

BUDGET 2012 PUTTING A MINIMUM ESSENTIAL STANDARD OF LIVING FURTHER OUT OF REACH

Key Points

- Budget 2012 moves social welfare dependent households further from having an income that meets their minimum essential needs, as the combination of cuts and increased costs pushes low income household types past the tipping-point and deeper into impoverished income inadequacy.
 - Budget 2012 has brought a real reduction in income for social welfare dependent household types, despite the promise of protecting the most vulnerable and not cutting primary social welfare rates. The cumulative effect of cuts to secondary benefits and significant inflation for the cost of essentials deepens the inadequacy of social welfare incomes for many household types.
 - Income will fall short of need by over €5,950 in 2012 for households with two children in urban areas, where one is a teenager of second level age and the second of primary school age, dependent on social welfare (Jobseeker's or One-Parent Family Payment).
 - Unemployed Single Adults of working age, living alone in an urban area household type, will face an annual shortfall of over €4,350 in 2012, as increased living costs are compounded by a weekly increase of €6 to the Rent Supplement minimum contribution.
 - Social welfare dependent two child households, with younger children (of pre-school and primary school age), will also face an inadequate income in 2012. Households of this type will have an annual income shortfall of approximately €1,000.
 - The annual reduction of €120 to the Fuel Allowance means an urban pensioner, living alone, must contend with greater income inadequacy, as annual income will fall short of minimum needs by over €850.
 - These household types have already passed the tipping-point and exist with inadequate incomes. In a period of rising living costs any steps which reduce income for those least able to bare it are unjust and perverse. Such measures cannot serve to foster social justice and an inclusive society.
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Budget 2012 – Putting a minimum essential standard of living further out of reach

Table 1 MESL Expenditure and Incomes 2011 & 2012, for Social Welfare Dependent Households*

		Two Parent 3 & 10	Two Parent 10 & 15	One Parent 3 & 10	One Parent 10 & 15	Single Adult Living Alone	Pensioner Living Alone
2011	Expenditure	456.89	553.17	339.40	438.98	351.57	268.92
	Income	440.87	446.73	328.38	334.23	†277.96	258.20
	Shortfall	-16.02	-106.44	-11.02	-104.74	-73.61	-10.72
2012	Expenditure	462.60	560.09	343.64	444.46	355.96	272.28
	Income	439.90	444.71	325.10	329.91	†271.96	255.89
	Shortfall	-22.70	-115.38	-18.54	-114.56	-84.00	-16.39

Intro

Budget 2012 will push low income households dependent on social welfare further over the tipping point into poverty. Already, such household types cannot afford a socially acceptable minimum standard of living in 2011, and still will not in 2012.

This budget not only fails to address this injustice, but compounds it despite claims to have protected social welfare payments. The devil is in the detail, as a series of adjustments to payment terms, means tests, and cuts in secondary benefits, serve to reduce the overall household income for households reliant on social welfare, and inflation compounds the cuts.

Some relief for low income households in employment may potentially be found with the adjustments to the Universal Social Charge. However, the reduction in the earnings disregard for the One-Parent Family Payment means test will offset the benefits of this measure for such household types.

Reduced Supports & Increasing Costs

Budget 2012 arrives as the latest in a succession of annual reductions in supports to households dependent on social welfare and earning low incomes. It comes at a time when the cost of a minimum essential standard of living is rising (the cost of essentials such as food, transport, home heating & electricity, have all increased in the last twelve months[‡]), and is forecast to continue rising in 2012[§]. This increase in costs for 2012 does not take account of any of the additional household charges, carbon tax, VAT increase, etc., put forth in Budget 2012.

The VPSJ's research on the cost of a Minimum Essential Standard of Living, shows that the price of the basic essentials necessary for an acceptable standard of living have, in fact, generally risen since 2009. The cost of a minimum standard of living has risen by around 2% for household types with two children, between 2009 and 2011. For example, an urban unemployed two parent household, with two children (primary school age and second level age) needed €545 a week for a minimum standard in 2009 and now requires €553; this forecast to rise to €560 a week in 2012.

The accompanying table details the expenditure needs and social welfare income entitlements for two child households with one or two parents, unemployed single adults of

working age living alone, and an older person living alone and in receipt of a non-contributory pension. The adequacy of social welfare payments are tested against the minimum expenditure needs of each household. In all cases the household types are eligible for a medical card, and housing costs are based on local authority rents (with the exception of the single adult). The VPSJ MESL research consistently demonstrates these household types as those most vulnerable to income inadequacy.

In all cases social welfare failed to provide an adequate income to these household types in 2011 and will continue to do so in 2012 under the measures to be introduced by this Budget.

Households with Children

For households with two children, reliant on social welfare, Budget 2012 has maintained the key income supports – Child Benefit and the Qualified Child Increase. However, reductions in the Back to School Clothing & Footwear Allowance will impact upon all low-income households with children. Additionally, the reduction in Child Benefit for third, fourth and subsequent children will inevitably impact on larger households**.

