

## Poverty Impact Assessment of the main elements of the Social Welfare Package in Budget 2006

The example below was developed by the OSI to show how the new guidelines for Poverty Impact Assessment can be used in practice. It draws on an actual poverty proofing exercise of the Social Welfare elements of the 2006 Budget which was performed using the existing poverty proofing guidelines. For explanation purposes the information provided in this example is in some cases more than would be provided in an actual PIA. Also, again for explanation purposes, text is duplicated in some areas. The PIA was performing using an earlier draft of the new guidelines.

### **Background to proposal** (*Background will not normally be required*)

The 2006 Social Welfare budget package is based on objectives agreed in a number of documents including the *Programme for Government*, the social partnership agreement *Sustaining Progress*, the revised National Anti-Poverty Strategy (NAPS) and the National Action Plan against poverty and social exclusion 2003-2005 (NAP/inclusion). The overall aims of the package include:

- To increase or maintain the value of all rates of payment in real terms; to give additional increases to the lowest payment rates and to carers allowance;
- To continue to increase pensions in line with the Programme for Government commitment to increase the state pension to €200 by 2007;
- To make progress towards the NAPS target of €150 per week in 2002 terms for the lowest rates;
- To maintain the real value of Qualified Adult Allowance rates of payment and to ensure that they do not fall as a proportion of the associated personal rate;
- To tackle fuel poverty by providing increases in the rate of Fuel Allowance;
- To provide real increases in income support for all families, but especially for those most at risk of poverty;
- To ensure that the return from low-income employment remains positive through improvements in the Family Income Supplement income limits and disregards in other schemes.

The **main elements** of the Budget package, which are considered in the poverty impact assessment, are as follows:

- **Increases in Weekly Payments** - personal and qualified adult allowance rates of social welfare payments:
  - Personal weekly rates of Carers Allowance increased by €30.20 for recipients aged 66 and over and €26.40 if under 66; €16.00 increase for non-contributory pensioners aged 66 and over and €14.00 increase for contributory pensioners aged 66 and over; €17.00 increase for all other recipients under age 66, with proportionate increases for persons receiving reduced rates of payment.
  - Qualified Adult Allowance increases of €9.30 per week for Old Age Contributory Pension and Retirement Pension, €12.10 for Invalidity Pension, where qualified adult is under 66; increases of €10.80 per

week for Old Age Contributory Pension, Retirement Pension and Invalidity Pension, where qualified adult is over 66; €10.60 increase for Old Age non-contributory Pension qualified adults regardless of age, and Blind Person Pension qualified adults over age 66; increases of €1.30 for all other qualified adults, with proportionate increases for qualified adults where a reduced rate of payment is being made.

- **Increases in monthly Child Benefit (CB) rates**, with increase of €8.40 for first and second child and €7.70 for subsequent children.
- **Increase in Family Income Supplement (FIS) earnings thresholds**, by amounts ranging from €19 to €282 per week depending on family size.

**STAGE 1 - Screening** – This will inform the policy maker as to whether or not it is necessary to carry out a full poverty impact assessment.

### Screening Tool

Is the policy, programme or proposal significant in terms of:	YES	NO	POSSIBLY
Overall National/Departmental Policy	Y		
The level and/or proportion of expenditure involved <i>(Explanation:</i> <ul style="list-style-type: none"> <li>• Increase over 2005 social welfare expenditure amount of €1.12 billion;</li> </ul> <i>Total 2006 social welfare expenditure will be €13.5 billion.)</i>	Y		
The change it will bring about in an existing policy or procedure <i>(Explanation:</i> <ul style="list-style-type: none"> <li>• Introduction of a single scheme for all non-contributory recipients over age 66;</li> <li>• Significant increase in means disregard for non-contributory pensions;</li> <li>• New FIS income thresholds will concentrate additional resources on larger families.)</li></ul>	Y		
Its relevance to those groups who have been identified as being most vulnerable to poverty or social exclusion.  Examples of vulnerable groups <ul style="list-style-type: none"> <li>• Women</li> <li>• Members of the travelling community</li> <li>• Prisoners and ex-prisoners</li> <li>• People experiencing rural disadvantage</li> <li>• People experiencing urban poverty</li> <li>• Migrants</li> <li>• Ethnic minorities</li> <li>• Other vulnerable group ... specify</li> </ul> <i>^ Package will impact on members of each of these groups who are receiving social welfare payments or are in families with low-income employment.</i>  Also need to consider potential impacts on Inequalities which may lead to poverty.	Y^  Y Y Y Y  Y		

\*It should be noted that the extent and composition of these groups may change over time and so the focus of poverty impact assessment may change over the life time of the next round of the NAP/inclusion process.

