National Reform Programme for Ireland
2012 Update
under the Europe 2020 Strategy

Introduction

The Irish Government welcomes the opportunity to submit our updated National Reform Programme (NRP) which outlines the progress we have made to date in achieving our national Europe 2020 targets.

Ireland remains committed to close engagement with the European Commission and other Member States in order to achieve enhanced economic coordination across the European Union.

Ireland as a party to an EU/IMF Programme of Financial Support is not required to submit a separate NRP for 2012 given that the rigorous reporting carried out under the lending Programme meets the reporting requirements for NRPs. Nonetheless, we believe that in order to ensure sustained and effective engagement with our EU counterparts and the Commission, it is desirable to provide comprehensive feedback on the review of our progress since NRP 2011.

Europe is confronting critical economic and social challenges and we believe that it is essential that there continues to be a strong focus on the policy priorities highlighted in the 2012 Annual Growth Survey.

We welcome the consensus at European level about the importance of balancing fiscal consolidation and budgetary discipline with measures to boost growth.

Ireland is making progress. As are other Member States. As is the European Union collectively. But the emphasis on competiveness and growth and jobs must be continued and enhanced. The European Semester and the Europe 2020 Strategy will help us do that, nationally and collectively.

This update provides details of the actions taken to date across the Employment, Research and Development, Climate Change, Education and Poverty Targets. It details how we are dealing with the principal bottlenecks to reaching these targets as well as information on the impact of these targeted policy measures. It also highlights the linkages between targets and the cross-dimensional approach of our national policies.

As indicated in last year's NRP for Ireland, it was decided that the national poverty target be reviewed in light of the challenging economic and social landscape which had altered so dramatically since the original targets were set under Ireland's *National Action Plan for Social Inclusion* in 2007. Details of the revised headline poverty target are provided together with an overview of how Ireland intends to work to achieve it.

As envisaged under the European Semester, the NRP has been prepared in parallel with Ireland's Stability Programme Update (SPU).

The 2012 Stability Programme elaborates on the Government's medium-term economic and budgetary strategy. It provides an update of the economic and fiscal outlook for this year and next, along with medium-term macroeconomic and budgetary projections.

These documents are both integral to achieving the objectives set out in the 2012 Annual Growth Survey and to generating economic growth and job creation.

Ireland looks forward to continued engagement with our European colleagues throughout the lifetime of this plan, including in the context of a review in 2014. We are committed to ensuring that the Programme remains as ambitious as possible, within the confines of macroeconomic and fiscal constraints.

Target 1- Employment

Ireland's Headline Target: **To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.**

Given the scale of the challenge faced by Government in relation to the Labour Market the Government has developed two key strategies.

The **Action Plan for Jobs** was launched in February 2012 and contains more than 275 distinct actions to be implemented across all Government Departments, State Agencies and Offices to support and create jobs.

It aims to have 100,000 more people in work by 2016 and 2 million people in work by 2020. Assuming the current 20-64 year old population holds constant, attaining the *Action Plan for Jobs* target would have a significant positive impact for Ireland's employment rate 2020 target, reaching 67.6% by 2016 and 70.1% by 2020, almost exactly the mid-point of Ireland's ER range of 69%-71% for 2020.

Pathways to Work, the Government Policy Statement on Labour Market Activation was also launched in February and outlines how the Government intends to introduce a better approach to providing supports for the unemployed. *Pathways to Work* has five strands aimed at ensuring that as many new job opportunities as possible are filled by those on the Live Register. The five strands are as follows:

- More regular and on-going engagement with people who are unemployed;
- Greater targeting of activation places and opportunities;
- Incentivising the take-up of opportunities;
- Incentivising employers to provide more jobs for people who are unemployed; and
- Reforming institutions to deliver better services to people who are unemployed.

Last year's NRP highlighted five bottlenecks in the Irish labour market. The twin policies outlined above provide a wide range of specific measures which are complementary to the ongoing efforts to address these bottlenecks. Some of the specific policy responses are outlined below.

