

Update by the Vincentian Partnership to the Office of the UN Special Rapporteur on Extreme Poverty and Human Rights

Key Points

- The experience of the VPSJ in its work with disadvantaged communities has shown that a major cause of poverty is an inadequate income. It is obvious that individuals and households need an income which meets their basic needs if they are to escape poverty and have a standard of living which allows them to live with dignity.
 - Major international and European agreements recognize the right to a minimum income. The UN Universal Declaration on Human Rights 1948 acknowledges that 'everyone has a right to a standard of living adequate for health and the well being of him/herself and his/her family including food, clothing, housing and medical care...'
 - 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. Current measures of income adequacy e.g. the National Minimum Wage and social welfare payments are all arbitrary.
 - Since 2001 the Vincentian Partnership for Social Justice has carried out research on the cost of a minimum essential standard of living for six household types in urban and rural areas. The adequacy of standard social welfare and minimum wage rates is benchmarked against the minimum needs of these household types.
 - Our findings have repeatedly demonstrated that three of the six household types in our study (when dependent on social welfare and/or the minimum wage) cannot afford a minimum essential standard of living. The three household types are:
 - Households with children and adolescents
 - Single Pensioner, age 70+ and living alone
 - Single adult of working age and living alone.
 - The cuts to social welfare rates in the last number of budgets have moved our society further away from providing a standard of living that allows people to live with dignity.
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This submission has been prepared by the Vincentian Partnership for Social Justice. This submission is divided into the following sections:

1. Introduction
2. The inadequacy of current rates of social welfare and the national minimum wage
3. Minimum Essential Standard of Living and the Poverty Line
4. Conclusion

Introduction

Since 2001 the Vincentian Partnership for Social Justice (VPSJ) has conducted research on the cost of a minimum essential standard of living. This research provides detailed information on the actual cost of a minimum essential standard of living for six household types. The six household types are:

- One adult and two children, age 3 and 10
- Two adults and two children, age 3 and 10
- Two adults and two children, age 10 and 15
- Pensioner couple, age 66-69
- Female pensioner, age 70+ and living alone
- Single adult of working age and living alone

This research is updated on an annual basis to allow for changes in inflation. Social welfare rates and any changes to the NMW are also updated annually to assess how expenditure compares to income received from social welfare and/or the minimum wage.

The minimum standard is defined as one which meets a person's physical, moral, spiritual and social well-being. It is derived from a consensual approach and is grounded in informed social consensus 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 2,000 household items and services. The basket of goods and services are updated on an annual basis in line with inflation. These studies present the figure below which a minimum essential standard of living is not possible. While a minimum income standard does not in itself guarantee a minimum standard of living, individuals and households with an income below that minimum cannot have a standard of living that meets their physical, psychological and social needs. 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 minimum essential standards research of the VPSJ examines the expenditure necessary for six household types, across both urban and rural areas, to maintain a socially agreed upon minimum standard of living. Therefore, it provides a vital benchmark in ongoing debates and policy decisions around income adequacy. It is in this context that the VPSJ welcomes the opportunity to make this input and put forth our findings which clearly demonstrates the inadequacy of social welfare rates and the national minimum wage for some households. This input shall focus on three household types covered by our research which are primarily unable to afford a minimum standard of living.

The VPSJ is very conscious of the enormity of the financial crisis facing the country and of the challenges facing Government. Nevertheless, the position of the VPSJ is that social welfare rates and the National Minimum Wage must be adequate to meet the minimum needs of a household, and that cuts should not be targeted at those on the lowest incomes for whom life *'is one long struggle'*.

The Inadequacy of Current Rates of Social Welfare and the National Minimum Wage

This section highlights the inadequacy of current rates of social welfare and the national minimum wage for three household types in our research.

Households with Children and Adolescents

Between 2008 and 2011, households with one child saw reduction of €26.00 per month in Child Benefit, from €166.00 in 2008 to €140.00 in 2011. Similarly, for households with two children Child Benefit has been reduced from €332.00 in 2008 to €280.00 in 2011, a decrease of €52.00 per month. Figures from the 2011 update indicate that many families with children are living in on an inadequate income, and in some cases, a grossly inadequate income. Furthermore, preliminary findings from our new research (due to be published in Autumn/Winter 2011) on the cost of a child and the income households need to have a minimum standard of living underscores the need for more financial support for families, particularly families with adolescents.