If the answer is **NO** in **all** cases then it is not necessary to carry out a full poverty impact assessment. In that case the summary sheet should be completed and returned to the Departmental social inclusion liaison officer, or directly to the Office for Social Inclusion if there is no liaison officer.

If the answer is **YES** or **POSSIBLY** to any of the above a full poverty impact assessment should be carried out following the steps outlined in Stage 2.

## **STAGE 2            Full Poverty Impact Assessment**

### **Step 1:            Consultation**

*A pre-Budget consultation process was undertaken, whereby organisations and individuals were invited to make written submissions regarding the content of the social welfare Budget package. In addition the Minister for Social and Family Affairs hosted a pre-Budget Forum meeting on 17 October 2005, where some 30 organisations, including voluntary and community groups in the social welfare area, were invited to give their views on the forthcoming Budget. On the afternoon of the Budget itself on 7 December a large number of organisations will attend a post-Budget briefing to be hosted by the Department of Social and Family Affairs. Given the nature of this proposal, consideration of the likely impacts on poverty of the different elements of the Budget package formed an inherent part of the consultation process.*

### **Step 2:            Define Policy Aims and Target Groups**

#### **2.1    What is the primary objective of this policy / programme / expenditure proposal?**

##### ***Weekly Payments element:***

- *To increase or maintain the value of all payment rates in real terms, providing additional increases to persons on lowest rates, to recipients of carers allowance and to non-contributory pensioners, and to ensure that the QAA rates of payment do not fall as a proportion of the personal rate;*
- *To continue to increase pensions in line with the Programme for Government commitment to increase the state pension to €200 by 2007;*
- *To make progress towards the NAPS target of €150 per week in 2002 terms for the lowest rates*
- *To make significant improvements to means test thresholds, thereby increasing employment incentives.*

##### ***Child Benefit increases:***

- *To provide real increases in income support for all families, but especially for those most at risk of poverty, in such a way that it is not dependent on the parents' income or labour market status.*

##### ***Increase in FIS earnings thresholds:***

- *To ensure that the return from low-income employment for those with families remains positive, through improvements in FIS income limits;*
- *To give proportionately greater increases to families with more children, thereby tackling the higher susceptibility to poverty of such families.*

#### **2.2    Who are the target groups and how will the proposal reach those groups?**

***Weekly payments element:***

- *Groups such as the unemployed, people with disabilities and the elderly form particular target groups for the proposal, with all recognised in the NAP/inclusion as being particularly vulnerable to poverty. Proposal also targets carers and qualified adults, usually women, in welfare-dependent households.*

***Child Benefit increases:***

- *Given that the risk of poverty is higher for children than for adults, Child Benefit, which is paid specifically in respect of children, is an effective way of reaching this target group.*

***Increase in FIS earnings thresholds:***

- *Low-income families with children will benefit from increase in earnings thresholds, with proportionately greater increases for larger families.*

**2.3 What are the differences within the target group/between the target groups which might lead to them benefiting from the policy/programme in different ways and how could these be addressed?**

- *All recipients of social welfare payments will benefit from Budget increases. Larger families, who are more at risk of poverty, will benefit proportionately more;*
- *Non-contributory pensioners will receive higher increases than contributory pensioners, recognising that non contributory pensioners generally have less private means;*
- *Significant payment increases made to carers in recognition of the role they play;*
- *Increase in upper income limit for one parent family payment is designed to lead to increased labour force participation rates.*

### **Step 3: Identify Available Data and Research**

*Primary quantitative data used during this assessment was available in the Department's data holdings on social welfare claimants, dependants and beneficiaries.*

*The ESRI's SWITCH model was used to measure the impact of the proposed Budget changes on actual household incomes. This analysis concluded the following:*

