
PRE- BUDGET SUBMISSION 2016

A Vincentian Partnership
for Social Justice
Submission

JUNE 2015

VINCENTIAN
PARTNERSHIP
FOR SOCIAL
JUSTICE

WORKING FOR
SOCIAL &
ECONOMIC
CHANGE

TACKLING
POVERTY
& SOCIAL
EXCLUSION

Key Findings

- From March 2014 to March 2015 on average prices have declined slightly, with the overall CPI rate being -0.6%. The average core cost of a Minimum Essential Standard of Living (MESL), a standard of living that meets a person's physical, psychological and social needs at a minimum but acceptable level, is higher in 2015 than in 2008 (by 0.35%), while the CPI rates would suggest that prices on average are lower now than in 2008 (by -0.55%).
- The research demonstrates that in 2015 social welfare cannot meet the cost of a Minimum Essential Standard of Living for 191 of the 214 urban sample types examined in the research.
- While the increase to Child Benefit, of €5 per month, has helped move some social welfare dependent household compositions with a pre-school child to income adequacy, child income supports do not meet the cost of a child in 3 of the 4 age groups examined.
- The high cost of private childcare and private rented accommodation substantially impact on the cost of a Minimum Essential Standard of Living.
- Access to affordable and quality services, in particular housing and childcare, is vital to enable those on low income afford a socially acceptable standard of living.

Recommendations

- *Increase Child Benefit by €5.00 in Budget 2016.*
- *Increase the Qualified Child Increase (QCI) for those age 13-18 from €29.80 to €35.00. This measure would recognise the higher costs associated with this life stage and would target children in welfare dependent households who are particularly vulnerable to experiencing income inadequacy.*
- *Increase the Jobseekers Payment/One Parent Family Payment from €188.00 to €193.00. This would restore the payment to more adequate levels.*
- *Increase the Rent Supplement ceiling limits, which also form the basis of the HAP ceiling limits, to reflect the reality of rents in the private rented market.*
- *Increase the Living Alone Allowance by €2.40, to €11.40 per week.*
- *Increase the Fuel Allowance by €5.00 to €25.00 per week for 26 weeks.*

HOUSEHOLD COMPOSITIONS

TP 1	Two Parent, 1 Child	an infant	(aged under 1)
TP 2a	Two Parents, 2 Children	one in pre-school & one in primary school	(ages 3 & 6)
TP 2b	Two Parents, 2 Children	one in primary school & one in secondary school	(ages 10 & 15)
TP 3	Two Parents, 3 Children	an infant, one in pre-school & one in primary school	(aged under 1, 3 & 6)
TP 4	Two Parents, 4 Children	two in primary school & two in secondary school	(ages 8, 11, 14 & 17)
OP 1	One Parent, 1 Child	in primary school	(aged 6)
OP 2a	One Parent, 2 Children	one in pre-school & one in primary school	(ages 3 & 6)
OP 2b	One Parent, 2 Children	one in primary school & one in secondary school	(ages 10 & 15)
SA	Single Adult, of Working Age	living alone, no dependent children	
CP	Couple, of Working Age	co-habiting, no dependent children	
LP	Pensioner, Living Alone		
PC	Pensioner Couple		

Table I **2015 URBAN** Core MESL Weekly Expenditure Budget

Excludes Housing, Childcare and the effect of secondary benefits





























	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b	SA	CP	LP	PC
 Food	92.59	121.81	146.31	151.76	229.99	70.37	93.62	118.12	55.51	81.69	67.37	80.18
 Clothing	28.37	23.81	30.69	39.07	48.29	13.54	18.09	24.98	10.06	13.10	9.70	16.17
 Personal Care	24.77	18.39	25.14	28.73	35.84	9.59	10.94	17.69	13.40	16.38	9.44	13.70
 Health	16.61	16.32	16.86	24.33	25.13	9.53	13.42	13.96	6.18	9.41	12.17	24.26
 Household Goods	24.48	20.20	21.13	29.70	26.94	16.49	19.06	19.99	5.76	6.70	16.71	18.04
 Household Services	9.50	9.50	9.50	9.50	9.50	7.58	7.58	7.58	4.02	5.94	7.02	9.13
 Communications	13.91	13.91	18.52	13.91	23.13	9.30	9.30	13.91	9.33	13.95	12.95	12.82
 Social Inclusion	55.26	71.54	92.44	73.31	131.38	45.38	49.42	70.32	38.24	69.41	40.75	54.32
 Education	1.71	8.46	24.35	8.46	47.00	8.46	8.46	24.35	5.19	8.84	0.00	0.00
 Transport	55.00	60.26	60.26	60.26	65.52	30.13	32.76	32.76	32.50	65.00	0.00	0.00
 Household Energy	46.76	45.24	45.24	49.62	50.95	44.97	44.97	44.97	29.02	32.00	51.66	53.56
 Personal Costs	7.85	7.95	7.95	8.05	8.15	7.69	7.80	7.80	7.60	12.99	6.03	6.18
 Insurance	32.87	35.97	35.73	39.08	41.70	19.16	22.27	22.03	15.74	29.44	13.21	26.91
 Savings & Contingencies	26.73	32.50	32.50	38.27	44.04	21.61	27.38	27.38	11.53	17.30	11.53	17.30
Core Expenditure	436.41	485.86	566.64	574.05	787.57	313.79	365.05	445.83	244.08	382.17	258.54	332.59

