



# PRE-BUDGET SUBMISSION 2010

SEPTEMBER 2009

*Vincentian Partnership for Social Justice – working for social and economic change,  
tackling poverty and social exclusion*

## Introduction

This 2010 Pre-Budget submission has been prepared by the Vincentian Partnership for Social Justice. This submission is divided into the following sections:

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The Vincentian Partnership for Social Justice (VPSJ) is a voluntary organization, consisting of representatives of The Society of St Vincent de Paul, Vincentian Congregation, Daughters of Charity and the Sisters of the Holy Faith ([www.vpsj.ie](http://www.vpsj.ie)). The VPSJ was established in 1996 to work for social and economic change tackling poverty and social exclusion. To achieve its goal the VPSJ has focused on two main areas:

- The promotion of Active Citizenship/Voter Education ( [www.vote.ie](http://www.vote.ie) )
- The development of budget standards to determine the cost of a Minimum Essential Standard of Living for different households ([www.budgeting.ie](http://www.budgeting.ie) ).

Since 2001 the VPSJ has carried out research into the cost of a Minimum Essential Standard of Living:

- 2001 *One Long Struggle – A Study of Low Income Households*
- 2004 *Low Cost but Acceptable Budgets for 4 Households*
- 2006 *Minimum Essential Budgets for 6 Households (urban)*
- 2008 *Minimum Essential Budgets for 6 Households – Policy Implications of Changes in Minimum Essential Budgets from 2006 – 2008*

The 2006 *Minimum Essential Budgets for Six Households* has been updated on a yearly basis. This budget submission is based on the 2009 figures. Further information on these studies to be found on our website [www.budgeting.ie](http://www.budgeting.ie) .

These studies provide detailed information on the actual cost of a Minimum Essential Standard of Living for six households. A Minimum Essential Standard of Living is

defined as one which meets a person's physical, moral, spiritual and social well-being. For the most part minimum income standards in Ireland have been developed historically by negotiation between policy makers at Government level and not through evidence of what people actually need. The minimum essential income standard is grounded in informed social concerns about what households need in order to achieve a minimum socially acceptable standard of living. The Minimum Essential Standard of Living budgets were developed as a result of extensive consultation with households and the pricing of over 2000 household items and services. These studies have direct policy implications and have been used by organisations such as MABS and St. Vincent de Paul when assisting clients to manage their income. The studies are also being used as a resource for policy makers.

The VPSJ welcomes the opportunity to submit a 2010 pre-budget submission. This submission puts forward key priorities for the upcoming budget. The VPSJ is very conscious of the enormity of the financial crisis facing the country and of the challenges facing the Government. Nevertheless, the position of the VPSJ is that social welfare transfers must be protected and cuts in Government spending should not be targeted at those on the lowest incomes for whom life *'is one long struggle'*.

## **OUR KEY PRIORITIES FOR BUDGET 2010**

### **➤ Pensioners Living Alone**

Maintain pension rates at their current level and increase the Living Alone Allowance to adequately compensate for the additional individual costs of living alone when compared to a family or couple.

### **➤ Households with Adolescents**

The rate of Child Benefit must not be cut as suggested in the McCarthy Report. Families on a low income, particularly those with adolescents, are already struggling to make ends meet. A reduction in Child Benefit will see many of these families forced to forgo basic necessities such as food and fuel because they simply cannot afford them. A large proportion of early school leavers leave school because of the financial burden on parents created by the cost of education. In the period June 2008 – June 2009 education costs rose by 4.5%.

### ➤ **Single Adult Males**

The downturn in the economy and in particular the construction industry has resulted in a considerable number of young single adult males losing jobs. The VPSJ is calling on the Government to protect Social Welfare rates and the National Minimum Wage and ensure that a growing number of young men are not consigned to a lifestyle of poverty and social exclusion.

