

National Child Poverty Target

Introduction

The Vincentian MESL Research Centre at SVP welcomes the opportunity to contribute to the National Child Poverty Target public consultation. This submission will primarily address two of the consultation questions included in the guidance document;

- Are there specific actions required related to meeting the child poverty target?
- Is it feasible to set sub-targets within the child population which can then be monitored?

To briefly address the other questions asked in the document, the Research Centre is of the view that;

- Consistent poverty remains the appropriate basis for the national child poverty target, as the dual nature of the measure better captures the multi-faceted nature of poverty.
- The target should continue to be set at a rate basis, as it will be more consistent to track progress over time and will not be impacted by changes in population level.
- The Department should be ambitious when setting the new child poverty target, and set the same target for all children in Ireland,
 - However, the position of specific groups which have a higher rate of child poverty than the rest of the population, e.g. children in one parent families, should be reported in a set of sub-indicators.
- The time frame set for the target should also be ambitious, but reasonable, and aim to take as many children out of poverty as quickly as possible.

Outline of Submission

In responding to the consultation questions, this submission will discuss relevant aspects of the Programme for Government, the Roadmap for Social Inclusion, and the priorities of the Child Poverty and Wellbeing Programme Office. It will then give an overview of the Minimum Essential Standard of Living (MESL) research and discuss recent MESL findings on income adequacy, the adequacy of child income supports and income adequacy for specific groups, such as one parent households and households with older children.

The submission will discuss the Child Poverty and Wellbeing Programme Office's annual milestone table, and the potential to include sub-indicators within this annual report to monitor child poverty. The submission will then discuss in-work supports for low income families and will conclude by summarising the Research Centre's recommendations.

Background

The current Programme for Government commits to the implementation of the Roadmap for Social Inclusion in order to improve outcomes for those who are struggling on low incomes. It also commits to protecting core weekly social welfare rates and recognises the importance of secondary benefits and supports. The Roadmap for Social Inclusion explains that “Social Inclusion is achieved when people have access to sufficient income, resources and services to enable them to play an active part in their communities and participate in activities that are considered the norm for people in society generally”.

The Child Poverty and Well-being Programme Office announced their six initial priority areas in 2023, the first of which being “Income supports and joblessness”. The office states that these priority areas were selected as they are areas of intervention that have the potential to bring about significant change for families and children living in poverty.

The Office’s Initial Programme Plan acknowledges that adjustments to the welfare system can have a significant impact on child poverty, while there is also a strong correlation between work and a lower risk of poverty, therefore, there is a careful balance to be struck in ensuring that welfare supports are combined with incentives and supports for training, education, and work. As a result of this, the plan recognises that alleviating material deprivation requires a strong focus on income, both for families who are not in the labour market, but also those who are working and on low incomes, to be complemented by a range of other social supports and services.

The Office’s plan states that it will monitor the delivery of initiatives to financially support low-income families. It will also work with the relevant Departments in order to bring additional strategic focus to developments in various areas, including the following. The income and employment situation of lone parents who face ongoing challenges and experience particularly high levels of poverty and deprivation. Ensuring that key income supports, such as the Increase for a Qualified Child and the Working Family Payment, are not undermined by cost-of-living increases and continue to contribute to realising child poverty targets. As well as development for families who need specific recognition in order to allow them to benefit from the range of supports that could be available and may reduce poverty.

Minimum Essential Standard of Living

The MESL is decided on by members of the public, working together in deliberative focus groups to reach consensus on what is the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social, and psychological needs, and enable a life with dignity.

The research works with multiple phases of deliberative groups, to reach a social consensus on the goods and services people need to have for a minimum, but socially acceptable, standard of living. The MESL provides the weekly cost of this set of essential goods and services that are required to meet minimum needs and enable people to live with dignity.

In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty. It operationalises a direct measure of poverty and a life with dignity, providing an evidence-based benchmark for assessing income adequacy.