Table 1 examines a two parent household and two children, age 10 and 15. In all income situations (Jobseekers Benefit; one adult working full-time; one adult working full-time and one adult working part-time), there is no household that has an income sufficient to meet their minimum expenditure costs. Shortfalls for urban households range from €5.59 to €101.04 per week. The corresponding rural households have far greater shortfalls in income. The shortfalls range between €80.87 and €178.55 per week¹. It must

¹ This disparity between urban and rural households is due to the need for a car (and in some cases two cars) in rural areas. In addition, higher food costs can also explain this disparity as it is more difficult to access low cost shopping options and less expensive 'own brand' food items. Further information and the full report on the cost of a *Minimum Essential Standard of Living for Six Rural Households* can be found at http://budgeting.ie/images/stories/Publications/Minimum_Essential_Budgets_for_Households_in_Rural_Areas.pdf

be acknowledged that the majority of adults in these households are not poor money managers. For some households' social welfare and the national minimum wage are simply not enough to meet minimum expenditure costs. The 2011 data makes it abundantly clear that families already suffering from the impact of repeated cuts will not be able to shoulder further decreases to either Child Benefit or Jobseekers Benefit. These families already have an income below what they need and therefore there can be no justification for cuts that push these families further into poverty and debt.

Whilst our data shows the income shortfalls for families with children it also reveals that adolescence is an expensive period for parents. Our research shows that households with adolescents spend more on items such as food, education and communications than households with younger children.

Table 1 Two Parent and Two Children (10 year old girl and 15 year old Boy)
Total weekly income, expenditure and shortfall/discretionary income for the 3 different family income situations for urban and rural households

URBAN	URBAN Income Expenditure Scenario	Total cash income ² €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
URBAN Two parents and two children, age 10 & 15	Income from Jobseekers Benefit/no car	446.73	547.77	101.04 Shortfall
URBAN Two parents and two children, age 10 & 15	1 Full-time worker/ no car	562.59	568.18	5.59 Shortfall
URBAN Two parents and two children, age 10 & 15	1 Full-time worker and 1 Part-time worker/ no car	626.16	640.13	13.97 Shortfall
RURAL	URBAN Income Expenditure Scenario	Total cash income €	Total ME Budget costs €	Shortfall/ Discretionary Income €
RURAL Two parents and two children, age 10 & 15	Income from Jobseekers Benefit	446.73	625.28	178.55 Shortfall
RURAL Two parents and two children, age 10 & 15	1 Full-time worker/ 2 car owner	562.59	675.29	112.70 Shortfall
RURAL Two parents and two children, age 10 & 15	1 Full-time worker and 1 Part-time worker/ 2 car owner	626.65	707.52	80.87 Shortfall

² 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, applies to both urban and rural households.

*Less health care costs where applicable, applies to both urban and rural households

Table 2 shows the weekly cost of three areas of expenditure for two urban households with children of different ages. The data demonstrates the additional expense incurred when there is an adolescent in the household. Having to spend more on food, the need for a computer and the internet as well as the higher cost of school books and trips etc make adolescence a financially draining time for parents. However despite the higher costs incurred at the adolescence stage of the lifecycle, the only age related payment in Ireland is the Back to School Clothing and Footwear Allowance³ and therefore there is no sustained assistance e.g. a higher rate of Child Benefit to help parents meet the additional costs that are associated with the adolescence stage of the lifecycle.

Table 2 Expenditure comparison of three areas of weekly expenditure for two urban households with children of different ages

Item	URBAN	
	Two parents and 3 & 10 year old Cost Per Week- March 2011	Two parents and 10 & 15 year old Cost Per Week – March 2011
Food	€113.32	€130.06
Education	€6.09	€21.41
Communications	€12.12	€29.28

It is evident from the research that many parents and consequently their children may have to forgo items that are considered a minimum by the public because they simply cannot afford them. Social welfare and the NMW do not allow these families to have a standard of living that meets their physical, psychological and social needs. Consequently, whilst inadequate income is at the problem's core, it is the knock-on effects – exclusion from participation in everyday activities like education and play, poor quality housing and delayed access to healthcare and other services that are detrimental to a child's future. It is argued, that the longer a child is poor, the greater the deprivation he or she is likely to experience in later life. Poor children become poor adults and the cycle continues, influencing the life chances of the next generation and the one after that (End Child Poverty Coalition, 2011)⁴. For that reason, the VPSJ is concerned about the upcoming budget and the impact that further cuts will have on families and children already struggling to make ends meet.

³ This means tested payment is paid once a year to low income families. The rates are €200 for children age 2 -11 and €305 for children age 12 -22.

