

Key Recommendations

Set a timeline and roadmap for the progressive realisation of an adequate social welfare system, with rates of payment benchmarked against the cost of a Minimum Essential Standard of Living, ensuring income adequately meets the cost of a socially acceptable minimum standard of living and raises people above the At Risk of Poverty level.

To make progress towards this target, focus resources on the households with the greatest risk of deep income inadequacy, working-age households headed by one adult and households with older children.

The Qualified Child Increase for children aged 12 and over should be increased by €7.00 to €44 per week for children aged 12 and over. This builds on the introduction, in 2019, of the higher rate of QCI for this age group and moves towards addressing the under-estimation of needs inherent in the current rates of payment.

Increase the Personal Rate of primary working-age social welfare supports by €8.00 to €211 per week, with a proportional adjustment to the under 12 QCI of €3.30.

Maintain the current nominal rate of the Qualified Adult payment (€134.70), thereby beginning to address the under-estimation of the needs of one adult headed households relative to two adult headed households.

Re-instate the full rate of Jobseeker's Allowance for 25-year olds. Set a timescale for the restoration of the full rate for those aged 18 to 24. As an interim step, ensure the rate for this age-group enables an adequate income when living in the family home — increase the current rate to €148 per week.

Work toward improved public transport options for rural areas, to enable an MESL without the need for (and cost of) private transport. This is of importance for allowing rural older people realise the full value of the free travel pass.

Restore the purchasing power of the Fuel Allowance to 2010 levels, progressively re-instate the 32-week season with a rate of €25.95 per week.

Review Working Family Payment income thresholds and move towards restoring relative value in terms of minimum living costs and increased social welfare rates — failure to maintain WFP thresholds in the context of rising rates may, overtime, as a disincentive for the take up of employment.

Review the One-Parent Family Payment gross salary limit (€425 per week), consider equivalising this threshold in line with family size, and adjusting the limit in the context of changing minimum living costs.

Enable lone parents in employment, with children aged between 7 and 14, to be eligible to for both Jobseeker's Transition and Working Family Payment.

Introduction – MESL Benchmarking Income Adequacy

The **Vincentian Partnership for Social Justice** (VPSJ) welcomes the opportunity to make this submission to the Department of Employment Affairs and Social Protection presenting evidence-based policy recommendations.

The VPSJ's research works with members of the public to reach agreement on the minimum needed to live and partake in the social and economic norms of everyday life. The research identifies the cost of what is required to enable a life with dignity, at a minimum but acceptable standard—the Minimum Essential Standard of Living—a standard that people have agreed nobody should be expected to live below.

This submission draws on the analysis in the 2019 MESL¹ assessment of minimum expenditure and income needs, applying the MESL as an adequacy benchmark to inform evidence-based policy recommendations.

The MESL assessment of income adequacy has identified households headed by one adult and households with older children as having the greatest degree of income inadequacy, when dependent on social welfare. This submission outlines the adjustments required to address the systemic issues which are behind the persistent deep income inadequacy found amongst these household types

The annual MESL analysis has tracked notable progress in the reduction of the adequacy gap between social welfare rates and the cost of an MESL from 2014 to date. Compared to 2014, significantly more social welfare dependent household test cases now demonstrate income adequacy, and there is a reduction in the adequacy gap for those household compositions continuing to demonstrate income inadequacy.

This progress is due to increases in the value of primary social welfare rates while the cost of an MESL has remained relatively stable over recent years. Despite this progress deep income inadequacy persists and is now exclusively found in households which are headed by one adult, i.e. single working-age adult and lone parent households, or in households with older children.

The concentration of deep income inadequacy in these household types is due to the current structures of the social welfare system underestimating the minimum needs and costs for one adult headed household relative to two adult headed households, and older children relative to younger children. The concentration of deep income inadequacy in these household types highlights systemic issues in the accepted equivalence scales which inform the relativities between social welfare rates of payment.

Adequate Social Welfare Supports

The VPSJ aspires for an acceptable minimum standard of living for all, whether dependent on social welfare, in paid employment, or engaged in a caring role. It is recognised that this is a goal that can only be progressively realised through a combination of measures. Firstly, ensuring the adequacy of income supports, benchmarking rates of payment against minimum living costs, while also addressing systemic issues which contribute to current gaps in provision. And secondly, the parallel development of robust services that reduce minimum living costs.

The forthcoming 'Roadmap to Social Inclusion' and the Department's consultation regarding the benchmarking and indexation of social welfare rates provides an opportunity for a timeline and roadmap for the progressive realisation of an adequate social welfare system to be put in place. The annual budget presents the opportunity for taking substantive measures towards achieving a social welfare system that ensures minimum income adequacy and enables a life with dignity.

With the re-emergence of a discourse in favour of ensuring social welfare provides the basis of an adequate income, the introduction of the higher rate of QCI for older children signposts the consideration which must be given to the relativities which underpin social welfare rates of payment.

The VPSJ welcomed the introduction of the higher rate of QCI for older children as demonstrating an evidence-based approach towards the setting of social welfare rates. The importance of this measure will be in the future steps which build on it, and similar evidence-based steps to rebalance rates of support for one adult headed households.