- *The Budget changes will result in a net transfer of disposable income to the household sector of €998.1 million, an average increase for all households of 1.4%;*
- *The increase is highly progressive in terms of its distributional impact: 52.5% of the change in disposable income resulting from the Budget proposals will go to those in the bottom three deciles, while 81.0% will go to the bottom half of the income distribution;*
- *The proposals will result in a fall in the numbers below each of the 40%, 50% and 60% relative income poverty lines (median equivalised disposable income) by 3.0, 3.3 and 1.5 percentage points respectively. (Actual changes in both the 'at risk of poverty' and 'consistent poverty' rates during 2006 will not be known until the results of the EU-SILC survey for that year are available, likely to be in October 2007 approximately).*

*It is calculated that changes in the FIS earnings thresholds mean that approximately 5,000 additional families will become eligible for a FIS payment.*

*Elements of the Budget package are linked to explicit targets contained in the NAP/inclusion, i.e., targets relating to the lowest levels of social welfare payment, to pension levels and to levels of child income support. Indicators to measure progress against these targets are the relevant social welfare rates.*

**Step 4: Assess Impacts and Consider Alternatives**

**4.1 What type of impact on poverty (either in terms of numbers in poverty or level of poverty) would the proposal have, in particular for each of the vulnerable groups listed in the table?**

Vulnerable Group (as identified in the current NAP/inclusion)	Likely impact of the programme/project in terms of poverty		
	None See Q.4.2	Positive^ See Q.4.3	Negative See Q.4.4
<b>Life cycle groups</b>			
Children and Young People		*	
People of working age		*	
Older people		*	
People with disabilities		*	
<b>Other vulnerable groups</b>			
Women		*	
Members of Travelling community		*	
Prisoners and ex-prisoners		*	
People experiencing rural disadvantage		*	
People experiencing urban poverty		*	
Migrants		*	
Ethnic minorities		*	
Others: (please specify)			
<i>Carers</i>		*	
<i>Families with children in low-income employment</i>		*	

*^ Package will impact on members of each of these groups who are receiving social welfare payments or are in families with low-income employment.*

**4.2 If the proposal would have no effect on poverty what options might be identified to produce a positive effect?**

<i>Not Applicable</i>
-----------------------

**4.3 If the proposal would have a positive effect would it help to prevent people falling into poverty; reduce the level (in terms of numbers and**



## **depth) of poverty and/or ameliorate the effects of poverty?**

*Explain how these positive effects are achieved and consider how the position could be improved upon.*

- *Some 955,000 claimants and 470,000 dependants will benefit from increases in weekly social welfare rates. Child benefit increases will benefit some 540,000 families with 1,088,000 children.*
- *SWITCH model analysis of the proposals show that they will result in a fall in the numbers below each of the 40%, 50% and 60% relative income poverty lines (median equivalised disposable income) by 3.0, 3.3 and 1.5 percentage points respectively.*
- *The Budget increase is highly progressive in terms of its distributional impact: 52.5% of the change in disposable income resulting from the Budget proposals will go to those in the bottom three deciles, while 81.0% will go to the bottom half of the income distribution;*
- *The budget will increase social welfare payments by almost 4 times the expected rate of inflation. The increases, €17 in the lower rates of payment and €14 in higher rates, will also be greater than the expected increase in gross average industrial earnings. In real terms, therefore, social welfare recipients will see an improvement in their relative position in terms of income.*
- *The increases in the FIS earnings thresholds are designed to maintain the incentive to remain in employment in circumstances where an employee might be only marginally better off than if he or she were claiming other social welfare payments. Preserving this incentive is important as it is acknowledged that having a job is the best route out of poverty and social exclusion. The changes will make over 5,000 additional families eligible for FIS and, depending on family size, weekly increases for existing recipients will range from €11 to €169, with proportionately greater increases for larger families.*
- *The Budget package contains a range of other employment incentive and activation measures designed to move people from full dependence on social welfare payments and into work. These include: tapered withdrawal rates for disability allowance and blind pension; reductions in the qualifying periods for access to the back to work allowance; tapered withdrawal of earnings for persons receiving rent and mortgage interest supplement; and an increase in the spouse's income disregard for entitlement to qualified adult allowance.*
- *The increases in CB payments and in the FIS earnings thresholds form part of a wider package to combat child poverty, it being recognised that children who grow up in disadvantaged households are more likely to do poorly at school, to struggle to find a job, and to be unemployed, sick or disabled when they become adults, precipitating an inter-generational cycle of disadvantage and deprivation. The Budget package, which also includes improvements in the Back to School Clothing and Footwear Allowance and the School Meals programme, aims to help break this cycle.*
- *The Budget announced no changes in the rates of Child Dependant Allowance (CDA) payments, as the National Economic and Social Council is currently working on proposals for merging FIS and CDAs into a second tier child income support payment, which would avoid the employment disincentive inherent in*

CDA. The issue of the second tier payment will be further progressed during 2006.