⁴ End Child Poverty Coalition, April 2011. *Child Poverty: Ireland in Recession*. Published on line, accessed 19th August 2011: <http://www.endchildpoverty.ie/publications/documents/EndChildPovertyCoalitionChildPoverty-IrelandinRecession.pdf>

Pensioners Living Alone

Table 3 Female Pensioner Living Alone (age70+)

Total weekly income, expenditure and shortfall/discretionary income for the 2 different household income situations in urban and rural areas

URBAN	Income Expenditure Scenario	Total cash income ⁵ €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
URBAN Female Living Alone	Income from Contributory. Pension/ no car	269.50	262.64	6.86 Discretionary Income
URBAN Female Living Alone	Income from Non-Contributory Pension/ no car	258.20	260.95	2.75 Shortfall
RURAL	Income Expenditure Scenario	Total cash income €	Total ME Budget costs €	Shortfall/ Discretionary Income €
RURAL Female Living Alone	Income from Contributory Pension/ car owner	269.50	364.42	94.92 Shortfall
RURAL Female Living Alone	Income from Non-Contributory Pension/ car owner	258.20	363.92	105.72 shortfall

Since 2006 when the VPSJ began charting the cost of a minimum essential standard of living on an annual basis pensioners living alone have always struggled to make ends meet and afford a standard of living that allows them to live with dignity. Whilst the most recent budgets have protected state pension rates, a move which the VPSJ very much welcomed, it is nevertheless evident from our most recent update that pensioners living alone continue to live on an inadequate income. As Table 3 highlights three of the four scenarios examined have weekly shortfalls ranging from €2.75 to €105.72 per week. For rural pensioners, the need for a private car due to inadequate public transport, the higher costs of household fuel (oil in rural areas as opposed to gas in urban areas) and the lack of readily available low cost shopping outlets results in a far greater shortfall in income for rural dwellers compared to their urban counterparts⁶.

⁵ 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. (applies to urban and rural scenarios)

*Less healthcare costs where applicable (applies to urban and rural scenarios).

⁶ The full report on the cost of a *Minimum Essential Standard of Living for Six Rural Households* can be found at http://budgeting.ie/images/stories/Publications/Minimum_Essential_Budgets_for_Households_in_Rural_Areas.pdf

The shortfalls experienced by pensioners living alone underscore the vulnerability of this household to changes in social welfare rates or entitlements. At present, only the urban pensioner living alone, with no car and in receipt of the Contributory Pension has a discretionary income of €6.86 per week. This discretionary income will be very quickly eroded if the rate of the state pension is decreased in Budget 2012. Indeed, the changes announced to the Household Benefits Package that came into effect in September 2011, will have a detrimental impact on this household as the electricity, gas and telephone allowance have all been reduced. Pensioners have very little if any scope to increase their income in retirement, in other words retired people living in poverty can do very little to avoid poverty. It is for this reason that the VPSJ does not wish to see any reductions in State Pension rates.

The data also demonstrates that the Living Alone Allowance paid at the rate of €7.70 per week underestimates the additional costs of living alone as is evident by the weekly shortfalls experienced by pensioners living alone. Analysis of minimum expenditure between a pensioner couple and a pensioner living alone draws attention to the similarity in the cost of items such as household fuel and communications for both households. For example, an urban pensioner couple needs to spend €40.47 per week on household fuel; in comparison an urban pensioner living alone needs to spend €38.96 per week, just €1.51 less. Whilst the pensioner couple household has either two pensions or a pension and Qualified Adult payment to cover the cost of living, pensioners living alone receive the state pension and Living Alone Allowance which does not adequately compensate for the additional financial costs of living alone. This payment, which has not been increased since 1996, needs to be more than a token contribution. It should be substantially increased to reflect the real costs of living alone. Repeated failures to increase this payment in the past have subjected many who live alone to a life of poverty and social exclusion.

Single Adults of Working Age, Living Alone

Table 4 Single Adult (age 25+)

Total weekly income, expenditure and shortfall/discretionary income for the 2 different income situations for urban and rural locations

URBAN	Income Expenditure Scenario ⁷	Total cash income €	Total ME Budget costs* €	Shortfall/ Discretionary Income €
URBAN Single Adult	Dependent on Jobseekers Benefit/ no car	277.96	350.38	72.42 shortfall
URBAN Single Adult	Income from F/T on NMW/ no car	313.85	353.14	39.29 shortfall

⁷ 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 €89.96 per week. An unemployed male also receives unemployment benefits of €188.00 per week.