1. *Weak labour market demand, particularly in domestic services*

Key measures:

- The Employer Job (PRSI) Incentive Scheme was simplified and extended to cover the first 18 months of employment in the first quarter of 2012;

- Eligibility criteria for the scheme have been amended to allow time spent on work placement programmes such as JobBridge count as the qualifying period for the scheme and enable participants to avail of short training programmes through SOLAS;
- Separately, the Wage Subsidy Scheme provides specific long-term support for firms who employ workers with disabilities, the rationale being to compensate for lower productivity of such workers - about 1,100 workers are participating on the scheme at an annual cost of almost €11 million in 2011. It incentivises employers to hire, on a full-time basis, unemployed persons who are on the Live Register for six months or more;
- In 2011, the Government halved the lower rate of PRSI until the end of 2013, on jobs that pay up to €356 per week;
- An independent review of Wage Setting Systems (i.e. Registered Employment Agreements and Employment Regulation Orders) has been undertaken;
- Legislation to increase the state pension age has been adopted;
- To support the tourism industry, which is typically a labour intensive service; the Government introduced a new temporary second reduced rate of VAT of 9% with effect from 1 July 2011 until end-December 2013. The new 9% rate mainly applies to accommodation and catering services as well as various entertainment services such as admissions to theatres and museums;
- In 2011, the Government launched a National Internship Scheme, JobBridge which will operate for 2 years. The scheme will provide 5,000 internship placements of 6 to 9 month duration. Participants on the programme receive a payment of €50 per week additional to social welfare entitlements.

2. *<u>Long-term and structural elements of unemployment</u>*

and

3. *<u>Access to opportunities for upskilling and reskilling, especially sectors that have been most affected by the impact of the recession</u>*

<u>Key measures</u>:

- Prioritisation of places, including in the further education and training sector, specifically for those on the Live Register for 12 months or more, and improve data collection and impact evaluation to ensure delivery of this goal;
- The development and improvement of our existing employer services (e.g. those previously managed by FÁS) to encourage greater use of these services by employers and to maximise flow-through from public sector training and support programmes to full-time employment;
- The provision of conversion courses to upskill/reskill unemployed people to meet skills shortages in new and emerging sectors (ref ICT Skills, languages). An open tender will issue shortly for the delivery of a one-year full-time graduate ICT conversion programme to be delivered in 2012;

- Further roll out of the Springboard initiative. The precise number of places to be provided will be determined by the results of an open competitive tendering process which will be conducted in the first quarter of 2012;
- The provision of a new *Labour Market Education and Training Fund* for the long-term unemployed, to be co-financed by the European Social Fund (ESF). This Fund, specifically targeted at the long-term unemployed, will deliver upwards of 6,500 places.

4. *The challenge of targeting cost-effective activation programmes to those most at risk of losing contact with the labour market and drifting into long-term unemployment, and of increasing labour market participation of those cohorts with lower than average participation rates, including lone parents and people on illness/disability payments, and to reintegrate into the labour market the group of women who have interrupted their careers for child rearing;*

Key measures:

- The commitment to support over 85,000 beneficiaries of job placement, work experience and back to education schemes in 2012 (see Table 1);
- The introduction of profiling of newly-unemployed claimants to identify those at risk of becoming long-term unemployed at an early stage;
- Initial referral to group engagement (GE) sessions has been introduced to increase the capacity and efficiency of the process. An evaluation of the GE process was completed in June 2011 and initial findings are extremely positive.

Community Employment	22,300
Back to Work Enterprise	12,000
Back to Education Allowance	25,000
Jobs Initiative	1,300
Supported Employment	4,500
Job Clubs	7,800
Rural Social Scheme	2,750
TÚS	5,000
JobBridge	5,000
Total	85,650

Table 1: Job Placement/Work Experience Initiatives in 2012

5. *Developing a more effective and streamlined response to the needs of the unemployed and removing disincentives to participation in training, education and employment opportunities*

Key measures:

- The establishment of a single "one stop shop" public employment and benefits service in the *National Employment and Entitlements Service* with clear targets for rolling out the new approach;.
- Reforms to the jobseekers’ schemes are being introduced to ensure that people in part-time employment are incentivised to take up full-time employment as such opportunities become available. This includes rebasing the payment week for jobseeker’s benefit on a five-day week rather than a six-day week where a person is working for part of the week. From January 2013 employment on a Sunday will be taken into account when determining the level of entitlement to jobseeker’s payments;
- In Budget 2012, the Government exempted low-paid, part-time and seasonal workers with an annual income of less than €10,036 from the Universal Social Charge;
- The Department of Social Protection will continue to implement its power to sanction individuals who fail to engage with the *Pathways to Work* approach.