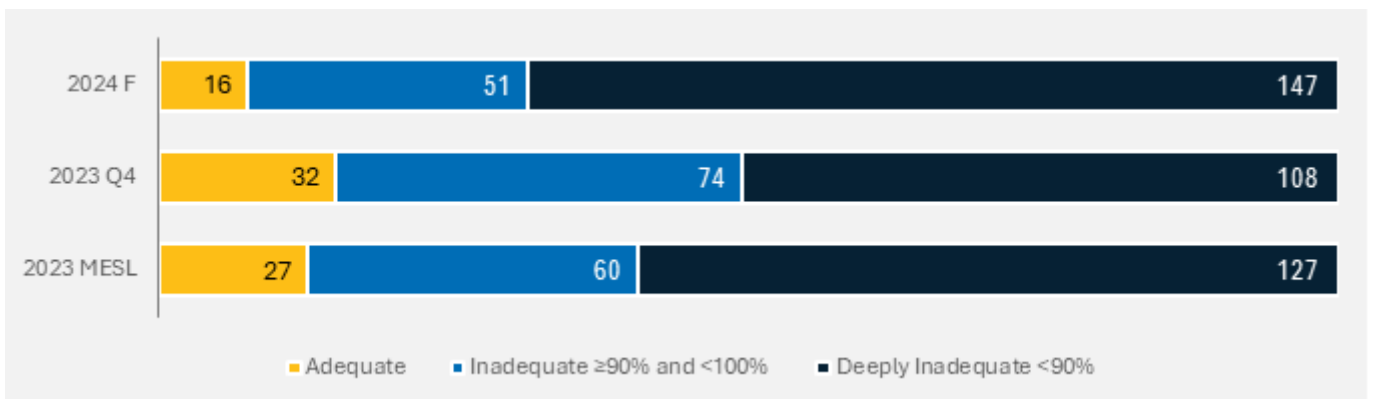
Relevant findings from MESL data

The exceptional pressure on living costs in recent years meant that the 2023 Annual MESL update found that the cost of a Minimum Essential Standard of Living increased by 10.6% from March 2022 to March 2023. Cumulatively minimum living costs have risen by 18.9% from March 2020 to March 2023.

The Budget 2024 MESL Impact Briefing analyses the impact of Budget 2024, applying the MESL data to examine the effect of the announced measures on income adequacy. In order to analyse the impact of the measures announced in Budget 2024, the MESL Impact Briefing forecasts the average weekly cost of a MESL in 2024, using inflation forecasts from the Central Bank. The Budget 2024 Briefing forecasts indicate the potential for an approximately 7.7% increase in MESL costs over the remainder of 2023 and 2024.

The Briefing found that the nominal increase to the core adult rates, associated increases for qualified children and adults announced in Budget 2024 are forecast to meet a lower proportion of minimum living costs in 2024 than they did in 2023. The purchasing power of core social protection supports has not been maintained, and as a result, the adjustments are a real term cut.

Graph 1 Social welfare income adequacy assessment, 214 test cases



The Graph above, taken from the Impact Briefing, demonstrates that, based on the 214 test household cases that the MESL research looks at, the measures introduced in Budget 2024 are forecasted to widen the incidence of deep income inadequacy¹ to 69% of cases examined, while 24% of cases demonstrate an inadequate income within 10% of MESL needs. Overall, 93% of cases are projected to demonstrate income inadequacy, with 7% of cases showing an adequate income in 2024.

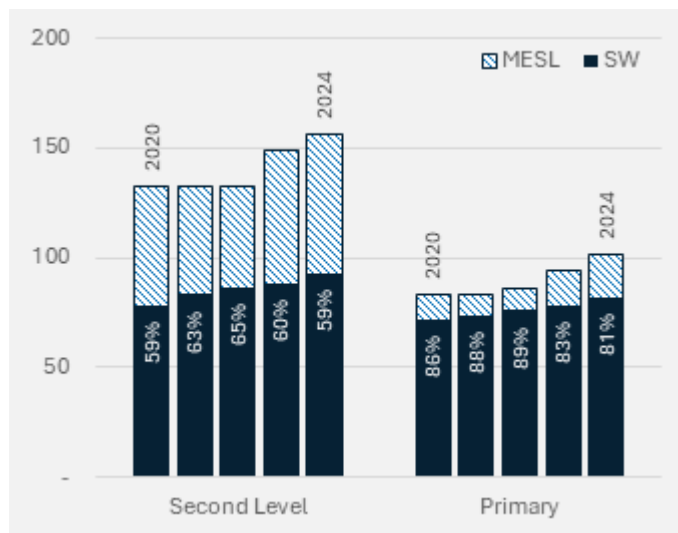
Having a consistently inadequate income means doing without what is required to meet basic needs and to take part in normal day-to-day activities and participate in society.