Table 2 **2015 RURAL** Core MESL Weekly Expenditure Budget

Excludes Housing, Childcare and the effect of secondary benefits

	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b	SA	CP	LP	PC
 Food	99.65	134.15	160.34	164.10	250.99	76.47	101.89	128.08	51.44	79.12	65.97	86.74
 Clothing	29.41	25.12	32.03	40.38	49.91	13.83	18.46	25.37	7.49	14.21	11.09	18.58
 Personal Care	24.31	17.81	24.11	28.15	34.25	9.78	10.92	17.22	7.35	16.09	9.76	13.60
 Health	15.77	15.05	15.70	22.76	23.34	8.84	12.33	12.99	5.92	8.98	12.05	23.94
 Household Goods	25.45	21.10	21.98	30.81	28.00	17.46	20.02	20.90	15.92	7.76	17.38	19.48
 Household Services	13.53	13.53	13.53	13.53	13.53	11.19	11.19	11.19	11.05	10.08	9.11	11.04
 Communications	13.91	13.91	18.52	13.91	23.13	9.29	9.29	13.90	9.33	13.95	12.95	12.82
 Social Inclusion	58.26	74.39	94.20	76.15	131.90	48.37	51.95	71.76	46.23	69.04	40.75	54.32
 Education	1.71	9.25	23.15	9.25	44.60	9.25	9.25	23.15	4.95	8.36	0.00	0.00
 Transport	117.35	117.35	117.35	117.35	129.10	66.79	66.79	66.79	56.66	56.76	52.54	52.64
 Household Energy	55.50	53.99	53.99	58.36	59.69	53.72	53.72	53.72	42.80	46.38	52.87	54.76
 Personal Costs	8.58	8.68	8.68	8.79	8.89	8.43	8.53	8.53	8.33	13.73	6.75	6.92
 Insurance	45.73	48.84	48.60	51.95	54.55	26.44	29.55	29.31	22.24	36.56	19.33	32.52
 Savings & Contingencies	26.73	32.50	32.50	38.27	44.04	21.61	27.38	27.38	11.53	17.30	11.53	17.30
Core Expenditure	535.91	585.67	664.69	673.75	895.91	381.47	431.28	510.29	301.26	398.30	322.10	404.65

INTRODUCTION

The Vincentian Partnership for Social Justice (VPSJ) welcomes the opportunity to make this Pre-Budget submission and to participate in the Pre-Budget Forum. The annual budget presents the opportunity for increases to be made to social transfers which will reduce the impact of poverty on people who continually struggle to make ends meet. This year's budget decisions will either promote or delay a more socially and economically inclusive society. The VPSJ in the course of its twenty years of working with households in disadvantaged communities is acutely aware of the significance of each increase in social welfare rates and the role of social transfers in reducing levels of poverty. The Partnership is also conscious of the impact of each cut back and of the cumulative hardship of these on families which are already struggling to exist. It is our hope that as the economy begins to improve that this year's budget will give priority to the needs of citizens whose lives have been most keenly affected by years of austerity.

The VPSJ supports the three dimensional approach to poverty eradication: adequate income; access to affordable services; and opportunities for reasonable employment. It is, in order to promote greater investment in services and stable and sufficient employment opportunities, that the VPSJ has proposed limited increases to some social welfare payments, which are the minimum required to help ameliorate the difficulties faced by low income households in meeting the cost of a Minimum Essential Standard of Living.

This submission, prepared by the Vincentian Partnership for Social Justice (VPSJ), focuses on the expenditure and income needed for a Minimum Essential Standard of Living (MESL) for a number of household types covered in the research:

- Households with Children
- Adults of Working Age
- Pensioner Households

The expenditure and income of each household type is analyzed in particular situations and recommendations are given based on the findings of the research.

The data given in this submission is based on the social welfare and tax system as it stands in 2015 and consumer prices are from March 2015. Further information on the research and

additional household types can be found on www.budgeting.ie and on the online calculator, which is available at www.MISc.ie.

The Tables 1 and 2, on the previous pages, present the core expenditure need for a set of household types in 2015, in both urban and rural areas. These are the fixed minimum costs, and exclude categories of expenditure which may vary by employment pattern such as childcare, and also exclude housing costs.

The data demonstrates the fixed core cost of a Minimum Essential Standard of Living (MESL) in 2015 for the following household types:

- Two parent households with children across multiple age-groups
- One parent households with children across multiple age-groups
- Working age adults, without dependent children, both single adult and couple households
- Pensioner households, both a pensioner living alone and a pensioner couple

These household types and compositions are only a small sample set of the full range of households covered by the MESL expenditure data. Overall, the MESL data details the minimum expenditure needs of 90% of households in Ireland.

From March 2014 to March 2015 the average change in prices has been marginal, with the overall CPI rate being -0.6%. This CPI rate is an average of decreases in some areas of expenditure, such as food (-2.7%) and clothing (-4.1%), and increases other areas, e.g. childcare (+2.4%).

The core cost of a Minimum Essential Standard of Living (costs excluding housing and the effects of secondary benefits) changed by -0.81% between March 2014 and March 2015. However, looking over a longer period, the average core cost of a MESL is higher in 2015 than in 2008 (by 0.35%), while the CPI rates would suggest that prices on average are lower now than in 2008 (by -0.55%). This reinforces that point made by the CSO, that the CPI is not a cost of living index¹.

The submission is divided into the following sections:

- The Cost of a Child in 2015 & Income Adequacy for Social Welfare Dependent Households with Children in 2015
- Working age Households without Children & Dependent on Social Welfare
- Income Adequacy for Pensioner Households Dependent on the State Pension
- National Minimum Wage Households

¹ CSO, 2015. Consumer Price Index March 2015. Published on line, accessed 9th April 2015: http://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexmarch2015/#.VS-OvdzF_HI

THE COST OF A CHILD & INCOME ADEQUACY FOR SOCIAL WELFARE DEPENDENT HOUSEHOLDS WITH CHILDREN IN 2015

This section of the submission focuses on the cost of a child and income adequacy for welfare dependent households with children in 2015.

Table 3 Comparison between the Direct Cost of a Child & Child Income Supports

		INFANT	PRE-SCHOOL	PRIMARY	SECONDARY
URBAN	MESL ²	78.82	44.72	77.21	125.45
	Child Benefit	31.15	31.15	31.15	31.15
	Qualified Child Increase	29.80	29.80	29.80	29.80
	Back to School	...	...	1.92	3.85
	Total Social Welfare	60.95	60.95	62.88	64.80
	% of MESL met be SW	77.3%	136.3%	81.4%	51.7%
RURAL	MESL	78.84	43.55	78.98	122.53
	Child Benefit	31.15	31.15	31.15	31.15
	Qualified Child Increase	29.80	29.80	29.80	29.80
	Back to School	...	...	1.92	3.85
	Total Social Welfare	60.95	60.95	62.88	64.80
	% of MESL met be SW	77.3%	139.9%	79.6%	52.9%

- Table 3 compares the direct cost of a child in urban and rural areas to child income supports³. In this table it is assumed that a child in a welfare dependent household is entitled to a full medical card, and so the expenditure is reduced to reflect this.
- The €5.00 increase in Child Benefit in last year's budget did help move some household compositions with pre-school children and dependent on social welfare from income inadequacy to income adequacy in 2015. The VPSJ hopes that the proposal to increase Child Benefit by another €5.00 in Budget 2016, subject to favourable economic conditions, will be realised.
- While the increase in Child Benefit is welcome, the impact is limited. The data shows that child income supports relied on by households dependent on social welfare do not meet the cost of a child in 3 of the 4 age groups examined. The proportion of

² Cost of a Child's MESL, excluding Childcare, adjusted for full Medical Card

³ Direct costs refer to costs that can be solely attributed to a child, such as their food, clothing, education and personal care costs etc, and excludes costs shared in common with parents such as home heating and use of the family car etc.

costs met by income supports varies with the age of the child, and ranges from over 136% for children of pre-school age to just 52% for adolescent children.

