



**PRE-BUDGET  
SUBMISSION 2011**

**SEPTEMBER 2010**

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

## Introduction

This 2011 Pre-Budget submission has been prepared by the Vincentian Partnership for Social Justice. This submission is divided into the following sections:

- 1: Introduction
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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*
- 2010 *Minimum Essential Budgets for 6 Rural Households* (to be published October 2010)

The 2006 *Minimum Essential Budgets for Six Households* has been updated on a yearly basis. This budget submission is based on the 2010 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 consensus about what households need in order to achieve a minimum socially acceptable standard of living. Individuals or households having more than a minimum income cannot be guaranteed to have a Minimum Essential Standard of Living; however someone with an income below the minimum income is unlikely to achieve a Minimum Essential 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 the Society of 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 2011 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 2011**

### **➤ 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 taxed or cut again. Families on a low income, particularly those with adolescents, are already struggling to make ends meet. A further 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 2009 – June 2010 education costs rose by 9.1%

### **➤ 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 their 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.

## **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 2010 update of our study '*Minimum Essential Budgets for Six Households*', show that a female pensioner living alone needs to spend €66.57 per week on food, whilst a pensioner couple will spend €81.56 per week. A pensioner living alone also spends almost the same amount on

household fuel as a pensioner couple, €39.57 for a female pensioner as opposed to €39.76 for 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.

Table 1 highlights that in 2010 only 1 in 4 of female pensioner households in the study are able to afford a Minimum Essential Standard of Living. The Female Pensioner living alone and with no car has a very small discretionary income of €2.93 a week. Any reduction in social welfare will have a negative impact and will more than likely return this household to having an income below what is needed for a minimum essential lifestyle.

**Table 1**

**Lone Female Pensioner (age70+)**

**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	268.79	265.86	2.93 (Discretionary Income)
Income from Contributory Pension/ car owner	268.79	312.53	43.74 (Shortfall)
Income from Non-Contributory Pension/ no car	257.49	264.17	6.68 (Shortfall)
Income from Non-Contributory Pension/ car owner	257.49	310.84	53.35 (Shortfall)

<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

Furthermore, the three households in this scenario who have shortfalls ranging from €6.68 (Non-Contributory Pension/No Car) to €53.35 (Non Contributory Pension/Car owner) will face further financial hardship if social welfare rates are cut in Budget 2011. 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 alone.

**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.*

## **2. Households with Adolescents**

In Budget 2010 Child Benefit was reduced by €16.00. A further cut to Child Benefit or the taxation of Child Benefit in Budget 2011 would place many families who rely on this payment under increased financial strain.

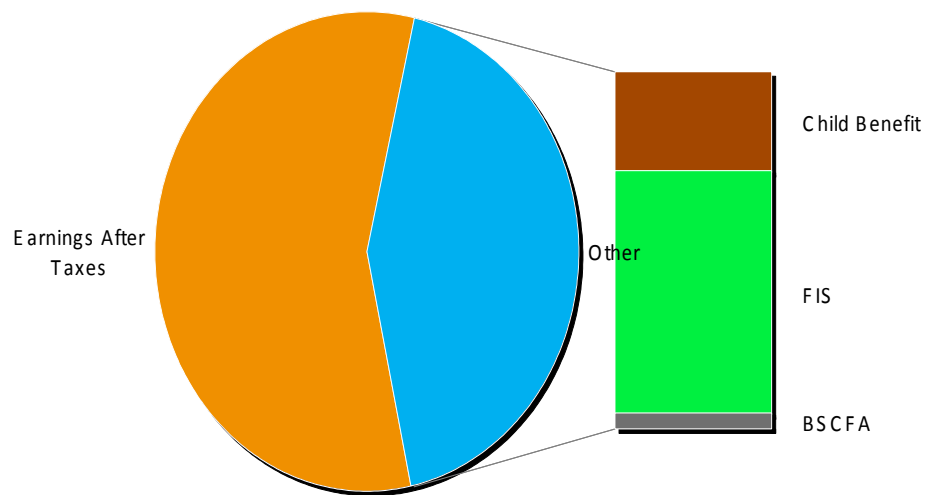
Figures for 2010 show that only two of the five households with children aged ten and fifteen have a discretionary income. This discretionary income is however very small. A household with 1 full-time worker and no car has a discretionary income of €3.22 a week. The household with 1 full-time worker and 1 part time worker and no car have a discretionary income of €0.06 cent a week.