### ➤ **Lone Parents and Family Income Supplement**

The McCarthy report recommends that claimants in receipt of a primary weekly Social Welfare payment should not be eligible for Family Income Supplement (FIS). Our research has found that FIS makes possible a Minimum Essential Standard of Living for Lone Parents who work full time and are paying full-time private childcare fees (because no other childcare is available). If FIS is removed there is a real possibility that many people will choose not to work as it is not financially viable when childcare costs are taken into account. The VPSJ is calling on the Government to ensure that any changes to FIS do not erode the benefits of working.

## **Detailed Recommendations**

### **1. Pensioners Living Alone**

The cost of living alone can place a significant financial burden on older people as there is only one income in the household to meet expenses. Figures from the 2009 update of our study '*Minimum Essential Budgets for Six Households*', show that a female pensioner living alone needs to spend €70.35 per week on food, whilst a pensioner couple will spend €86.20 per week. A pensioner living alone will also need to spend the same amount on household fuel (€32.42 in 2009) as a pensioner couple (for more detailed information on expenditure costs see [www.budgeting.ie](http://www.budgeting.ie)). The Living Alone Allowance of €7.70 per week, which it should be noted has not increased since 1996, is therefore insufficient to meet the needs of pensioners who live alone.

If the recommendation of a 5% cut in Social Welfare rates as outlined in the McCarthy Report is implemented this will undoubtedly place a Minimum Essential Standard of Living further beyond the reach of older people living alone. Pensioners who live alone will see a substantial drop in their income from €230.30 per week for those on a

Contributory Pension to €18.79. Those on a Non-Contributory Pension will see their income fall from €19.00 per week to €08.05. Whilst a 3% reduction in Social Welfare rates also proposed in the McCarthy Report would have a lesser impact than a 5% reduction on the incomes of older people who live alone, it will nevertheless lead to a deeper level of poverty for these households.

Table 1 reveals that in 2009 all female pensioners living alone in our study have a weekly shortfall ranging from €11.79 (income from State Contributory Pension/no car) to €66.83 (Income from Non-Contributory Pension/car owner). According to 2006 Census there are 121,157 people nationally over the age of 65 living alone. It is therefore imperative not only to protect Social Welfare rates for older people living alone, it is also necessary that the Living Alone Allowance be substantially increased to help meet the cost of living.

**Table 1.**

**Lone Female Pensioner (age70+)**

**2009: Total weekly income, expenditure and shortfall/discretionary income for the 4 different family income situations**

<b>Income Expenditure Scenario</b>	<b>Total cash income<sup>1</sup> €</b>	<b>Total ME Budget costs* €</b>	<b>Shortfall/ Discretionary Income €</b>
Income from Contributory. Pension/ no car	269.02	280.81	11.79 (shortfall)
Income from Contributory Pension/ car owner	269.02	326.24	57.22 (shortfall)
Income from Non-Contributory Pension/ no car	257.72	279.12	21.40 (shortfall)
Income from Non-Contributory Pension/ car owner	257.72	324.55	66.83 (shortfall)

**Recommendation:** *Protect Social Welfare rates for those who live alone and substantially raise the Living Alone Allowance to help older people living on their own meet their minimum essential expenses.*

<sup>1</sup> When calculating the Net cash income for each income scenario, income from the Household benefits package was taken into account. Eligibility for medical card also considered.

\*Less healthcare costs where applicable

## 2. Households with Adolescents

The McCarthy report recommends a 20% reduction in Child Benefit reducing it from €166 per month to €136 per month. This recommendation does not take into account the fact that many families, in particular families with adolescents, are already faced with a weekly shortfall. Reducing Child Benefit would have a direct negative impact on households that are already struggling to cope despite the fall in the price of goods and services in 2009.