Youth Unemployment

The Government very much welcomes the Commission initiative from earlier this year in relation to tackling youth unemployment. The Government is acutely aware of the urgency in tackling the issue of youth unemployment and of increasing supports for SMEs, and has put job creation and the support of those who are unemployed at the top of its agenda.

In February, we welcomed a Commission delegation to Dublin to discuss the key challenges in this regard. During the visit key officials outlined the significant efforts being made to confront the challenges posed by youth unemployment, while at the same time supporting small and medium-sized enterprises. We remain committed to developing innovative policy solutions to tackle this key challenge.

Target 2- Research and Development (R&D)

***Ireland's Headline Target*: Improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 2.5% of GNP (approximately equivalent to 2.0% of GDP).**

The NRP 2011 outlined the investment which has been made by Ireland in R&D and the expectations in relation to further investment towards meeting the target, having regard to the *National Recovery Plan 2011-2014* and the *Programme for Government 2011-2016*. The NRP also outlined a number of supporting initiatives. The NRP noted that the research intensity rate for 2009 was estimated to have reached 2.17% of GNP[1] (1.75% GDP).

The latest available data show that the research intensity rate for 2009 is now estimated at 2.16% of GNP (1.78% of GDP). The research intensity rate for 2010 is unchanged at 2.16% of GNP (but 1.77% of GDP).

The assumptions underlying the achievement of the target as set out in the NRP 2011 are still valid and progress towards achieving the target of 2.5% of GNP is still on track.

In November 2011, the Minister for Public Expenditure and Reform published the Government's capital investment priorities for 2012-2016 which includes allocations to support, apply and leverage potential in the development of a modern knowledge-led economy with creativity and innovation at centre-stage.

The NRP 2011 also outlined a number of supporting initiatives aimed at progressing qualitative and quantitative increases in R&D investment. The current position in relation to these initiatives is as follows.

Research Prioritisation

The NRP 2011 referred to the work of the Research Prioritisation Steering Group aimed at identifying those areas of opportunity or challenge for Ireland with potential to deliver the greatest return to the economy. On 1 March 2012, Richard Bruton, T.D., Minister for Jobs, Enterprise and Innovation, announced that the Government had agreed to the future alignment of public investment by research funders consistent with the 14 areas of priority identified in the report of the Steering Group which was also published. The Minister also announced the establishment of a Prioritisation Action Group, chaired by Sean Sherlock T.D., Minister for Research and Innovation, which will oversee implementation of the recommendations of the report. This Group will be responsible for identifying

[1] GNP is regarded as a more relevant measure for calculating economic activity in Ireland and for the purposes of comparison with other States.

actions, timelines and lead actors, consulting with industry players and identifying necessary sources of funding.

Mathematics and Science Literacy

The seven universities, together with DIT and RCSI, and the Institutes of Technology have collectively decided to operate a bonus points scheme for Higher Level Mathematics for a four-year trial period from 2012 to 2015 inclusive, with a review in 2014.

Project Maths commenced in all schools in September 2010. 5,900 teachers have already begun training in this area, with an investment of €3m in 2009, and a further €5m in 2010. This is part of a rolling programme of continuing professional development (CPD) for teachers which will continue to at least 2013.

National Intellectual Property Protocol and associated structures

The development of the National Intellectual Property Protocol is almost complete. It is being prepared by the Department of Jobs, Enterprise and Innovation (DJEI) working with other Government Departments and informed by a dedicated group of experts from industry, the VC community, Technology Transfer Offices, Research Performing Organisations, the IUA and the State research funders.

The purpose of the Protocol is to help industry to access the research done in Ireland's universities, institutes of technology and other public research institutions. It will set out the Government's policies to encourage industry to benefit from this research and describe the practical arrangements for this to happen.

Further Measures to support commercialisation of research and cross-border collaboration

A further initiative to ensure the effectiveness of the State's R&D investment is the Government approval in January 2012 for the drafting of legislation to extend the remit of Science Foundation Ireland to include funding of applied research in order to support the development of research findings into commercial opportunities. The proposed Bill will also ensure that the strategic focus of SFI is aligned with the 14 areas of priority identified in the report of the National Research Prioritisation Steering Group. The Bill will also provide Science Foundation Ireland with the legal power to fund research projects related to its strategic areas of focus in Northern Ireland and, subject to the consent of the Minister, participate in collaborative funding schemes, related to its strategic areas of focus, with countries of the European Economic Area or other countries.