Graph 1 below shows that for a two parent household and two children age ten & fifteen, with one parent working full-time on the national minimum wage, that 43% of their income comes from Social Welfare transfers. It is evident from our work that any reduction in Child Benefit or other Social Welfare payments such as Family Income Supplement will undoubtedly mean that these households who at present are barely able

to afford a Minimum Essential Standard of Living will be forced to live on an income that cannot meet their physical, psychological and social needs.

### Graph 1

Two Parent, Two Child (10 & 15) Household  
Breakdown of Weekly Income



Moreover, the figures for 2010 for this particular household type show that there are three households who are living with weekly shortfalls ranging from €10.70 a week (Full-time worker/car owner) to €83.47 (in receipt of Jobseekers Benefit) a week. The cost of an adolescent places a considerable financial strain on households. Figures for 2010 from the study show that a two parent household with two children age 10 and 15 will spend €29.19 a week more on food; €7.61 a week more on clothing and €14.88 more a week on education than a two parent household with children age 3 & 10.

It is clear from our work that many households with adolescents are not managing to meet the cost of living. It must be pointed out that the majority of these households are not bad money managers. The simple fact is that Social Welfare and the NMW are not enough for some households. If either of these are reduced in Budget 2011 how will these households survive? How will they pay their bills? How will they clothe, feed and educate their children? In our work with families with adolescents we see the results of the ever greater impact of the recession on low income households. It is becoming increasingly difficult for parents dependent on Social Welfare and/or the National Minimum Wage to meet the cost of educating an adolescent. The Government needs to take pre-emptive action to prevent the inevitable escalation in the number of early school leavers and the possible consequences of anti-social behaviour. One such step would be to increase Child Benefit for adolescents in low income households.

## **Table 2**

### **Two Parent and Two Children (10 year old girl and 15 year old Boy)**

#### **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)	464.64	548.11	83.47 shortfall
1 Full-time worker/ no car	569.89	566.67	3.22 Discretionary Income
1 Full-time worker/ car owner	569.89	580.59	10.70 Shortfall

<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.



1 Full-time worker and 1 Part-time worker/ no car	636.50	636.44	0.06 Discretionary Income
1 Full-time worker and 1 Part-time worker/ car owner	636.50	650.35	13.85 Shortfall

Reducing social welfare, taxing child benefit or cutting the NMW is neither fair nor equitable. The Government must ensure that Budget 2011 does not again target those who have the least ability to pay.

***Recommendation: Protect Child Benefit and increase it for low income families with teenagers; Protect Family Income Supplement to ensure that families which are already unable to afford a minimum essential standard of living are not subjected to further financial hardship.***

### **3. Single Adult Males**

The reduction in the rate of Jobseekers Allowance in Budget 2010 to €100 per week for those under 22; €150.00 for those aged 22-24 and €196.00 for those age 25 and over coupled with previous changes to Rent Supplement for those in the private rented sector, has had a significant negative financial impact on many young single males.

Unfortunately, job prospects remain bleak in Ireland and the latest figures from the Central Statistics Office (CSO) show that in August 2010 the standardized unemployment rate was 13.8% and that the seasonally adjusted Live Register total for August 2010 was 455,000 of which 297,200 are male. Table 3 below from the 2010 update illustrates that a Single Male age 25 in receipt of Jobseekers Benefit and a rent allowance of €98.00 a week (post compulsory €24 contribution) has a weekly shortfall of €55.70 a week. Undoubtedly, such a substantial weekly shortfall will have an impact on this household's ability to afford basic necessities such as food, clothing and a roof over their head. Figures recently released by Focus Ireland show that in 2010 there are over

5,000 people who are homeless. If Jobseekers Benefit/ Allowance are reduced again in Budget 2011, the number of homeless people is very likely to increase.