The research carried out by the VPSJ into the cost of a Minimum Essential Standard of Living has highlighted the plight of households with adolescents who spend more on food, social inclusion and education than households with younger children. The 2009 figures from our study show that a household with two parents and two children age 10 and 15 spend €30.85 more per week on food, €24.21 more per week on social inclusion and participation and €28.20 more per week on education than a household with two adults and two children age 3 and 10 (for more information on expenditure costs see [www.budgeting.ie](http://www.budgeting.ie)). As Table 2 below shows a cut in Child Benefit would be most damaging as all in this household type experienced weekly shortfalls in 2009 with the weekly shortfall ranging from €100.01 to €26.06. Such a substantial drop in income is not morally acceptable and would potentially have a detrimental affect on the psychological, social and physical well being of this household type.

It is imperative therefore that when the Government is considering what areas they can make savings in that they do not concentrate on those who are already unable to afford a Minimum Essential Standard of Living. Our findings show that households with adolescents could not cope with a reduction in Child Benefit and any reduction will force these families further into debt.

***Recommendation: Protect Child Benefit to ensure that families which are already unable to afford a minimum essential standard of living are not subjected to further financial hardship.***

**Table 2****Two Parent and Two Children (10 year old girl and 15 year old girl)****2009: Total weekly income, expenditure and shortfall/discretionary income for the 5 different family income situations**

<b>Income Expenditure Scenario</b>	<b>Total cash income<sup>2</sup> €</b>	<b>Total ME Budget costs* €</b>	<b>Shortfall/Discretionary Income €</b>
Income from Unemployment Benefit (Jobseekers Benefit)	478.23	579.24	101.01 (shortfall)
1 Full-time worker/ no car	570.08	596.14	26.06 (shortfall)
1 Full-time worker/ car owner	570.08	601.64	31.56 (shortfall)
1 Full-time worker and 1 Part-time worker/ no car	636.69	666.36	29.67 (shortfall)
1 Full-time worker and 1 Part-time worker/ car owner	636.69	671.86	35.17 (shortfall)

**3. Single Adult Males**

The reduction in the rate of Jobseekers Allowance to €100 per week for those under 20 and also changes to Rent Supplement for those in the private rented sector has already had a significant impact on many young adult males. For this reason, it is important that in the upcoming Budget the Government is mindful that a 5% cut in Social Welfare rates would make life even more of a struggle for those already unable to afford the cost of living. Table 3 below highlights that young single adult males in our study are unable to afford a Minimum Essential Standard of Living despite a fall in the cost of goods and services in 2009.

<sup>2</sup> When calculating the Net cash income for each scenario, income where applicable from Unemployment Benefit, Family Income Supplement, Child Benefit, Back to School Clothing and Footwear Allowance and Income from paid employment was taken into account. Eligibility for medical card was also considered

\*Less health care costs where applicable.

**Table 3****Single Adult Male (age 25+)****2009; Total weekly income, expenditure and shortfall/discretionary income for the 2 different income situations**

<b>Income Expenditure Scenario<sup>3</sup></b>	<b>Total cash income €</b>	<b>Total ME Budget costs* €</b>	<b>Shortfall/ Discretionary Income €</b>
Income from F/T on NMW/ no car	324.38	373.66	49.28 (shortfall)
Dependent on Unemployment Benefit (Jobseekers Benefit)/ no car	302.30	370.52	68.22 (shortfall)

A cut of 5% in Jobseekers Benefit would mean a reduction of approximately €10.00 per week in income. A reduction of 5% in Social Welfare coupled with the increase in the minimum contribution for Rent Supplement to €24.00 per week and the new stipulation that as of July 2009 applicants for Supplementary Welfare Rent Allowance must be living in their current accommodation for a minimum of 183 days before they are eligible to apply for the allowance will push many young adult males further into poverty and for some leave them no other option but homelessness. This would be completely against the Government's policy to end homelessness by 2010 and would undoubtedly erode the progress that has been made to eradicate poverty in the last decade.