- With the exception of the Back to School Clothing and Footwear Allowance (BSCFA) child income supports do not take account that costs for children vary over the course of childhood and rise significantly in adolescence. As a consequence the age group demonstrating the greatest income inadequacy are children at second level. The shortfall for an urban based adolescent is approximately €60 per week, which when calculated on an annual basis is €3,000.
- It is apparent from the data that children living in households dependent on social welfare are particularly vulnerable to poverty and social exclusion. The VPSJ MESL data underscores the need to address the gap between expenditure and income if children are to have a standard of living that meets their physical, psychological and social needs at a minimum but acceptable level.

The submission now proceeds on to focus on the overall situation of households with children and dependent on social welfare in 2015. This section examines income adequacy for urban based welfare dependent households in 2015. The scenarios that are presented in Table 4 do not include participation in additional schemes, e.g. JobBridge or Back to Education schemes. Housing costs are based on social housing for all of the scenarios presented for households with children.

Table 4 Urban - Social Welfare Dependent Scenarios for Households with Children

	TP 1	TP 2a	TP 2b	TP 3	TP 4	OP 1	OP 2a	OP 2b
	1 Jobseeker & 1 Stay at Home	1 Jobseeker & 1 Stay at Home	1 Jobseeker & 1 Stay at Home	1 Jobseeker & 1 Stay at Home	1 Jobseeker & 1 Stay at Home	One-Parent Family Payment	One-Parent Family Payment	Jobseeker Transition
MESL Core ⁴	389.72	432.74	513.46	514.09	721.07	283.76	328.38	409.11
Housing	40.79	44.26	44.26	47.73	51.20	26.87	30.34	30.34
Total	430.51	477.00	557.72	561.82	772.27	310.63	358.72	439.45
Adult 1 (JS / OFFP)	188.00	188.00	188.00	188.00	188.00	188.00	188.00	188.00
Adult 2 (JS / QA)	124.80	124.80	124.80	124.80	124.80	...	...	...
Qualified Child Increase	29.80	59.60	59.60	89.40	119.20	29.80	59.60	59.60
Total Primary SW	342.60	372.40	372.40	402.20	432.00	217.80	247.60	247.60
Child Benefit	31.15	62.31	62.31	93.46	124.62	31.15	62.31	62.31
BSCFA	...	1.92	5.77	1.92	11.54	1.92	1.92	5.77
Fuel Allowance	...	...	...	...	...	10.00	10.00	10.00
Rent Supplement	...	...	...	...	...	...	...	...
Medical Card	FULL	FULL	FULL	FULL	FULL	FULL	FULL	FULL
Household Income	373.75	436.63	440.48	497.58	568.15	260.88	321.83	325.68
(Household Income – Expenditure Need)	Inadequate -56.76	Inadequate -40.36	Inadequate -117.25	Inadequate -64.24	Inadequate -204.12	Inadequate -49.76	Inadequate -36.89	Inadequate -113.78

⁴ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

- The situation of certain household compositions dependent on social welfare has improved slightly between 2014 and 2015, but it is evident from the VPSJ data that the majority of such households are still facing income inadequacy in 2015.
- Despite being in social housing and in receipt of a full medical card all of the sample household types illustrated in Table 4 are experiencing income inadequacy in 2015 and cannot afford a MESL.
- The household types experiencing the greatest income inadequacy are households with adolescent children. The two parent household with a primary and secondary school child (TP 2b) have a shortfall of approximately €117 per week, which when calculated on an annual basis is €6,000. This again illustrates the need to address the adequacy of child income supports, particularly for households with adolescent children.
- Rural household types living in social housing and dependent on social welfare may face higher income deficits when compared to their urban counterparts due to the need for private transport in rural areas and higher home heating costs (oil versus gas).
- It is evident from the data that while addressing child income supports will go some way towards improving the situation of households dependent on social welfare, primary social welfare rates also need to be increased to improve the situation of households dependent on social welfare.
- Households with children and dependent on social welfare have been particularly affected by the recession. These households have borne the brunt of the economic and fiscal crisis, and have experienced significant reductions to their income, including reductions to Child Benefit, the Back to School Clothing and Footwear Allowance and primary social welfare rates. As Ireland begins to emerge from the recession, the VPSJ believes that the households most vulnerable to poverty and social exclusion should be the first to feel the benefits of the economic recovery.

Recommendations:

- ❖ *Increase Child Benefit by €5.00 in Budget 2016. This increase would benefit all children, but would be particularly beneficial to low income households who rely heavily on this payment to meet the costs of raising children.*
- ❖ *Increase the Qualified Child Increase (QCI) for those age 13-18 from €29.80 to €35.00. This measure would recognise the higher costs associated with this life stage*

and would target children in welfare dependent households who are particularly vulnerable to experiencing income inadequacy.

- ❖ Increase the Jobseekers Payment/One Parent Family Payment from €188.00 to €193.00. This €5.00 increase would help restore the payment to a more adequate level.

WORKING AGE HOUSEHOLDS WITHOUT CHILDREN & DEPENDENT ON SOCIAL WELFARE

This section of the submission focuses on the situation of two working age household types without children and dependent on social welfare:

- Single adult household type
- Couple household type

In Table 5 the scenarios are based on the two household types living in private rented accommodation and in receipt of rent supplement. In Table 6 the scenarios are based on the same two household types in receipt of the Housing Assistance Payment (HAP).