Target 3- Climate Change

***Ireland's Headline Target*: Reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.**

Ireland has continued to make progress in relation to its obligations under the Europe 2020 strategy of achieving 20-20-20 targets on greenhouse gas emissions, renewable energy and energy efficiency.

Climate Change

In relation to reducing greenhouse gas emissions, Ireland will meet its EU emission limitation target for the purposes of the Kyoto Protocol on the basis of the response set out in the National Climate Change Strategy 2007-2012. Given the size of the Irish agriculture sector and the scale of emission associated with it, Ireland's 2013-20 mitigation target under the 2008 EU Effort-Sharing Decision (ESD) presents a unique climate policy challenge. Ireland is committed to continued efforts to improve the carbon intensity of food production, including through research and collaboration.

The Programme for Government includes a commitment to introduce primary legislation on climate change, providing certainty in relation to national policy and a clear pathway for emission reductions in line with EU 2020 targets. Against this background, a comprehensive Review of National Climate Policy was issued in November 2011 and a programme for the development of national climate policy and legislation was issued in January 2012. A key element of the programme is an open consultation (open to all stakeholders, including the general public) on climate policy and legislation which was initiated in February and will run up to end-April 2012. This reflects the Government's focus on transparency and inclusiveness in the policy and legislation development process.

The same ongoing and anticipated EU policy developments indicated in last year's NRP may impact climate policy for 2020 as well as informing the preparation of national policy and legislation.

Renewable Energy

Ireland has a target under the Renewable Energy Directive (2009/28/EC) to increase renewable sourced energy to 16% of all energy consumed by 2020. The National Renewable Energy Action Plan sets out the planned trajectory for achieving the target across the electricity, heat and transport sub-sectors with 40% needed in electricity, 10% in transport and 12% in heating and cooling to meet Ireland's overall 16% commitment.

In 2005, 2.8% of Ireland's energy came from renewable sources. This had increased to 5.5% by 2010. On average in the period 2005–2010, the Sustainable Energy Authority of Ireland (SEAI) figures show that overall renewable energy usage has increased by 13% per annum. Ireland submitted this to the Commission in the first report on the National Renewable Energy Action Plan in January 2012, which shows that Ireland is meeting the required trajectory to deliver the 2020 target.

Renewable electricity is now the largest contributor to renewable energy consumption and is expected to contribute most to our 2020 target. The largest contribution in the electricity sector is expected to be made through generation from wind technologies, followed by biomass technologies. Renewable electricity has increased from 5% in 2005 to 14.8% of electricity in 2010, the latest year for which full figures are available.

In the transport sector, the biofuels obligation under the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 requires transport fuel suppliers to provide a specified amount of their sales in the form of biofuels. The obligation currently stands at 4% by volume which is equivalent to 3% in energy terms. The biofuel obligation will incrementally increase on a sustainable basis to 2020, to meet the RES-T target of 10% in 2020. Alongside the growth in renewable electricity, the gradual introduction of electric vehicles into the road transport fleet will also contribute towards the renewable transport target.

The use of renewable energy in the heating and cooling sector has increased from 3.5% in 2005 to 4.5% in 2010; our target is 12% renewable heat by 2020. The growth is mostly due to increased use of wood waste as an energy source in the wood products and food sub-sectors of industry and also been recent growth in renewable energy use in the residential and services sectors with the introduction of grant support schemes.

Energy Efficiency

Ireland's energy policy framework and specifically the National Energy Efficiency Action Plan (NEEAP) contain a longstanding commitment to deliver 20% energy savings in 2020, with a more ambitious target of 33% for the public sector as part of a drive for Government to lead by example. While the energy saving projections for 2020 are positive (based on the latest NEEAP forecasts), considerable challenges remain, most notably the economic climate and the continued ability of the Better Energy programme to attract consumers and businesses to invest in energy saving measures.

Better Energy – the National Retrofit Programme

While the first NEEAP details the package of energy efficiency policies and measures that will deliver the national 20% energy efficiency target in 2020, it also identified a shortfall of 8,000 GWh to target, which is anticipated to be met through the Better Energy programme.

A three-year programme target of 2,000GWh was set for the period 2011-2013 to be achieved by a combination of energy supplier-led initiatives and SEAI programme activity.