**4.4 If the proposal would have a negative effect (e.g., by increasing the numbers in poverty or the level of poverty experienced) what options could be considered to ameliorate this effect?**

*Not applicable*

**4.5 Would the policy/programme/proposal contribute to the achievement of the NAP/inclusion targets (including the subsidiary targets)?**

*If it does contribute to the achievement of the targets, explain how this is the case and consider whether the position can be improved further. If it does not, consider whether anything can be done to reverse the position. In this regard, consideration should be given as to whether the programme is specifically aimed at groups experiencing poverty or at risk of poverty, i.e., whether it is intended as an anti-poverty measure. The NAP/inclusion targets are listed in the NAP/inclusion summary table at Appendix 1.*

- *The Budget elements covered by this assessment are intended as an anti-poverty measure. The levels of increase in weekly payment amounts bring closer two specific targets in the NAP/inclusion, viz. (i) To achieve a rate of €150 per week in 2002 terms for the lowest rates of social welfare by 2007, and (ii) Social welfare pensions to be improved to reach a target level of €200 by 2007. Increases in CB rates mean that the NAP/inclusion target for CB and CDAs to be set at 33% - 35% of the minimum adult social welfare payment by 2007 is still on course.*
- *The Budget increases in real levels of social welfare payments are considered likely to result in a further reduction in the numbers who are consistently poor (which fell from 8.8% of the population in 2003 to 6.8% in 2004). (However, for methodological reasons, it will not be possible to precisely determine progress against the existing NAP/inclusion 'consistent poverty' target, of reducing the number of consistently poor to 2% by 2007 or of eliminating it completely. Targets to be included in the new NAP/inclusion 2006-2008 will be based on figures from the new EU-SILC survey).*
- *The child income support elements of the Budget, by improving the situation of children in disadvantaged households, are also considered to have a longer-term positive impact on other targets in the NAP/inclusion, including those relating to education (children with serious literacy difficulties; early school-leavers) and health (premature mortality rates).*
- *The back to work and back to education scheme changes introduced in the Budget should result in an increase in participation in education and employment by social welfare recipients, impacting positively on the employment and education targets in the NAP/inclusion.*

**4.6 Would the programme/policy/proposal address the inequalities which may lead to poverty?**

*The relationship between poverty and inequality is quite a complex one (see also Section 3.3). Equality legislation in Ireland recognises that inequality*

*can occur under any of the following headings (“the nine grounds”): gender, family status, marital status, age, disability, sexual orientation, race, religion, and membership of the Traveller community.*

*Consideration should be given to whether the programme or policy has a particular relevance to people in any of these categories and whether there is a need for the programme/policy to focus on people in any of the categories in its design or delivery.*

- *The increase from €88.88 to €100 in the income threshold for entitlement to full Qualified Adult Allowance will benefit those qualified adults, who are mainly women, in welfare-dependent households. Women will also be the main beneficiaries of the significant increase in the rate of carer’s allowance.*
- *The increases in CB rates will benefit families with children, who have greater income needs than single people or couples without children. The increases in the FIS earnings thresholds will also benefit families with children, with larger families benefiting proportionately more.*
- *The significant increase in the weekly payment rates for carers is part of a package designed to provide a comprehensive and sustainable system of community services and supports for people who need care.*
- *The introduction of tapered withdrawal rates for disability allowance and blind pension will provide a greater incentive for disabled persons to engage in rehabilitative employment or self-employment.*

## **Step 5: Make Decision and Arrange Monitoring**

### **5.1 Will this proposal be adopted?**

*When the impacts of the proposed options have been assessed and alternatives considered to counteract any negative effects have been identified a decision can then be made as to whether or not to proceed with the policy or programme.*