Table 5 Urban - Social Welfare Dependent Scenarios for Working Age Households without Children and in Receipt of Rent Supplement

	SA	CP
	Jobseeker - Private Rented	2 Jobseeker - Private Rented
MESL Core ⁵	220.68	337.81
Housing	120.00	173.08
Total	340.68	510.88
Adult 1 (JS / OFP)	188.00	188.00
Adult 2 (JS / QA)	...	188.00
Total Primary SW	188.00	376.00
Rent Supplement	88.00	89.08
Medical Card	FULL	FULL
Household Income	276.00	465.08
(Household Income - Expenditure Need)	Inadequate -64.68	Inadequate -45.80

⁵ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

Private Rented Accommodation - Rent Supplement

- Table 5 shows that working age households without children are also experiencing income inadequacy when dependent on social welfare and in receipt of Rent Supplement.
- Despite receiving Rent Supplement and the full rate of Jobseekers Benefit, the single adult household type faces income inadequacy of €65 per week, which when calculated on an annual basis is in excess of €3,300.
- The income deficit for the single adult household type indicates that the current full rate of Jobseekers Benefit is insufficient to meet the cost of living for this household type. Expenditure on food and household energy alone consume 45% of this household type's primary social welfare payment.
- Similarly, when dependent on social welfare the couple of working age has a shortfall of €46 per week, which is in excess of €2,300 when calculated on an annual basis. While both adults are in receipt of a full Jobseekers payment and Rent Supplement, they nevertheless have an inadequate income and cannot afford to meet their minimum essential needs.
- Food, personal care and energy costs alone consume 35% of the combined primary social welfare payment for the couple household type.
- The ceilings at which Rent Supplement are set unrealistic, particularly given the current rent inflation in the private rented sector. Private rented accommodation increased by 8.7% between April 2014 and April 2015⁶. Securing accommodation of an adequate standard at the current limits is a challenge, and Rent Supplement ceilings should be raised to a more realistic level to reflect the current reality of the private rented sector.

Housing Assistance Payment

- Table 6 details the income adequacy for a single adult and couple household when unemployed and availing of the Housing Assistance Payment.
- Despite availing of the Housing Assistance Payment, both household types are still experiencing income inadequacy, albeit the couple household type have a very minimal shortfall in this particular situation.

⁶ <http://cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexapril2015/>

- This scenario demonstrates a full medical card and subsidised housing is no guarantee that households dependent on social welfare will have a sufficient income to meet their minimum essential needs.

Table 6 Social Welfare Dependent Scenarios for Working Age Households without Children and in Receipt of the Housing Assistance Payment (HAP)

	SA	CP
	Jobseeker HAP	2 Jobseeker HAP
MESL Core ⁷	220.68	337.81
Housing ⁸	19.80	38.60
Total	240.48	376.41
Adult 1 (JS / OFP)	188.00	188.00
Adult 2 (JS / QA)	...	188.00
Total Social Welfare	188.00	376.00
Medical Card	FULL	FULL
Household Income	188	376.00
(Household Income – Expenditure Need)	Inadequate -52.48	Inadequate -0.41

- It is evident from the VPSJ MESL research that the current Jobseekers rate of €188.00 is not sufficient to meet an individual's/ household's minimum essential needs. As a consequence such households are experiencing income inadequacy and may be forced to do without essentials that members of the public believe are necessary to meet a household's physical, psychological and social needs at a minimum, but acceptable level.
- While the HAP scheme is welcome and unlike Rent Supplement is not determined by employment status, the limits for HAP payments are based on the current Rent Supplement limits which are unrealistic, particularly given the current rate of rent

⁷ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

⁸ Housing is based on the Housing Assistance Payment and the differential rent scheme for South Dublin County Council (SDCC). SDCC was chosen as it is the only Dublin local authority where HAP is currently available.

inflation in the private rented sector. This needs to be addressed if low income households are to feel the full benefit of this scheme.

Recommendations:

- ❖ *Increase the Jobseekers Payment by €5.00 from €188.00 to €193.00. While this will not solve the issue of income inadequacy, it will go some way towards helping those on the lowest incomes meet the cost of living.*
- ❖ *Increase the Rent Supplement ceiling limits, which also form the basis of the HAP ceilings limits, to reflect the reality of rents in the private rented market.*

INCOME ADEQUACY FOR PENSIONER HOUSEHOLDS DEPENDENT ON THE STATE PENSION

This section examines pensioner household types dependent on the State Pension. Both the Contributory and Non-Contributory Pension rates were last raised in 2009, and the rate of payment has remained at the 2009 level since. However, while pension rates have been maintained at their 2009 level, the value of secondary benefits such as the Household Benefits Package and the Fuel Allowance have both been reduced.

- The pensioner living alone and solely reliant on the Contributory Pension and Living Alone Allowance faces a weekly shortfall of approximately €6 per week, while a household in receipt of the Non-Contributory Pension has a shortfall of €16 per week.
- While the Living Alone Allowance, was increased by €1.30 in the last budget, a move the VPSJ welcomed, it is still not at a rate that is sufficient to offset the additional costs faced by those who live alone.
- The pensioner couple household types have an adequate income to meet their minimum essential needs. Indeed, in all income scenarios examined in the research this household type has a sufficient income and can afford a MESL.

Table 7 Urban - Social Welfare Scenarios - Pensioner Compositions

	LP	LP	PC	PC	PC
	Non-Contributory	Contributory	Both Non-Contributory	Contributory & Non-Contrib.	Contributory & Qualified Adult
MESL Core ⁹	224.67	224.67	273.59	273.59	273.59
Housing	29.40	31.10	47.05	48.75	47.97
Total	254.07	255.77	320.64	322.34	321.56
PRIMARY SOCIAL WELFARE					
Pension I	219.00	230.30	219.00	230.30	230.30
Pension 2 / Living Alone	9.00	9.00	219.00	219.00	153.50
Fuel Allowance	10.00	10.00	10.00	10.00	10.00
Total Primary SW	238.00	249.30	448.00	459.30	393.80
SOCIAL WELFARE SUPPORTS					
Household Benefits Package	YES	YES	YES	YES	YES
Medical Card	FULL	FULL	FULL	FULL	FULL
Household Income	238.00	249.30	448.00	459.30	393.80
INCOME ADEQUACY					
(Household Income – Expenditure Need)	Inadequate -16.07	Inadequate -6.47	Adequate 127.36	Adequate 136.96	Adequate 72.24