The overall target for 2011 was 500GWh, which was exceeded (576GWh was delivered). The annual targets for 2012 and 2013 are 750GWh per annum with the energy supplier portion of this target accounting for roughly half of the total savings to be achieved.

Better Energy Obligations: Energy Saving Targets for Energy Suppliers
Under this strand of Better Energy, several energy suppliers who supply over 75GWh are brought on board as partners. All of the major net-bound energy suppliers have recently signed voluntary agreements with the SEAI, under which the companies commit to deliver an agreed energy savings target each year. The remaining companies, mainly non net-bound energy companies, are expected to sign agreements in the coming weeks. Energy companies can meet their target by directly offering upgrade services, or by sub-contracting the work to third parties.

Public Sector Initiatives
The public sector is a key target area of Ireland's second NEEAP. Amongst the many initiatives planned for this area, energy efficient procurement is of critical importance. The SEAI, the Department of Environment, Community and Local Government (DECLG) and the Department of Communications, Energy and Natural Resources (DCENR) have developed a three-part framework for energy efficient procurement. This framework is presented in the Green Public Procurement (GPP) guidelines. Energy efficient procurement is good procurement: not only does it reduce energy consumption and deliver environmental benefits, it also saves money. Each part of the framework addresses one of the following three broad categories of purchases:

- Energy-using products, e.g. purchasing or leasing equipment, vehicles or buildings, implemented in legislation by S.I. 151 of 2011;

- Energy services – procuring a service directly related to the use of energy, e.g. design and implementation of energy-efficiency retrofit works or an onsite power generation solution, provision of locally generated energy supplies;

- Capital projects, e.g. constructing a new building, wastewater plant or hospital. The SEAI and the DCENR will continue to work with the DECLG to promote and encourage the principles of the SEAI's three-part framework for energy efficient.

In addition, the National Procurement Service (NPS) provides a central procurement service for Government Departments, Local Authorities and agencies. The NPS places contracts for a variety of goods, supplies and services including electricity, natural gas, petroleum products and biofuels.

Building Regulations
In May 2011, the Minister for Environment, Community and Local Government signed revised Building Regulations into law which will result in an improved whole dwelling energy and carbon performance equivalent to 60% better than 2005 standards. The new requirements include substantial improvements in wall, roof and floor insulation; increased energy performance standards for windows; reduced air permeability values, more rigorous thermal bridging heat loss calculations and specifications; higher performing standards for oil/gas/biomass boilers and independent time control of space heating zones. In the case of existing dwellings undergoing a material alteration, the new Regulations also specify improved energy efficiency levels for building elements.

Better Energy Workplaces
The Better Energy Workplaces programme which supports sustainable energy investment disbursed €11 million in 2011 to co-finance 85 projects in the public, commercial, industrial and community sectors. This leveraged additional investment of €34 million, securing estimated savings of 270GWh and abatement of 63,000 tonnes of CO2.

The 2012 iteration of the scheme builds upon the strong success of previous programmes run in recent years (2009-2011). The fund will make available €7.5 million for projects that support energy performance contracting, a key element of the NEEAP. Public sector projects are particularly encouraged in order to assist in meeting the 33% public sector energy efficiency improvement target in 2020.

Target 4- Education

***Ireland's Headline Target*: To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%.**

Ireland has achieved a modest improvement in its target to reduce the percentage of early school leavers which fell from 11.3% in 2009 to 10.5% in 2010 (Eurostat data).

Last year's NRP gave an overview of key measures Ireland was taking to reach our national targets, including the implementation of the national action plan "Delivering Equality of Opportunity in Schools" (DEIS), which focuses on the needs of 3 to 18 year olds from disadvantaged communities. An evaluation report on DEIS was published by the Educational Research Centre (ERC) in January 2012 showing positive change in achievement data at both individual and school level. The ERC will continue its evaluation to examine which aspects of DEIS have the most impact to ensure maximum effect.

Since May 2011, responsibility for functions under the Education (Welfare) Act 2000 relating to the School Completion Programme (SCP) and the integrated educational welfare services under the remit of the National Educational Welfare Board (NEWB) was transferred from the Minister of Education and Skills to the Minister for Children and Youth Affairs.