The supports announced for 2024 do not adequately address the inflation gap which has grown between social protection rates and expenditure needs. This does not align with the Programme for Government's commitment to protect core weekly social welfare rates and contradicts the Child Poverty and Wellbeing Programme Office's priority to ensure that key income supports, such as the increase for a qualified child, are not undermined by cost of living increases.

¹ Deep income inadequacy – Households income meets less than 90% of households MESL need.

Adequacy of Child Income Supports

Graph 2 Child related social welfare, % MESL met



This is further highlighted in the above graph, which shows the direct MESL cost of a child at Primary and Second Level age, adjusted for Medical Card eligibility, measured against core child related social welfare supports². It shows that the relative value of child related supports was maintained and built upon from 2020 to 2022. In 2020, supports met 86% of MESL need for a primary school age-child and 59% of MESL need for a second level age child. Improvements in the Qualified Child increase rate for children 12 and over, in 2021 and 2022, resulted in the total social welfare support meeting a progressively larger proportion of MESL need for this age-group.

In 2023, the full set of supports met 83% and 60% of MESL need for primary and second level age groups respectively, falling back from the progress made towards adequacy in 2021 and 2022. In 2024, it is estimated that the adequacy of core social protection supports will fall again, meeting 81% of MESL need for a primary school aged child, and 59% of MESL need for a second level child.

Table 1 Rate of Qualified Child Increase required to adequately meet core MESL costs

	2020	2021	2022	2023	2024 F
Under 12	47.00	47.00	49.00	57.00	64.00
12 & over	92.00	92.00	92.00	108.00	115.00

The changes in rate of the Qualified Child Increase announced in both Budget 2023 (a €2 increase for both children under and over 12 years) and Budget 2024 (a €4 increase for both children under and over 12 years), have not maintained the QCI against the rising cost of living, limiting their contribution towards reaching child poverty targets.

The protection of both core adult rates of social welfare and qualified child rates is vital to provide families with an adequate income, and to meet child poverty targets. As recent Budgets have failed to do so, the gap

² Including: Qualified Child Increase, Back to School Clothing & Footwear Allowance, and Child Benefit. The Christmas Bonus is also included in the assessment. The effect of the introduction of free schoolbooks at primary level and junior cycle is also included. Targeted once-off 'Cost of Living' payments are not considered.

which now exists between social welfare rates and the cost of living must be addressed, and further progress must be made to provide families with the income they need to play an active part in their communities and participate in activities that are considered the norm for people in Irish society.

Recommendation

To make progress towards the achievement of child poverty reduction targets and to align with the long term outcome articulated by the Child Poverty and Wellbeing Programme Office that “every child lives in a household with adequate income”, the Vincentian MESL Research Centre recommends that the real value of core social protection rates is monitored with a view to progressively achieving an adequate level of support. In conjunction with monitoring in relation to changes in earnings and living costs, the proportion of core MESL costs met for children at key age-groups could contribute an indicator to inform progress in this area.

Older Children and One Parent Households

The overarching trend of previous MESL research was that deep income inadequacy was concentrated in households with older children (aged 12 and over) and one adult headed households, i.e. lone parent households. This aligns with the Child Poverty and Wellbeing Programme Office’s recognition that lone parent families face ongoing challenges and experience particularly high levels of poverty and deprivation, and additional focus is needed to achieve development for this group.

Prior to the 2023 MESL update, deep income inadequacy in family household compositions was primarily limited to households with older children. For example, in 2022 there were 59 cases of household compositions with an older child demonstrating deep inadequacy, where 5 cases of household compositions with only younger children demonstrated deep inadequacy, and these were all one parent compositions.

Older children have additional and different needs distinct from children in younger age groups. The cost of a MESL is highest for older children, aged 12 and over. The direct MESL needs of older children, as of the 2023 MESL update, are an average of €149 per week, approximately 60% more than the minimum needs of younger children. This is projected to be €156 per week in 2024, after the reduction from the extension of free schoolbooks to Junior Cycle students.