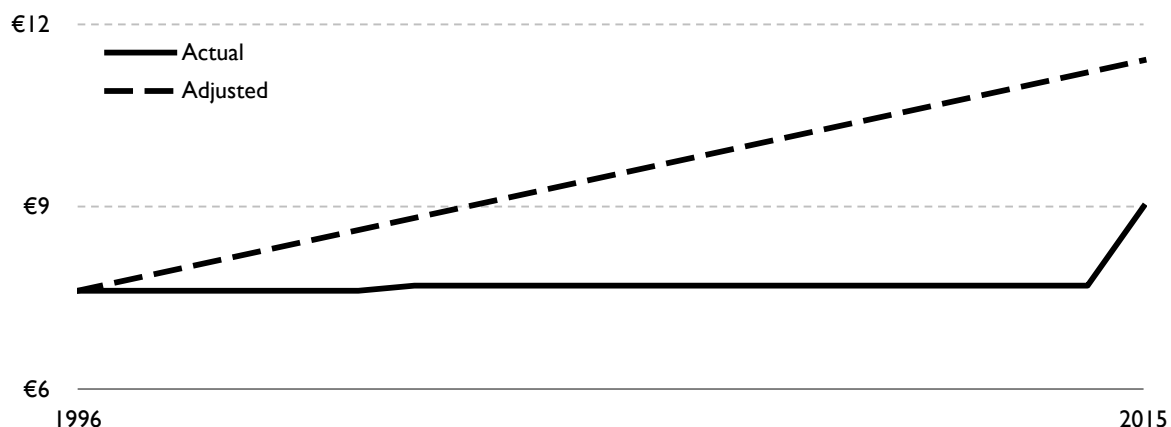
LIVING ALONE ALLOWANCE

Table 7 highlights the inadequacy of the Living Alone allowance for pensioner household types living alone.

- This weekly payment was increased from €7.70 to €9.00 in 2015, the first increase in almost 20 years. The allowance was increased to £6.00 in 1996, and in 2002 when converted to the euro equivalent the rate of payment was rounded up to €7.70.

⁹ MESL Core Costs adjusted for effect of secondary benefits (Medical Card, Household Benefits Package)

Graph I Living Alone Allowance, 1996 to 2015



- The graph above demonstrates how such a long period without any increase in line with inflation has greatly diminished the real value of the payment. The solid line shows the actual weekly rate paid each year from 1996 to 2015¹⁰, the broken line shows the 1996 rate adjusted for inflation until 2015. For the allowance to have the same value in 2015 as it did in 1996, it should now be paid at a rate of €11.40.
- An Urban based Pensioner, living alone, in receipt of the state pension has an income shortfall of between €6.47 and €16.07 per week (when living in social housing).
- Increasing the Living Alone allowance by €2.40 would not resolve the income inadequacy faced by pensioners living alone. However, such an increase would provide almost €125 additional income per annum to a household type which consistently faces income inadequacy.

ENERGY

Fuel Allowance is a means-tested targeted payment, made to people on long-term social welfare, paid on a household basis. To qualify for the payment a person must be in receipt of a long term payment (e.g. State Pension, Disability Allowance, One-Parent Family Payment, Jobseeker's Allowance for over 15 months), live alone or with dependents and pass a means test.

The Fuel Allowance is a weekly payment, paid for only part of the year. Adjustments have been made to the overall value of the Fuel Allowance through changes to both the weekly rate of the payment, and the number of weeks paid in the year. To examine the actual value of the Fuel Allowance the annual value must be calculated: (Weekly Payment x Weeks Paid).

¹⁰ To consistently illustrate the value from 1996 to 2014 the pre-2002 values are converted to euro with the euro to punt conversion rate of €1 = IRE0.787564.

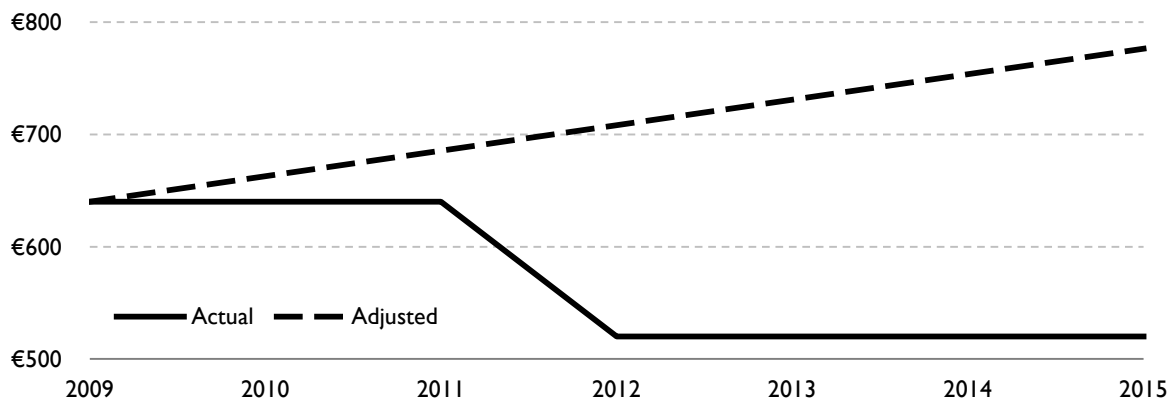
Table 8 Fuel Allowance, 2008 to 2015

	2008	2009	2010	2011	2012	2013	2014	2015
Payment	€18.00	€20.00	€20.00	€20.00	€20.00	€20.00	€20.00	€20.00
Weeks Paid	30	32	32	32	26	26	26	26
Annual Value	€540.00	€640.00	€640.00	€640.00	€520.00	€520.00	€520.00	€520.00

- Through a combination of increasing the weekly payment and increasing the number of weeks paid, the annual value of the Fuel Allowance increased until 2009. This level of payment was then maintained until 2012, when the number of weeks paid was reduced from 32 to 26, reducing the annual value of the Fuel Allowance by €120.
- The reduction of the paid value of the Fuel Allowance is compounded by the increasing cost of energy. The combination of the cuts in payment and rising fuel costs has produced a reduction in the purchasing power of the Fuel Allowance.
- The average cost of electricity and home heating fuels has risen by 21% since 2009 (the last time the Fuel Allowance was increased).¹¹ In order for the Fuel Allowance to have maintained its purchasing power in the face of inflating energy prices, it should have been increased in line with rising prices.

Graph 2 Fuel Allowance 2009 to 2015

Annual value of actual payment, versus 2009 rate adjusted for inflation



- The graph above illustrates the gap that has grown between the annual value of the Fuel Allowance paid, and the rate at which it would need to be paid to maintain the purchasing power of the allowance. The solid line shows the actual annual value paid each year from 2009 to 2015, the broken line shows the 2009

¹¹ Analysis of CSO Consumer Price Index Detailed Sub-Indices 'Electricity, gas and other fuels'. Percentage change over 12 months for March of each year

rate adjusted for inflation until 2015.

- In 2015, the Fuel Allowance requires an annual value of €780, to maintain its 2009 purchasing power. This equates to a rate of €30 per week for 26 weeks in the year. This is €260 above the current rate.