Table 3 also draws our attention for the need to protect the National Minimum Wage (NMW) at its present rate. Our 2009 findings highlight a shortfall of €49.28 for those working 37.5 hours per week at €8.65 per hour and living in private rented accommodation. Although rents have fallen in the last year, it must be pointed out that it is the upper end of the market that is seeing the most substantial drop in rental incomes ([www.daft.ie](http://www.daft.ie) Rental Report Quarter 2 2009) and this point should not be overlooked. Despite a drop in the cost of living and rent, a young adult male would have to work approximately 43 hours per week to meet his expenditure costs (for more details on expenditure costs see [www.budgeting.ie](http://www.budgeting.ie)). The National Minimum Wage is a benchmark and

<sup>3</sup> It should be noted that the similarity in incomes of the adult male working full time and that of the unemployed adult is due to a supplementary rent supplement of €8.00 per week. An unemployed male also receives unemployment benefits of €204.30 per week.



our study shows that many of those working at the rate of the NMW cannot meet their basic expenditure costs. It is apparent that if the NMW is reduced it will set the bar very low for what is deemed an acceptable wage but also an acceptable standard of living. Our study on the cost of a Minimum Essential Standard of Living is based on needs not wants and is relatively frugal so to expect people to live below this level is to consign them to a lifestyle of poverty and deprivation.

**Recommendation: *Maintain Social Welfare Rates and the National Minimum Wage at their current levels.***

#### **4. Lone Parents and Family Income Supplement**

The McCarthy Report ‘*recommends that claimants already in receipt of a primary weekly social welfare payment should not be eligible for the scheme [Family Income Supplement] in line with the principle that where possible social welfare claimants should be in receipt of a single primary payment*’ (2009: p.189). If this recommendation is implemented our 2009 figures indicate that lone parents who work full time (at the rate of the National Minimum Wage) and whose children are in full-time private childcare will no longer be able to afford a Minimum Essential Standard of Living. As Table 4 highlights a lone parent who works full time and has a car already has a weekly shortfall of €12.95, whilst a lone parent working full time without a car has a small weekly discretionary income of €15.33. If Family Income Supplement is no longer available for lone parents, this household will lose €5.00 per week. The ending of FIS coupled with the proposed reduction in child Benefit from €66 per month per child to €36 and the ending of the Early Childcare Supplement will mean that household will see their income drop from approximately €51<sup>4</sup> per week to approximately €73 per week.

Whilst the cost of living has fallen, it must be noted that between June 2008 and June 2009 childcare actually increased by 6.4%, education by 4.5% and Health by 3.4% (CSO, 2009). Cutting Family Income Supplement particularly for those who work full time pay full-time private childcare fees will diminish the benefits of working and leave many lone parents caught in a poverty trap where they are in a better off in receipt of Social Welfare than they are from working. This would be a retrograde step and would erode the many

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<sup>4</sup> The figure of €51 per week is based on income from work (37.5 hours per week @8.65 per hour), One Parent Family Payment, FIS, Child Benefit, Early Childcare Supplement and Fuel Allowance.

positive steps that have been taken in the last number of years to encourage people back in to the workforce.

**Table 4**

**One Adult and Two Children (3 year old girl and 10 year old boy)**

**2009: Total weekly income, expenditure and shortfall/discretionary income for the 2 different family income situations**

<b>Income Expenditure Scenario</b>	<b>Total cash income<sup>5</sup> €</b>	<b>Total ME Budget costs* €</b>	<b>Shortfall/ Discretionary Income €</b>
Full-time worker/ car owner	651.78	664.73	12.95 (shortfall)
Full-time worker/ no car	651.78	636.45	15.33 (discretionary income)

**Recommendation:** *Continue paying Family Income Supplement for those on low wages and paying for private childcare.*

**Rationale for Recommendations:**

The VPSJ is acutely aware of the seriousness of the financial crisis facing this country; the exchequer deficit now stands at €18.7bn and remains more than double the size of the deficit of a year ago. Furthermore, the number of people on the live register has grown by almost 200,000 in a 12 month period. The Report of the Special Group on Public Service Numbers and Expenditure Programmes (McCarthy Report) established to examine the current expenditure programmes in each Government Department has identified potential savings of €5.3bn in a full year. The severity of the problem facing the country cannot be underestimated and cuts must be made to stabilise the economy. For these reasons the VPSJ is asking for an increase in only 1 Social Welfare Payment – the Living Alone Allowance. However, it is clear from our work on Minimum Budget Standards and the