Deep income inadequacy is also found to be associated with single adult headed households, when dependent on social welfare. The MESL analysis finds that one adult headed households tend to demonstrate a greater rate of income inadequacy and deep income inadequacy than two adult headed households.³

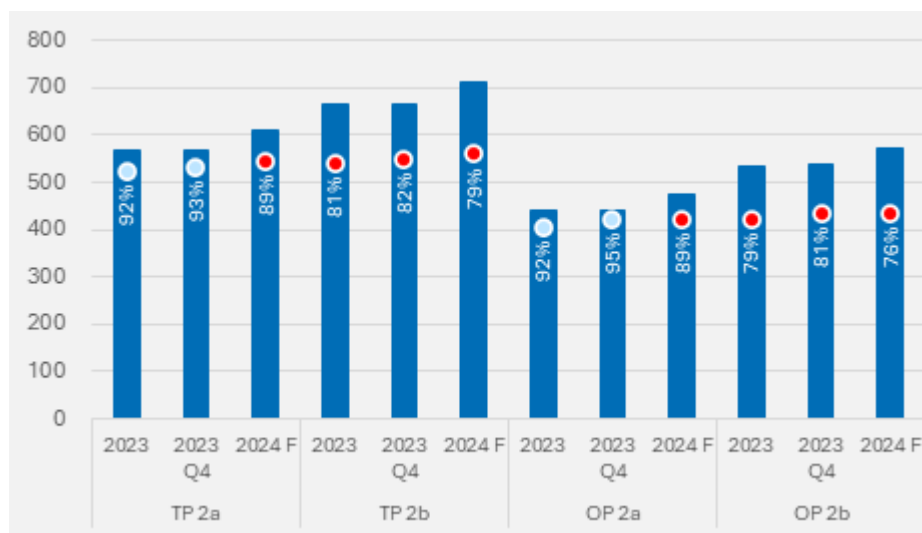
The 2023 MESL Update found that the incidence of deep income inadequacy cases had increased significantly. The household types discussed, which previously demonstrated deep income inadequacy, continue to do so. However, the incidence of deep income inadequacy has now spread to a wider range of household types and compositions, such as two-parent households and households with younger children. This is due to the value of core rates for adults and children not being protected against the increase in the cost of living.

Consequently, the depth of income inadequacy presented to each family household type examined in the Graph below is projected to deepen in 2024. The deep income inadequacy already faced by household compositions with older children (TP 2b and OP 2b) is forecast to deepen. The household compositions with

³ The MESL data finds that the minimum needs of a couple headed household cost approximately 1½ times that of a one adult headed household. This is not because the second adult consumes less than the first, it is due to the economies of scale available to two adult households which reduce the relative cost of the second adult in the household.

younger children, pre-school and primary school age (TP 2a and OP 2a) are likely to move into deep income inadequacy in 2024.

Graph 3 Social welfare income adequacy, four illustrative household types, € per week



Recommendation

- Targeted measures to further support one parent households and households with an older child, which consistently demonstrate income inadequacy, are needed.
- Further development to improve the adequacy of the QCI for older children is necessary to address the higher MESL costs associated with children over the age of 12.
- Targeted supports for one parent households, such as One Parent Family Payment, Jobseekers Transitional and Working Family Payment should continue to be developed and monitored to improve income adequacy and reduce the risk of poverty for one parent households.
- The introduction of free schoolbooks for junior cycle students is welcome, and should be further developed to include students at senior cycle level, to help target the high education costs associated with this age group.

Sub-Indicators to Monitor Child Poverty

The Research Centre welcomes the proposed reporting of an annual milestone table from the Child Poverty and Wellbeing Office within their annual report, which is outlined in the Programme Office’s Plan. The plan explains that the ‘milestones table’ will identify activities across government for each of the priority areas, as well as the governance and reporting activities of the Programme Office.

This milestone table could also include a wider set of indicators, alongside the headline consistent poverty rate, to capture the multidimensional nature of child poverty, depth and persistence of poverty and the increased risk of poverty among certain groups of children. As mentioned, the proportion of core MESL costs met for children at key age-groups could contribute as an indicator within this milestone table, to monitor the adequacy of supports.