Examining households with two children, where the parent(s) are reliant on social welfare (either Jobseeker's or One-Parent Family Payment), reveals a reduction in income of 9%, between 2009 and 2011. The cuts in Budget 2012 while initially appearing relatively modest in magnitude, compound an already untenable situation.

Reductions in the Back to School Clothing & Footwear Allowance, to €150 for children aged 4 to 11 and €250 for children aged over 12, represent a €50 to €55 reduction in annual household income. This is a targeted payment to assist the least well off meet the costs of education. To cut it when such households already struggle with inadequate incomes is unacceptable.

Cuts in income are all the more severe as they come at a time when the cost of a minimum essential standard of living is rising. The annual reduction of €120 in Fuel Allowance will also bare heavily on low income households as home heating fuel costs have already increased by over 20% from October 2010 to October 2011[‡]. The impact of this is demonstrated for One Parent households, in the table above.

The combination of cuts in income supports and rising costs brought the household type of two parents and two younger children from a position of having an income adequate to meet the needs of a minimum essential standard of living in 2009, to a position in 2011 where they face a weekly shortfall in the minimum income they need for essentials. This situation is set to worsen in 2012, as annual income will be inadequate by €1,180.

Household types with a teenager, reliant on social welfare, have consistently faced income inadequacy. Budget 2012 not only fails to address this inequitable situation, but exacerbates it by reducing one of the few child-age related payments (Back to School Clothing & Footwear Allowance). These household types now must strive to exist in 2012 with an income which is inadequate by €105 every week, or over €5,950 for the year.

Single Adults of Working Age, Living Alone

The primary rate of Jobseeker's payment has not been changed in this budget. However, for an unemployed adult living alone in an urban private rented bed-sit, the combination of this payment and Rent Supplement are consistently demonstrated to be inadequate.

In 2012, in addition to facing rising costs due to inflation, the adjustments to Rent Supplement will further increase the minimum expenditure needs of households of this type to over €355 per week. The increase of the minimum contribution to Rent Supplement for a single adult from €24 a week to €30 per week, compounds the income inadequacy this household type will face in 2012.

Older People

Budget 2012 impacts on older people reliant on a state pension, through the reduction of the Fuel Allowance and failure to address the inadequacy of the Living Alone Allowance.

The VPSJ research for a household type of a pensioner living alone, in local authority housing in an urban area, demonstrates that households of this type already exist on an inadequate income in 2011, when reliant on a Non-Contributory State Pension or Contributory State Pension. The combination of the pension Personal Rate, Living Alone Allowance, Fuel Allowance, Household Benefits package and the secondary benefits of a Medical Card are not enough.

In 2012 the overall cost of living for this household type is set to increase. Further, at a time of significant home heating fuel cost inflation[‡] the €120 reduction in the Fuel Allowance can only serve to push households in this situation further into income inadequacy in the coming year.

Finally

These household types have already passed the tipping-point and exist with inadequate incomes. In a period of rising living costs any steps which reduce income for those least able to bare it are unjust and perverse. Such measures cannot serve to foster social justice and an inclusive society.

Context

To assess the impact of these changes scenarios are examined for a variety of household types. The expenditure needs of these household types are the product of the consensual budget standards work of the Vincentian Partnership for Social Justice, defining the basic needs of different household types to maintain a Minimum Essential Standard of Living.

A Minimum Essential Standard of Living is derived from a negotiated social consensus on what people believe is a minimum. Through exhaustive work with many focus groups, detailed baskets of the goods and services vital to a household type's minimum needs, and not wants, were compiled. These baskets are comprised of thousands of items and define the minimum needs for households to live at a socially acceptable level.

The cost of these baskets is adjusted annually by appropriate CPI rates. For this analysis the costs are adjusted to October 2011, and projected forward to 2012 using the HICP forecast inflation rate published by the Department of Finance in November 2011.

The 2012 income calculations are based on the available information from Budget 2012 as published by the relevant Government Departments at this time.

Further details of the Minimum Essential Standard of Living expenditure budgets and income analysis are available through the VPSJ budgeting website: www.budgeting.ie

* 2011 expenditure is based on the VPSJ MESL baskets adjusted to October 2011. 2012 expenditure is adjusted by forecast HICP. Incomes calculations for 2012 are based on the available information from Budget 2012 as published by the relevant Government Departments at this time.

† Urban single adult housing costs are based on private rental accommodation. Income is then indicated inclusive of Rent Supplement

‡ CSO CPI sub-indices 12 month change, October 2011 – Food & Non-Alcoholic Beverages: 1.4%, Transport: 3.6%, Electricity: 11.5%, Natural Gas: 20.5%, Liquid Fuels 20.3%

§ Department of Finance November Economic Bulletin, forecasts a 2.5% increase in CPI and 1.25% in HICP

** The VPSJ MESL expenditure data cannot currently be reliably applied to households with more than two children