Recommendations:

- ❖ *Increase the Living Alone Allowance by €2.40, to €11.40 per week. This would add €125 per annum to a household type which consistently faces income inadequacy.*
- ❖ *While more needs to be done to help households achieve an energy efficient home, an increase to the Fuel Allowance by €5.00 to €25.00 per week for 26 weeks would at least be a step towards restoring the purchasing power of this payment.*

NATIONAL MINIMUM WAGE HOUSEHOLDS

This section examines the adequacy of the National Minimum Wage for working age households. The data presented in the following tables is based on the assumption that these are not return to work scenarios and so entitlements associated with returning to work, such as the Back to Work Family Dividend, etc., are not included in the scenarios.

A number of changes to the Universal Social Charge (USC) were announced in Budget 2015, including the removal of full-time minimum wage workers from paying the upper rates of the Charge. This move has improved net income for those on lower pay in 2015. However, the cost of private childcare and private rented accommodation substantially increases the cost of a minimum standard of living and in many cases the NMW is inadequate to meet these costs¹².

¹² To calculate the Minimum Income Standard (MIS), i.e. the gross salary that households would have to earn to afford a MESL see the VPSJ Minimum Income Standard Calculator, www.MISc.ie. A number of MIS scenarios are also detailed in the 2015 MESL update paper available online at: http://budgeting.ie/images/stories/Publications/MESL_Update_Paper/VPSJ_2015_Minimum_Essential_Standard_of_Living.pdf

HOUSEHOLDS WITHOUT CHILDREN

Table 9 Minimum Wage Scenarios - Households without Children

	SA	CP
	Full-Time Private Rented	2 Full-Time Private Rented
MESL Core ¹³	225.19	379.00
Housing (private rented)	180.72	180.72
Total	405.91	559.72
NMW SALARY		
Gross Salary 1	324.38	324.38
Income Tax 1	1.38	0.91
USC 1	6.73	6.73
PRSI 1	...	...
Gross Salary 2		324.38
Income Tax 2		0.91
USC 2		6.73
PRSI 2		...
Net Salary	316.27	633.47
SOCIAL WELFARE SUPPORTS		
Medical Card	FULL	GP VISIT
Household Income	316.27	633.47
INCOME ADEQUACY		
(Household Income – Expenditure Need)	Inadequate -89.64	Adequate 73.75

SINGLE ADULT

- The single adult household type benefits from the changes to the USC. In 2014 this household paid €9.12 per week in USC when earning the NMW, whereas in 2015 this household pays €6.73 per week in USC, which represents a saving of €2.39 per week, or €124 over the course of the year (based on working 37.5 hours per week and qualifying for a full medical card).
- While the single adult household does qualify for a full medical card which reduces their minimum essential expenditure, it is the high cost of private rented accommodation that substantially increases household expenditure. Private rented accommodation alone

¹³ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

absorbs 57% of the single adult's net income, and as a consequence this household type has a shortfall of €90 per week, which is over €4,600 when calculated on an annual basis. (Table 9)

COUPLE HOUSEHOLD

- Based on both adults working full-time on the NMW this household has a sufficient income to meet their minimum essential expenditure, which includes the cost of private rented accommodation. (Table 9)
- Private rented accommodation absorbs 29% of this household's net income, which enables this household to have sufficient income to meet all of their other minimum essential costs.
- This household type also benefits from the changes to the USC which increases their net income in 2015.

HOUSING

- Housing costs for working age households without children are derived from the average cost of renting a one bedroom dwelling in Dublin, the cost is 90% of average rent for Q4 2014 (PRTB, 2015). The average monthly cost of renting a 1 bed unit in Dublin in this period is €870.14 per month, 90% is €783.13 per month.
- Private rents for one bed dwellings have increased by 9.2% in the last year. This increase in expenditure need more than offsets the income gains from the changes to the Universal Social Charge.
- Consequently, the income shortfall for a Single Adult household has increased by over €10 per week, from 2014 to 2015, when employed full-time, earning the NMW and renting at 90% of average rent in Dublin. Similarly, the level of income adequacy for a Couple household has decreased.

Households with Children

The tables (10-12) examine the two parent household type in different income situations when earning the NMW. In all cases housing costs are based on social housing:

- › 1 employed full-time & 1 stay at home
- › 1 employed full-time and 1 part-time
- › Both employed full-time.

Table 10 Minimum Wage Scenarios – Two Parent | employed full-time, | stay at home

	TP 1	TP 2a	TP 2b	TP 3	TP 4
MESL Core ¹⁴	394.23	437.24	517.97	518.59	725.58
Childcare	...	...	...	...	...
Housing	54.15	61.70	61.70	69.85	79.65
Total	448.37	498.94	579.66	588.44	805.22
NMW SALARY					
Gross Salary	324.38	324.38	324.38	324.38	324.38
Income Tax (<i>joint assessment</i>)	...	...	...	...	...
USC	6.73	6.73	6.73	6.73	6.73
PRSI	...	...	...	...	...
Net Salary	317.64	317.64	317.64	317.64	317.64
SECONDARY SOCIAL WELFARE					
Child Benefit	31.15	62.31	62.31	93.46	124.62
Family Income Supplement	114.00	171.00	171.00	232.00	304.00
BSCFA	...	1.92	5.77	1.92	11.54
Medical Card	FULL	FULL	FULL	FULL	FULL
Household Income	462.80	552.87	556.72	645.03	757.80
INCOME ADEQUACY					
(Household Income – Expenditure Need)	Adequate 14.42	Adequate 53.94	Inadequate -22.95	Adequate 56.59	Inadequate -47.43

¹⁴ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

Table II Minimum Wage Scenarios Two Parents - 1 Employed Full-time, 1 Employed Part-Time

	TP 1	TP 2a	TP 2b	TP 3	TP 4
MESL Core ¹⁵	397.28	440.30	521.02	521.65	728.63
Childcare	134.23	89.36	13.54	223.59	27.08
Housing	63.85	70.80	70.80	78.80	88.75
Total	595.36	600.45	605.36	824.04	844.46
NMW SALARY					
Gross Salary 1	324.38	324.38	324.38	324.38	324.38
Income Tax (<i>joint assessment</i>)	...	...	...	...	...
USC 1	6.73	6.73	6.73	6.73	6.73
PRSI 1	...	...	...	...	...
Gross Salary 2	164.35	164.35	164.35	164.35	164.35
USC 2	...	...	...	...	...
PRSI 2	...	...	...	...	...
Net Salary	481.99	481.99	481.99	481.99	481.99
SECONDARY SOCIAL WELFARE					
Child Benefit	31.15	62.31	62.31	93.46	124.62
Family Income Supplement	20.00	73.00	73.00	133.00	206.00
BSCFA	...	1.92	5.77	1.92	11.54
Medical Card	FULL	FULL	FULL	FULL	FULL
Household Income	533.15	619.22	623.07	710.38	824.15
INCOME ADEQUACY					
(Household Income – Expenditure Need)	Inadequate -62.22	Adequate 18.77	Adequate 17.71	Inadequate -113.66	Inadequate -20.31