**Table 3**

**Single Adult Male (age 25+)**

**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	352.48	28.10 Shortfall
Dependent on Unemployment Benefit (Jobseekers Benefit)/ no car	294.00	349.70	55.70 Shortfall

Table 3 above also shows that a single male working 37.5 hours a week and earning the National Minimum Wage has a weekly shortfall of €28.10. There have been assertions that Ireland cannot afford the present rate for the National Minimum Wage. However, there are many unacceptable consequences of a reduction in the NMW such as an increase in the number of people who cannot afford to meet their essential needs for example.

A single adult working full-time and earning the NMW earns less than is necessary to maintain a minimum standard. Under the current income tax and levies regime, a single adult earning marginally above the minimum wage, and residing in private-rented accommodation, will pay the income levy, and as their wage rises PRSI. Examining the current system demonstrates that a ‘living wage’ salary of €9.87 per hour is necessary for a single adult to earn an income adequate to meet a minimum essential standard of expenditure. At this wage, the earner is subject to the income levy (€7.40 per week) 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 €98.00 per week. An unemployed male also receives unemployment benefits of €196.00 per week.

PRSI contributions (€9.72 per week). However, in a scenario where earnings below that adequate to meet a minimum standard were exempt from levies and contributions, a 'living wage' of €9.40 is required.

If the NMW is cut in the upcoming budget, the financial situation of this household will deteriorate further. Reducing the NMW 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.***

### **Rationale for Recommendations:**

The VPSJ is acutely aware of the seriousness of the financial crisis facing this country. For this reason the VPSJ has confined its recommendations to the following:

- Substantially Increase the Living Alone Allowance
- Maintain Social Welfare rates at their present level and increase the rate of Child Benefit for households with adolescents and who are living on a low income
- Maintain the National Minimum Wage at its present level

It is clear from our work on Minimum Budget Standards and the cost of a Minimum Essential Standard of Living that increases in many instances would indeed be justified. Further cuts to Social Welfare entitlements would erode the hard work and progress made by the present Government in the last decade to bring people out of poverty. Furthermore, another 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.

### **Inflation and the Cost of a Minimum Essential Standard of Living**

Another rationale for our recommendations is that the Consumer Price Index (CPI) inflation rate conceals the fact that not everyone has benefited to same degree from the fall in the cost of living. A minimum standard basket of goods and services is notably more stringent than that at the basis of the CPI. Therefore, it is possible to examine the trend of inflation and deflation experienced by households living on a minimum essential standard as opposed to the CPI rate. This analysis shows that households at this level have not experienced the same degree of dramatic deflation as that suggested by the annual CPI rate. Comparing June to June each year, an inflationary high in 2008 with deflation since, is evident. The CPI rate shows price deflation of 6.3% from June 2008 to June 2010. However, in the same period the analysis finds the urban single adult household would have experienced only 2.4% deflation, the lone female pensioner household 2.5%, and the two parents, two children, household 3.1% deflation. In each case, notably less than the degree of deflation suggested by the CPI rate.

It is our hope that the Government will seriously consider our recommendations and that 2011 Budget will not mean further cuts to Social Welfare rates and a cut to the National Minimum Wage.

### **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 – good 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, 2009 and 2010 to take into account changes in inflation, the National Minimum Wage and Social Welfare rates. The 2010 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 these households simply cannot absorb another cut in their income. They have already been at the receiving end of cuts to Child Benefit, Jobseekers Benefit, and the withdrawal of Christmas Bonus. A further cut will only serve to make what is at present a very difficult situation even more difficult.

## **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 of Social Protection 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 in our society. The VPSJ is asking the Minister for Social Protection to maintain this commitment in Budget 2011 and continue the concerted effort to bring people out of poverty. The progress of the last decade will be a distant memory if Budget 2011 is used as an opportunity to reduce Social Welfare rates and the National Minimum Wage, the consequences of which will have an extremely detrimental effect on thousands of Irish households for many years to come.