The National Strategy to improve literacy and numeracy among children and young people was launched in July 2011. It responds to areas of weakness identified in recent national studies and sets ambitious targets covering early childhood, primary and secondary education. All primary and post-primary schools are participating in the implementation of the strategy, and are required to set targets for the improvement of literacy and numeracy skills in the framework of a School Improvement Plan. Children who do not learn to read, write and communicate effectively are more likely to leave school early and, hence, the strategy will support achievement of the national early school leaving target. Implementation will be monitored by the Department of Education and Skills' Inspectorate.

Ireland's tertiary attainment rate for 30-34 year olds continues to rise. The latest Eurostat data show that in 2010 the rate had increased to 49.9%, compared to 49% in 2009. The increase is due to the high participation rates for school leavers that have been growing steadily over the last decade, and the growing participation of adults in higher education. Enrolments continue to rise with graduate numbers increasing by 7% between 2009/10 and 2010/11. The number of mature new entrants also increased by 7% over this period.

The *National Strategy for Higher Education to 2030*, published in early January 2011, provides a framework for the development of the higher education sector for the next twenty years. An Implementation Oversight Group, established in February 2011, is supervising the implementation of the Strategy, which is taking place in partnership with the sector and other stakeholders.

A mid-term review of Ireland's National Plan for Equity of Access to Higher Education 2008-2013 has been carried out and identifies that, despite difficult circumstances, some progress has been made. The progress review shows that good examples of practice and success are part of our system. The report recommends that, over the next two years, good practice be developed further ensuring a collective approach that achieves strong results.

The student grant schemes administrative function for tertiary education is currently undergoing a radical restructuring, enabled by the Student Support Act which was signed into law in February 2011. The key provisions of the Act are:
- The creation of a single unified grants scheme;
- The establishment of a Student Grants Appeals Board;
- The transfer of responsibility for student grants from 66 grant awarding authorities to a single grant awarding authority.

It is envisaged that this reform will deliver a significant service enhancement benefit to student grant applicants. Within the student grant schemes, special rates of maintenance grants are provided for eligible disadvantaged students who receive almost twice the level of an ordinary grant payment.

Target 5- Poverty

***Ireland's <u>Revised</u> Headline Target*[2]*:* To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.2%, which will lift at least 200,000 people out of the risk of poverty and exclusion between 2012 and 2020.**

The national poverty target for Ireland is based on the 'consistent poverty' indicator which represents the overlap of two other indicators: at-risk-of-poverty and basic deprivation.

The national poverty target as expressed in the National Reform Programme 2011 under the Europe 2020 Strategy concurred with the targets set in the *National Action Plan for Social Inclusion 2007-2016*.

In relation to the period 2005-2010, consistent poverty was slightly lower (10,000) in 2010 than in 2005 (a fall of 4% despite a rise of 8.1% in population over the same period). In the period 2008-2010, however, numbers in consistent poverty rose from 186,000 to 277,000, representing an increase of almost 50% on the 2008 figure (the baseline year for EU target purposes).

Furthermore, the rise in the numbers in consistent poverty over that period reflects the impact of the economic and fiscal crisis in Ireland, and in particular almost a trebling of the unemployment rate from 4.5% in 2007 to 13.6% in 2010. There was also an effect from the programme of fiscal consolidation on social welfare adult and universal child payment rates. This rise was foreseen in the National Reform Programme 2011, where it envisaged that "*in the early years fewer people may be lifted out of poverty or indeed the numbers may increase*".

It should be noted that 2008 was the lowest point in the recent Irish poverty cycle and highlights the particular challenges arising from selecting this as the baseline year for the Irish contribution to the EU poverty target. Given the challenging economic and fiscal context, and taking into account recent trends in regard to the national poverty target, the Government undertook a review of the target following NRP 2011. The review involved public consultation and engagement with key stakeholders. It was also informed by an EU peer review on the setting of national poverty targets, which Ireland hosted in June 2011 and attended by nine member states/countries, the European Commission and European stakeholders.

Arising from the review, the Government has decided to revise its national poverty targets to meet Ireland's contribution to Europe 2020 and commitments in the

---

[2] Ireland's <u>Former</u> Headline Target: To reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion

Programme for Government. A revised timescale has been adopted in terms of the national poverty target, from a 2010 baseline rate of 6.2%:

- to reduce consistent poverty to 4% by 2016 (interim target);
- to reduce consistent poverty to 2% or less by 2020.