¹⁵ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

Table 12 Minimum Wage Scenarios Both Employed Full-Time

	TP 1	TP 2a	TP 2b	TP 3	TP 4
MESL Core ¹⁶	397.28	440.30	562.30	521.65	728.63
Childcare	214.98	238.29	54.16	453.27	108.31
Housing	60.43	59.44	59.67	64.89	74.69
Total	672.70	738.02	676.13	1,039.81	911.64
NMW SALARY					
Gross Salary 1	324.38	324.38	324.38	324.38	324.38
Income Tax (<i>joint assessment</i>)	2.75	2.73	1.15	2.71	2.69
USC 1	6.73	6.73	6.73	6.73	6.73
PRSI 1	...	...	...	...	...
Gross Salary 2	324.38	324.38	324.38	324.38	324.38
USC 2	6.73	6.73	6.73	6.73	6.73
PRSI 2	...	...	...	...	...
Net Salary	632.53	632.55	634.13	632.57	632.59
SECONDARY SOCIAL WELFARE					
Child Benefit	31.15	62.31	62.31	93.46	124.62
Family Income Supplement	...	...	...	43.00	115.00
BSCFA	...	...	...	1.92	11.54
Medical Card	FULL	FULL	GP Visit	FULL	FULL
Household Income	663.69	694.86	696.44	770.96	883.75
INCOME ADEQUACY					
(Household Income – Expenditure Need)	Inadequate	Inadequate	Adequate	Inadequate	Inadequate
	-9.01	-43.16	20.31	-268.86	-27.89

TWO PARENT HOUSEHOLDS - SINGLE INCOME SCENARIOS

- The NMW is inadequate in the 1 employed full-time and 1 stay at home scenarios when there is an adolescent in the household.
- Costs rise significantly when there is an adolescent in the household, however social welfare supports, with the exception of the Back to School Clothing and Footwear Allowance, are paid at a single rate irrespective of the age of a child and so the increase in expenditure at adolescence is not matched by an increase in social welfare supports.

¹⁶ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

- In the 1 employed full-time and 1 stay at home scenarios (Table 11) the NMW is adequate for the households with an infant (TP 1), and with a pre-school and primary school child (TP2a). While costs (excluding childcare) tend to be relatively high in infancy, they decline significantly at pre-school age, but are significantly below costs associated with adolescence. As a consequence single income two parent households with younger children have a sufficient income on the NMW to meet their minimum essential costs.
- FIS makes a notable contribution to single income two parent households. For households with four children (TP4) FIS contributes €304 per week to household income, which when calculated on an annual basis is almost €16,000. Despite receiving this significant social welfare support and living in social housing, this household composition cannot afford a MESL in this income scenario, and has a weekly income shortfall of €47, almost €2,500 per annum.

TWO - PARENT HOUSEHOLDS - DUAL INCOME SCENARIOS

- The data demonstrates that when both parents are in employment it does not necessarily follow that a household will be financially better off as the gain from employment can be counteracted by both the cost of childcare, social housing and decrease or cessation of secondary benefits.
- Childcare costs are based on the use of formal childcare for an infant and a pre-school age child. The pre-school age costs are net of the ECCE scheme. Costs for a primary school age child are based on informal care provided by a friend or relative and therefore do not demonstrate the cost of formal private childcare.
- The two parent household with an infant (TP 1) moves from a situation of adequacy when one parent is working full-time (earning the NMW) and one parent is staying at home to a situation of inadequacy when both parents are in employment. For this household type when one parent is working full-time and one parent is working part-time, childcare costs absorb 82% of the net minimum wage salary of the part-time worker.
- In addition, Family Income Supplement reduces significantly when a household moves from a single NMW income to a dual NMW income scenario. In the case of the household with an infant (TP1) FIS decreases from €114 when one parent is employed to €20.00 when one parent is working full-time and one is working part-time, to €00.00 when both are in full-time employment on the NMW.
- Similarly, the two parent household with an infant, pre-school and primary school children (TP3) moves from a situation of adequacy when one parent is working full-time and one parent is stay at home to a situation of inadequacy when both parents are in minimum wage employment.

- The two parent household with an infant, pre-school and primary school children (TP3) has a shortfall of €269 per week when both parents are working full-time on the NMW. The cost of full-time childcare (€453.27) for this household absorbs 72% of net NMW salary and in this instance the NMW is not sufficient to meet the cost of childcare and all other costs necessary for a Minimum Essential Standard of Living. This household composition would face an income shortfall of over €14,000 per annum, when both adults are earning the NMW full-time.

ONE PARENT HOUSEHOLDS

The scenarios presented in the following tables for the one parent household types examine part-time and full-time employment situations, and are based on social housing. Childcare costs are based on the use of formal childcare for a pre-school age child, and are net of the ECCE scheme. Costs for a primary school age child are based on informal care provided by a friend or relative and therefore do not demonstrate the cost of formal private childcare.

Table 13 Minimum Wage Scenarios -One Parent Household Employed Part-Time

	OP 1 (6)	OP 1 (7)	OP 2a	OP 2b
MESL Core ¹⁷	286.82	286.82	331.44	412.17
Childcare	13.54	13.54	89.36	13.54
Housing	60.97	49.60	70.44	57.30
Total	361.33	349.96	491.24	483.01
NMW SALARY				
Gross Salary	164.35	164.35	164.35	164.35
Income Tax	...	...	...	...
USC	...	...	...	...
PRSI	...	...	...	...
Net Salary	164.35	164.35	164.35	164.35
SECONDARY SOCIAL WELFARE				
Child Benefit	31.15	31.15	62.31	62.31
Family Income Supplement	93.00	205.00	133.00	263.00
BSCFA	1.92	1.92	1.92	5.77
One-Parent Family Payment	187.80	...	217.60	...
Fuel Allowance	10.00	...	10.00	...
Medical Card	FULL	FULL	FULL	FULL
Household Income	488.23	402.43	589.18	495.43
INCOME ADEQUACY				
(Household Income – Expenditure Need)	Adequate 126.90	Adequate 52.47	Adequate 97.94	Adequate 12.42