*Yes. Increases in weekly payment rates and FIS earnings thresholds will take place from January 2006. Increases in child benefit will take place from April 2006. Improvements in means disregards will take place from September 2006.*

### **5.2 If the proposal is to be adopted, how will its impact on poverty be monitored?**

*A system should be devised and implemented in order to monitor whether (and to what extent) the expected impact is actually occurring. The indicators against which progress will be monitored should be specified here. This section should also make clear which office/unit will be responsible for the monitoring. The frequency with which the indicators will be monitored should also be noted.*

*If a programme or policy is being put in place to counteract any negative impacts resulting from the original programme it should also be monitored and details of how that will be undertaken should also be included here.*

- *Monitoring of progress against expected impacts will be reported upon by the Budget & Estimates section of the Department's Planning Unit. Monitoring of take-up of FIS as a result of the increase in the earnings thresholds will be reported upon by the Child Income Support section of the Planning Unit.*
- *Monitoring of the impacts of the package on poverty (using indicators including 'at risk of poverty', consistent poverty, persistent poverty and the 'poverty gap'), and on progress towards achievement of the NAP/inclusion targets, will be performed by the Budget & Estimates section, in conjunction with the Office for Social Inclusion, by reference to the results of the annual EU-SILC survey and to other statistical surveys.*

**Step 6: Publish Results**

In order for the process of poverty impact assessment to be transparent it is important that not just the results of the assessment but also details as to how decisions were reached (and the data on which they were based) are made available where this is possible, and subject to requirements such as those relating to cabinet confidentiality.

If the poverty impact assessment relates to a published report such as an expenditure review then the analysis should be published as part of that document. Alternatively, the information could be made available on the organisation's website.

*Include here on reporting of results*

**Step 7: Return Summary Sheet to Social Inclusion Liaison Officer**

When these steps have been completed the summary sheet below should be completed and returned to the department's social inclusion liaison officer who will in turn forward a copy to the Office for Social Inclusion (OSI). If there is no liaison officer a copy should be sent direct to the OSI.

The OSI will use these summary sheets for statistical purposes and random selections will be made periodically in order to monitor progress and identify examples of best practice. The OSI will provide updates regarding poverty impact assessment to the Social Inclusion Consultative Group which is made up of representatives of the social partners.

## **POVERTY IMPACT ASSESSMENT - SUMMARY SHEET**

Where a policy has been screened and it has been decided that it is not necessary to carry out a full poverty impact assessment, or where a full poverty impact assessment has been carried out, this summary sheet should be completed and returned to your department's social inclusion liaison officer. If there is no liaison officer a copy of this sheet should be sent direct to the Office for Social Inclusion.

**Department Name:** *Social & Family Affairs*

**Programme/Policy Title:** *Social Welfare Budget Package 2006*

**Date of implementation:** *Budget announced 7 December 2005*

### **Brief description of programme/policy (please specify the target group):**

- *Increases in all Social Welfare weekly payments (implementation January 2006), in monthly Child Benefit payments (implementation April 2006) and in earnings thresholds for Family Income Supplement (implementation January 2006).*
- *Target group – recipients of social welfare payments, and low-income families eligible for FIS as a result of changes in earnings thresholds.*

**Date poverty impact assessment was carried out:** *Full poverty impact assessment completed 5 December 2005*

**Stage at which poverty impact assessment was carried out (e.g. design, review):** *Design*

**Brief summary of results:** (If a full poverty impact assessment was not carried out, please refer to the results of the screening stage.)

- *By providing increases in Social Welfare payment rates well in excess of inflation the Budget package will have positive impacts on poverty alleviation for recipients and move towards achievement of the key income maintenance targets in the National Action Plan against poverty and social exclusion. The package will be highly progressive in terms of its redistributive impact.*
- *It is expected that the measures in relation to children and families on low income will positively impact on child poverty and maintain the incentive to remain in employment.*

**If these results were published please specify where they are available. If they were not published, please explain why. Specify here.**

**Contact Information:**

**Name:** *Name*  
**Address:** *Address*  
**Telephone Number** *Telephone*      *Email address: Email*

**Signed:** *Signed*      **Date:** *6 December 2005*

**Note to Social Inclusion Liaison Officer: Please keep the original summary sheet and send a copy to the Office for Social Inclusion, Floor 1, Gandon House, Amien Street, Dublin 1**