As a result, Ireland's revised contribution to the EU poverty target will be to lift a minimum of 200,000 people out of the risk of poverty or exclusion between 2012 and 2020. Ireland will engage with the European Commission to consider how the revised national poverty target will contribute to the EU target.

Improving the position of vulnerable groups, including children, lone parents, people with disabilities, and jobless households remains critical to the achievement of the national poverty target. To this end, the Irish Government has also agreed a number of other changes which will have a positive impact for poverty reduction, notably the adoption of sub-targets for children and jobless/low-work intensity households, and new supporting indicators.

The policy approach to meeting the poverty target is set out in the *National Action Plan for Social Inclusion 2007-2016*, based on three inter-connecting themes of income support, activation and services. A report on the implementation of the national action plan for 2009 and 2010 will be published shortly.

With the onset of the economic crisis, the Government prioritised the following:

- To protect the most vulnerable from the worst impact of the crisis;
- To reform income supports for children and people of working age;
- To strengthen activation policy to support people back into work.

Protect the most vulnerable

The Government continues to seek to minimise the impact of fiscal consolidation under the EU/IMF programme on vulnerable groups. In Budget 2012, the nominal value of welfare rates was maintained. The latest (2010) figures indicate that minimum welfare payments (including fuel allowance) are equivalent to 100% of the at-risk-of-poverty threshold (60% line) and that the poverty reduction effect of social transfers remains at 60%, one of the highest in the EU.

Strengthen activation policy

Labour activation measures are critical in ensuring inclusive growth and providing developmental opportunities for the most vulnerable in our society. *Pathways to Work*, as outlined in Target 1 - Employment, provides for more regular and on-going engagement with people who are unemployed, in particular those who are long-term unemployed. The *National Employment and Entitlements Service* plays a central role in supporting active inclusion for the unemployed, providing an integrated service of income support, employment supports and community welfare service, in a one-stop-shop delivery model (as mentioned previously). Other targeted policies for welfare recipients include:

- the *Disability Activation Project*, to increase the capacity of people on disability/illness payments to participate in the labour market, based on a case management approach; and
- the *Partial Capacity Scheme*, which allows people in receipt of disability/illness payments to work on a limited basis and still receive welfare payments.

Reform of income supports

The Department of Social Protection is developing implementation plans for major reform of child income support and of working age social assistance welfare schemes. A key objective of these reforms is to better support the transition from welfare to work. Measures in support of these reforms were implemented in Budget 2012.

Other initiatives

The Government published its strategy for affordable energy in 2011. The key features of the strategy are an area-based approach to the mitigation of energy poverty, greater access to energy efficiency measures, a better alignment of income supports and domestic energy efficiency and improved monitoring of energy poverty.

The Government published its strategy for financial inclusion in 2011. A pilot programme to promote access to basic bank accounts is underway in conjunction with the Irish banking sector.

Consultation and Addressing Linkages

Consultation

As part of the process to prepare this update, representatives of employers, trade unions, the farming community, the Environment Pillar and community and voluntary organisations, together with representatives of regional Government, were contacted to invite any comments or observations on progress to date or on suggestions for the process. Written submissions were received from a number of organisations and these have been incorporated into the document where possible and appropriate. There was an extensive consultation process conducted in the context of the review of the national poverty target.

Linkages

Actions and policies outlined in the National Reform Programme Update 2012 under each target area are not mutually exclusive but are applied in a multifunctional context in order to support and reinforce the other targets. These linkages are particularly pronounced in relation to employment, education and poverty targets.

Examples of some of these linkages are as follows:

- Increasing participation in employment and reducing the number of jobless households at high risk of poverty;
- Promoting labour activation of welfare recipients and reducing the high poverty rate for lone parents and the long-term unemployed;
- Promoting the re-engagement by groups (including youth, older persons and women) who are currently detached from the labour market;
- Tackling educational disadvantage and preventing the inter-generational transmission of poverty;
- Achieving education targets while simultaneously ensuring a sufficient supply of science, mathematics and technology graduates to meet the skills requirements for the achievement of the R&D target and employment objectives.

In engaging with the Social Partners as part of the preparation of this update, the importance of these linkages has been highlighted. Using existing cross-departmental structures, the Government will work to ensure that these linkages are addressed and that the most comprehensive policy solutions are proposed.