestions are made on how this could be achieved.

Despite the difficult circumstances, we have witnessed the range of social welfare supports that can rapidly be put in place to respond to a global pandemic. The Council believes that we now have the opportunity to transform our social welfare system to meet the challenges of the 21st century.

Appendices

Appendix 1: Members of the Welfare and Employment Working Group

Member	Organisation
Tony McCashin	Chair
Michelle Norris	UCD
Paul Donnelly	TU Dublin
Kara McGann	IBEC
Sean Healy	Social Justice Ireland
Brid O'Brien	INOU
Billy Goodburn	ICOS
Laura Bambrick	ICTU
Karen Ciesielski	Environmental Pillar
John O'Toole	Department of Employment Affairs & Social Protection
Ciaran Lawler	Department of Employment Affairs & Social Protection
Jenny Connors/Garrett O'Rorke	Department of Public Expenditure & Reform
Laura McGarrigle	Department of Children & Youth Affairs
Martina Shaughnessy	Department of the Taoiseach
Heather Cuddy	Department of Finance
Sinead Reynolds	Revenue Commissioners

Appendix 2: Welfare Supports Put in Place by Government during the Covid-19 Pandemic

The Government introduced extensive measures to protect employment and cushion the impact of the crisis on individuals' incomes, including actions to support the self-employed, certain target groups, and the lower-paid. The Temporary Wage Subsidy Scheme (TWSS) represents a remarkable level of intervention in the labour market, as effectively the State has become, on a temporary basis at least, the 'quasi-employer of last resort' for approximately 456,000 employees, drawn from 53,000 employers.

By maintaining this link to the labour market, the TWSS aims to minimise the potential of permanent or scarring effects on labour-market participation. Preventing a break in employment ensures that individuals can continue to accrue any entitlements associated with being in employment. Employment breaks can also weaken an individual's future capacity to access personal credit (e.g. a mortgage). The TWSS is, however, also an investment in productive capacity, as enabling companies to retain staff should ensure they are in a better position to take advantage of any upturn in economic activity as public health restrictions are gradually eased (Chazan & Milne, 2020; Global Deal, 2020; ICTU, 2020).

This concerted focus on supporting labour-market stability and productive capacity demonstrates the policy learnings that have been taken on board from the experience of the most recent recession, including good practice undertaken by other states. The introduction of the TWSS has also facilitated a temporary reconfiguring of active labour-market policy as the emphasis has shifted from programmes to help individuals back into work (reactive) towards a concerted focus on keeping people in work (preventive).

In situations where an individual is unable to remain in employment (due to the loss of a job, loss of trading income, or absence due to illness/isolation), the State has responded in a similarly swift and purposeful manner to cushion the negative impact on incomes through the introduction of the Pandemic Unemployment Payment (PUP) and the Covid-19 Enhanced Illness benefit. Importantly, there are a number of key differences between these new schemes and pre-existing income supports:

- A higher level of payment is provided.
- There are no minimum threshold requirements that have to be met.
- All workers are covered equally (employees and self-employed, permanent and temporary, part-time and full time).

The criteria for both of these schemes means that they represent a universal form of income support in that it is based on an individual being in work before the crisis (participating in the labour market) rather than being determined by their contract status. Again, the numbers covered by this support are substantial, with 589,000 people issued payments under the PUP support scheme, while 42,000 are being supported through the Covid-19 illness benefit.

The response to the economic shock has also emphasised the ability of the State to review and revise its supports, in very short timeframes. For example, initial shortfalls were identified in the level of Illness Benefit available to those in quarantine or diagnosed with Covid-19, and thus the rate of the payment was increased. A number of changes were introduced to the TWSS in mid-April to improve its effectiveness by encouraging greater levels of staff retention and strengthening the links between employers and employees (Government of Ireland, 2020). This included raising the subsidy available for low-paid workers from 70 to 85 per cent in order to address the potential financial incentive under the PUP for lower-paid workers to exit employment (Beirne et al., 2020).[142]

Similarly, the decision to introduce the Temporary Wage Subsidy Childcare Scheme (TWSCA) was based on information from social welfare officers that many childcare staff were seeking unemployment benefits after the March closures indicating that the level of state funding available was not being used to retain staff in all cases (Higgins, 2020). The Department of Children and Youth Affairs (DCYA) is topping up the wages of childcare workers, to a maximum limit of €585 per week, unlike workers in other sectors where top-up payments depend on the ability of the employer to pay.[143] The childcare sector also provides an example of the State's ability and willingness to review and revise its supports. In response to representations, the DCYA is also making available a subsidy towards overhead costs, calculated at 15 per cent of gross weekly costs for eligible staff or €300, whichever is higher. This overhead subsidy is unique to the childcare sector, and it is notable that it was being made available to the sector even when it was not providing a service, albeit in the context of public health guidelines.

The processing capability of the Department of Employment Affairs and Social Protection and the Revenue Commissioners has been impressive in meeting unprecedented demand for these payments. The mantra being adopted seems to be 'pay first, ask questions later' once the initial checks have been made—which seems appropriate in the circumstances. In addition, the capacity of the system to process payments flexibly and quickly has been proven, and offers opportunities for more streamlined tapering of payments in future.

On housing, to protect tenants during the Covid-19 crisis, a blanket ban on both rent increases and evictions was introduced for a three-month period from 27 March 2020. Three-month payment breaks were introduced for people having difficulty paying their mortgage and this was extended for a further three months. Deferred payments are repayable over the remaining mortgage period. Banks agreed to defer legal proceedings and repossessions against borrowers in default for up to three months. The Commission for Regulation of Utilities issued a ban on disconnections of domestic customers for non-payment to gas and electricity suppliers, up to 16 June 2020.

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[142] On 5 June the Minister for Employment Affairs and Social Protection announced that, for those whose prior earnings were less than €200 per week (about 25 per cent of recipients), the PUP payment would be reduced from €350 to €203 per week, in line with the primary rate of Jobseeker's Benefit.

[143] Details on the operation of the TWSS scheme are available at www.revenue.ie.

Private tenants with difficulty paying rent because of loss of job or reduced hours may apply for rent supplement. This is a means-tested payment, subject to maximum rent limits. In light of the large fall in employment, the Department of Employment Affairs and Social Protection has stated that it will use the full flexibility of the scheme to provide this payment in situations where rents are above the stated limits, and the application form has been shortened. However, some tenants, assuming they are aware of rent supplement, may be put off by the stated rent limits. Some landlords refuse rent supplement. This is illegal, but the tenant may not be aware of this. There is a need to promote awareness of rent supplement and the flexibility available. Some tenants availing of the Housing Assistance Payment (HAP) are facing difficulties as loss of income limits their ability to make top-up payments.

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