<sup>5</sup> When calculating the total Net income for each income scenario, income where applicable from One Parent Family Payment, Early Childcare Supplement, Family Income Supplement, Fuel Allowance, Child Benefit, Back to School Clothing and Footwear Allowance and income from paid employment was taken into account. Eligibility for medical card was also considered

\* Less health care costs where applicable

cost of a Minimum Essential Standard of Living that increases in many instances would indeed be justified. The 5% cut in Social Welfare rates suggested in the McCarthy report would erode the hard work and progress made by the present Government in the last decade to bring people out of poverty. Furthermore, a 5% cut in Social Welfare rates would mean that those already experiencing poverty would be subjected to additional financial hardship and a Minimum Essential Standard of Living put further beyond their reach. It is imperative that any reduction in public spending does not place more hardship on those who have the least ability to pay - people already experiencing poverty and social exclusion.

It is our hope that the 2010 Budget will protect Social Welfare rates and safeguard the progress to eradicate poverty that has been made over the last decade.

### **Minimum Essential Standard of Living**

The Vincentian Partnership for Social Justice (VPSJ) is calling on the Government to implement the priorities outlined in this Pre Budget Submission. These priorities are based on research carried out by the VPSJ into what it costs to have a minimum essential standard of living.

Our study '*Minimum Essential Budgets for Six Households*' was published in 2006. The Budgets were constructed using focus groups consisting of representatives from each household. The focus groups were drawn from differing social and economic backgrounds. Experts in areas of heating and nutrition etc were called upon as the need arose. In all over 2000 items were priced – goods and services. The study examined six different household types (there are 27 different family situations within the 6 broad household categories e.g. working full-time or part-time, in receipt of social welfare etc) and compared their weekly income from work (at the rate of the National Minimum Wage) and/or Social Welfare entitlements with their weekly expenditure to assess whether these households were living with a shortfall or a discretionary income. If a family has an income above their expenditure costs they are said to have a discretionary income and are able to afford a Minimum Essential Standard of Living. If however, a family has an income below their expenditure costs they are said to have a shortfall and are unable to afford a Minimum Essential Standard of Living. The 2006 study has been updated for 2007, 2008 and 2009

to take into account changes in inflation, the National Minimum Wage and Social Welfare rates. The 2009 figures show that despite a drop in the cost of living, a Minimum Essential Standard of Living is still not possible for 3 of the 6 households in our study.

The 3 households unable to afford a Minimum Essential Standard of Living are:

- **Female Pensioners Living Alone**
- **Households with Adolescents**
- **Single Adult Males**

It is evident from our work, that cutting social welfare rates by either 3% or 5%, reducing and standardising Child Benefit to a rate of €136 per month, abolishing the ‘Christmas Bonus’, changing the eligibility for Family Income Supplement and reducing eligibility for Exceptional Needs Payment will have a serious negative impact on those who are already struggling and failing to meet the cost of living.

## **Conclusion**

When a household has a manifestly low income which is considerably less than that required for a Minimum Essential Standard of Living there can be no justification for measures which plunge them deeper into poverty and debt. Other choices are possible.

The VPSJ acknowledges the many strides that have been made by the Department for Social and Family Affairs in the areas of poverty and social exclusion over the last decade and commends the Department for its commitment to the people who are the most economically and socially excluded our society. The VPSJ is asking the Minister for Social and Family Affairs to maintain this commitment in Budget 2010 and continue the concerted effort to bring people out of poverty. If the progress of the last decade is not sustained (or at least maintained) in Budget 2010 because of ill targeted cuts the consequences will have an extremely detrimental effect on thousands of Irish households.