The establishment of such a ‘milestone table’ or data dashboard in the monitoring of progress towards the Child Poverty reduction target. Rather than setting sub-targets within the child population, and alternative approach could establish a range of sub-indicators to identify cohorts in need of greatest support and monitor progress.

The inclusion of sub-indicators, for example, based on children's age categories, for one parent families, children in households where a family member has a disability, Traveller and Roma children, children in Direct Provision and children in emergency accommodation, would help to monitor the progress being made within these cohorts and the effectiveness of measures introduced by the government to reduce poverty amongst these groups. It would also be beneficial in indicating where additional targeted supports and policy measures could be introduced.

Previous research undertaken by the Research Centre has highlighted the MESL costs and income inadequacy experienced by one parent households and households with older children, as discussed, but also households caring for a child with a profound intellectual disability and households with children living in Direct Provision.

Regular monitoring of poverty indicators for these groups, and other relevant groups disproportionately impacted by poverty, would increase transparency and representation around poverty targets, and whether they are being achieved for all children across Ireland. This would also be a beneficial tool to monitor the success of the Child Poverty and Wellbeing Programme Office's priority of development for families who need specific recognition in order to allow them to benefit from the range of supports that could be available and may reduce poverty.

Employment Supports

The Programme for Government highlights the importance of secondary benefits and supports, while the Child Poverty and Wellbeing Programme Office recognises that income supports, for families both in and out of the labour market, must be complemented by a range of other supports and services. The Roadmap for Social Inclusion's commitment 17 commits to review the earnings thresholds of in-work income supports for low-income families every two years, however the earning disregard and income thresholds for One-Parent Family Payment and the National Childcare Scheme have not been reviewed since 2020.

Budget 2024 announced a welcome 12.4% increase to the National Minimum Wage, bringing the rate to €12.70 per hour. There was also a welcome increase to the Working Family Payment earnings threshold of €54 per week announced in Budget 2024, which reflects the change to the National Minimum Wage rate. This ensures that the increase to a single minimum wage salary will not be offset by a reduction in Working Family Payment.

The earnings disregard for One-Parent Family Payment and Jobseekers Transitional were not adjusted in line with the changes to the Minimum Wage, which may result in the level of support which some households are entitled to falling in 2024.

There were some positive changes announced to the National Childcare Scheme in Budget 2024, however, no adjustments to the income threshold for the means tested subsidy were introduced. This means that the adjustments to the National Minimum Wage and income supports for 2024 could be partially offset by a reduction in the National Childcare Scheme subvention, resulting in higher net childcare costs.

Improvements to rates of pay and levels of support are very welcome, however without reviewing means test and income eligibility criteria, the positive impact that these measures can have on family's income and reducing child poverty is being eroded.

The correlation between work and a lower risk of poverty is acknowledged by the Child Poverty and Wellbeing Programme Office and is seen in income adequacy analysis within the MESL research. The further development, and maintenance, of in-work supports is vital to reduce the risk of poverty for low-income families.

Vincentian MESL Research Centre's Recommendations

Again, the Research Centre appreciates the opportunity to contribute to the National Child Poverty Target public consultation. Based on the above discussion, the Research Centre makes the following recommendations:

1. Address the gap that now exists between current Social Welfare rates and the cost of living, and further monitor and protect payment rates in the future, to enable families to have an income that provides them with a Minimum Essential Standard of Living, allowing them to avoid poverty.
2. Develop and expand targeted supports for household types, such as one parent households and households with older children, that consistently demonstrate income inadequacy and a higher rate of poverty.
3. Include a wider set of indicators, alongside the headline consistent poverty rate, to contribute to the Child Poverty and Wellbeing Programme Office's annual milestone table, and to capture the multidimensional nature of child poverty, depth and persistence of poverty and the increased risk of poverty among certain groups of children.
4. Include the proportion of core MESL costs met for children at key age-groups as one of the wider indicators to monitor the adequacy of supports.
5. Develop and monitor the level of support provided by in-work supports, to reduce the risk of poverty for low-income families, with particular focus on reviewing earning thresholds in line with increases in the National Minimum Wage and Social Welfare rates.
6. Set clear and streamlined targets, commitments, priorities etc., across the Department of Social Protection, the Child Poverty and Wellbeing Programme Office, and all relevant Government bodies, that promote collaboration and transparency when working towards reducing child poverty.

Sources Referenced

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