Rural	Income Expenditure Scenario	Total cash income €	Total ME Budget costs €	Shortfall/ Discretionary Income €
RURAL Single Adult	Dependent on Jobseekers Benefit/ Car Owner	188.00	368.01	180.01 shortfall
RURAL Single Adult	Income from F/T on NMW/ Car Owner	313.60	424.57	110.97 shortfall

The VPSJ very much welcomed the Government's decision to reverse the cut in the national minimum wage and restore it to €8.65 per hour. However, it is evident from our research and the figures given in Table 5 that even when individuals are working full-time (37.5 hours p/w) and earning the restored rate of the NMW they are still faced with a substantial weekly shortfall and have an income far below what is needed for a minimum standard of living.

Furthermore, those in receipt of Jobseekers Benefit are even worse off and face substantial shortfalls on a weekly basis. In Budget 2011, Jobseekers Benefit was decreased from €204.00 to €188.00 per week (for those age 25 and over). This decision burdened the poorest in our society and unfairly and disproportionately targeted those with the least ability to pay.

Analysis of key areas of expenditure for this household, as shown in table 5, highlights that the cost of a minimum essential standard of living did not fall between 2010 and 2011 and that inflation by and large remained static. However, despite no great change in the cost of living social welfare rates were decreased in the last budget and this undoubtedly created further hardship for those already struggling on an inadequate income.

Table 5 Comparison of Expenditure for a single adult of working age June 2010 and March 2011

	Urban Single Adult June 2010 Jobseekers Benefit /housing excluded € per week	Urban Single Adult March 2011 Jobseekers Benefit/housing excluded € per week
Food	72.63	73.65
Clothing	13.28	13.29
Personal Care	9.44	9.42
Household goods	8.79	8.65
Communications	15.97	16.63
Transport⁸	28.08	29.23

⁸ Transport is made up of a 30 day Dublin Bus Rambler ticket and 1 Nitelink ticket

Many households and individuals are in distress in this recession; the numbers unemployed have increased dramatically, organizations such as MABS, the Samaritans and the Society of St. Vincent de Paul are reporting large increases in numbers seeking their assistance. Thousands of young and educated people are leaving Ireland to seek a better future abroad. The VPSJ believes that adequate assistance should be provided to those who have lost their jobs. Social welfare payments need to be sufficient to meet the cost of a minimum standard of living. The failure to provide an adequate income will have dire social consequences and will mean a loss of a generation to either poverty and social exclusion or emigration.

Minimum Essential Standard of Living and the Poverty Line

The cost of a minimum essential standard of living raises questions as to where the official poverty line fits in with the research of the VPSJ. The poverty line is located at sixty per cent of median income.

Using data from the 2009 *SILC* on the median disposable income and updated for 2011 using the Economic and Social Research Institute's predicted changes in wage levels for 2010 and 2011 Social Justice Ireland (2011) calculate a relative income poverty line of €222.18 for a single person in 2011⁹ (Healy, Reynolds and Collins, 2011:44). Any adult below this weekly income level is counted as being at risk of poverty. For each additional adult in the household this minimum income figure is increased by €146.64 (66 per cent of the poverty line figure) and for each child in the house the figure is increased by €73.32 (33 per cent of the poverty line). Therefore, the basic social welfare payment of €188.00 per week is €34.18 below the poverty line (Healy, Reynolds and Collins, 2011: 45).

The data from the VPSJ however suggests that the official poverty line underestimates what is needed to keep individuals and households out of poverty. Data from the VPSJ underscores a disparity between the cost of a minimum standard of living and the poverty line.

Table 6 Poverty Line Compared to Budget Standard

	Weekly Poverty Line	Weekly VPSJ Budget Standard Urban	Weekly VPSJ Budget Standard Rural
1 Adult	€222.18	€353.14 (urban working fulltime)	€424.57 (rural working full-time)
2 Adults & 2 children	€515.46	€579.73 (urban 2 adults and 2 children age 10 & 15, 1 adult working full-time)	€675.29 (rural 2 adults and 2 children age 10 & 15, 1 adult working full-time)

⁹ Healy, S. Reynolds, B and Collins, M. *A New and Fairer Ireland*. Dublin: Social Justice Ireland.

In the two examples given in table 6 it is evident that when compared to the Budget Standards developed by the VPSJ and what it costs to have a minimum standard of living the poverty line underestimates what is needed to avoid being at risk of poverty, particularly for rural individuals and households. This point underscores the value of the Budget standards approach and how in addition to the poverty line it can help identify people in poverty.

Conclusion

When an individual or 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 from our society. The VPSJ is however very concerned about the repeated cuts to social welfare rates and Child Benefit in recent years and the rising numbers of children and adults experiencing poverty and social exclusion. The VPSJ believes that the progress of the last decade will be all too quickly undone if the upcoming budget is used an opportunity to reduce social welfare rates, the consequences of which will have an extremely detrimental effect on thousands of Irish households for many years to come.