¹⁷ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

Table 14 Minimum Wage Scenario One Parent Employed Full-Time

	OP 1 (6)	OP 1 (7)	OP 2a	OP 2b
MESL Core ¹⁸	288.27	288.27	332.89	413.62
Childcare	54.16	54.16	238.29	54.16
Housing	65.37	58.95	74.84	66.50
Total	407.79	401.37	646.02	534.27
NMW SALARY				
Gross Salary	324.38	324.38	324.38	324.38
Income Tax	...	1.15	1.15	1.15
USC	6.73	6.73	6.73	6.73
PRSI	...	...	...	...
Net Salary	317.64	316.49	316.49	316.49
SECONDARY SOCIAL WELFARE				
Child Benefit	31.15	31.15	62.31	62.31
Family Income Supplement	49.00	114.00	89.00	171.00
BSCFA	...	1.92	...	5.77
One-Parent Family Payment	107.80	...	137.60	...
Fuel Allowance	10.00	...	10.00	...
Medical Card	FULL	FULL	FULL	FULL
Household Income	515.60	463.57	615.40	555.57
INCOME ADEQUACY				
(Household Income – Expenditure Need)	Adequate	Adequate	Inadequate	Adequate
	107.81	62.20	-30.62	21.30

ONE PARENT HOUSEHOLDS - PART-TIME WORK

- The NMW provides an adequate income in all of the part-time NMW scenarios demonstrated in Table 13 for one parent household types.
- In all of the scenarios social welfare transfers make a valuable contribution to household income, enabling the households to have a sufficient income from part-time minimum wage work.
- The household demonstrating the greatest adequacy is the household with a 6 year old child. This household is still eligible for the One-Parent Family Payment (OPF) as their child is under the age of 7. In this scenario the household receives a partial OPF of €187.80, and also receives €136.07 in other social welfare payments. Secondary social

¹⁸ MESL Core Costs adjusted for effect of secondary benefits (e.g. Medical Card), and personal costs associated with employment scenario

welfare payments combined with net earned income ensure that this household has a sufficient income to afford the cost of a Minimum Essential Standard of Living.

- The effect of withdrawing the OFP for households with children age 7 and above is evident. While the household with a 6 year old child receives €187.80 in OFP, the household with a 7 year old child is no longer eligible for this payment.¹⁹
- While the one parent household with a 7 year old receives a higher rate of FIS which offsets some of the loss of the OFP, this household's income is considerably less than a household with a 6 year old.²⁰
- The part-time employment scenarios presented are based on being employed for 19 hours per week, the minimum required to qualify for Family Income Supplement (FIS). It is assumed that these hours are secure, and regular, enabling the household to qualify for FIS. Furthermore, it is assumed that the pattern of working hours can be structured in such a way as to minimise childcare costs e.g., working during school hours. As such, real world part-time employment scenarios may not experience the same levels of income adequacy.

ONE PARENT HOUSEHOLDS - FULL-TIME WORK

- In full-time employment, the NMW is inadequate for a one parent household with a pre-school and primary school child (OP2a). Childcare costs alone account for 75% of net salary.
- While this household (OP2a) receives €137.60 from the OFP and €89 in FIS it is not enough to offset the cost of childcare and all other costs necessary for a MESL. The household has a weekly income shortfall of €31, almost €1,600 per annum.
- The household demonstrating the greatest income adequacy is the household with one child, aged six. In this instance this household is still eligible for the OFP, and when this payment is combined with FIS, Child Benefit and net NMW salary the household has a sufficient income to meet its minimum essential needs.
- A One Parent household with one child, aged seven, will no longer be eligible for the OFP. When employed full-time, and earning the NMW, the loss of the OFP will be partially offset by an increased FIS payment, however, total household income (net salary + social welfare) will decrease by €52 per week, over €2,700 per annum.

¹⁹ Households in this scenario may be eligible for the Back To Work Family Dividend, which allows the household retain the Qualified Child Increase (QCI) of €29.80 per child, per week, for one year and half a QCI payment for a second year. However, eligibility for this payment is conditional, and it is not included in the scenarios examined here.

²⁰ OFP is counted as income in the means test for FIS, hence the higher rate of FIS for a household with a child aged 7 & over.

CHILDCARE & HOUSING COSTS

- The cost of childcare and housing have a very significant impact on the cost of households' Minimum Essential Standard of Living.
- In order to afford these costs household compositions with younger children, and households in private rented accommodation would require salaries notably above the National Minimum Wage.

Recommendations:

- ❖ *The High cost of childcare needs to be addressed, particularly for, but not exclusively for, low income families. International evidence shows that these costs are best addressed through subventions and making the service affordable and not through income supports or tax credits.*
- ❖ *Ensure that households have access to affordable and good quality accommodation and address the issue of rapid rent inflation in the private rented sector.*

CONCLUSION

This submission prepared by the Vincentian Partnership for social justice has demonstrated the situation of low income household types in 2015. It is apparent from the findings of the VPSJ MESL research that many low income households dependent on social welfare or the national minimum wage are experiencing income inadequacy and do not have a sufficient income to meet their minimum essential needs. In addition, the increase in the rate of consistent poverty since 2008 is further evidence of the need to help low income households struggling to make ends meet. While Budget 2015 saw an increase in Child Benefit, the Living Alone Allowance and changes to the USC, the effects of previous budgets is still very much evident.

Budget 2016 therefore presents an opportunity to help low income households who are experiencing income inadequacy. These households have borne the brunt of the economic and fiscal crisis. As the economy begins to tentatively improve the VPSJ is urging the Government to prioritise welfare dependent and low income families who are particularly vulnerable to poverty and social exclusion.

Adequate income, access to affordable and quality services and opportunities for secure and stable employment for all are the basis of a more egalitarian and inclusive society. This Budget is an opportunity to achieve a more just and inclusive society and redistribute resources to those who need it most. This approach will not only benefit the most vulnerable, but also society as a whole.

FURTHER INFORMATION

- The same information for other types of household, households in rural areas, and households in different employment situations using the online Minimum Income Standard calculator, www.MISc.ie
- Use www.MISc.ie to test whether a household has an income adequate to meet their minimum needs
- Further information on the household budgets, including detailed individual expenditure tables and research reports are available on the VPSJ consensual budget standards website, www.budgeting.ie

Disclaimer

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