The VPSJ is very supportive of the evidence-based approach to determining the appropriate level for social welfare rates, and welcomes the Department's focus and engagement on this issue. The VPSJ's MESL research provides an evidence-based adequacy benchmark, which is methodologically robust, grounded in social consensus and informed by lived experience. It is a direct and tangible measure of the average weekly cost of the basket of goods and services agreed as necessary for a minimum socially acceptable standard of living.ⁱⁱ

Consequently, the Minimum Essential Standard of Living expenditure needs data is an appropriate adequacy benchmark. The recommendations below outline the adjustments required to current social welfare rates to reduce income inadequacy, and ultimately eliminate deep income inadequacy (in the context of the household types examined, and access to crucial services such as social housing).

Primary Working Age Social Welfare Rates

In 2019 the MESL analysis showed a continuation of the trend of recent years, with a decline in the rate of income inadequacy. Furthermore, the adequacy gap has improved in all cases examined, with the proportion of minimum need which is met by social welfare increasing.

However, the current rate for working-age payments (Jobseeker's Payments, One-Parent Family Payment, etc.) does not provide the basis of an adequate income for either single adult households without dependents or the majority of household compositions with children examined in the MESL research.

Deep income inadequacy is now exclusively found in households which are headed by one adult, i.e. single working-age adult and lone parent households, or in households with older children. There are dimensions of these household's need which are not covered by current social welfare system.ⁱⁱⁱ

One Adult Headed Households

The current social welfare personal rate (€203) is inadequate to meet the MESL costs of a single adult of working age, and does not provide the basis of an adequate income for the majority of one parent household compositions examined.

The MESL data also shows that the current social welfare system underestimates the cost of the minimum needs of one adult headed households compared to two adult headed households, consequently lone parent households and single adults of working age demonstrate the greatest rate of deep income inadequacy.

Analysis of the MESL data finds that the minimum needs^{iv} of a working-age couple (either parents or couple without children) cost 1.5 times that of an equivalent one adult headed household (either lone parent or single working-age person). This is not because the second adult consumes less than the first, but instead that there are significant economies of scale available to two adult households which reduce the relative cost of the second adult in the household.

To address this imbalance and move towards a social welfare system that adequately meets minimum needs, consideration must be given to the structure of the system and the relativities within it. It is proposed that resources should be focused on progressively increasing the working age personal rate to ultimately meet 100% of the MESL need of a working age single adult (€245 per week in 2019), maintaining the current nominal value of the qualified adult rate until it reaches a relative value of 50 – 55% of the personal rate.

It must be stated unambiguously, this is not a recommendation to reduce the nominal value of the Qualified Adult rate. But rather to focus on increases in the Personal Rate and Qualified Child rates, allowing the Qualified Adult rate to reduce in relative value over time.

Older Children aged 12 and over

The MESL research has consistently identified older children as having additional and different needs distinct from children in younger age-groups. The cost of an MESL is highest for older children, aged 12 and over. The MESL needs of older children cost approximately €120 per week, over 63% more than the minimum needs of younger children.

Over two-thirds of the higher MESL costs for older children are due to additional food, clothing, personal care and social inclusion costs. A further fifth reflect the additional expenses associated with second level education.

Social welfare supports meet 62% of the MESL costs for an older child, compared to meeting over 90% of MESL costs of younger children.^v

Deep income inadequacy, where social welfare meets less than 90% of MESL need, is found most frequently in household compositions with older children. Older children in one parent households are additionally effected due to the deep inadequacy risk faced by one adult headed households.

In recognition of older children's additional needs Budget 2019 introduced a higher rate of Qualified Child Increase (QCI) for children aged 12 and over. The additional €3 payable for older children in social welfare dependent households represented a crucial step in building towards providing a minimally adequate income.

The current rate of QCI for older children continues to fall notably short of the cost of MESL needs, and has not had a significant effect on the rate of deep income inadequacy amongst households with older children, as the initial rate is insufficient to address the degree of income shortfall. Nevertheless, the measure represents the start of a vital rebalancing of the social welfare system – income adequacy can only be progressively realised through incremental steps which move towards adequate levels of support, as such it is essential that further progress be made in this area.

Recommendations

The table below presents recommended adjustments for 2020 to the working age Personal Rate (and associated Qualified Adult and Child rates). Additionally, the current interim steps required to reach rates which are based on 100% of MESL need by 2025 are also presented, subject to annual adjustment in line with future fluctuations in MESL expenditure need.

	2019	2020	2021	2022	2023	2024	2025
Personal Rate	203.00	211.00	217.80	224.60	231.40	238.20	245.00
Qualified Adult	134.70	134.70	134.70	134.70	134.70	134.70	134.70
QCI, Under 12	34.00	37.30	39.60	41.80	44.10	46.30	48.50
QCI, 12 and over	37.00	44.00	51.70	59.40	67.10	74.70	82.40

Effect of above measures

To track the changing trend of social welfare income adequacy the MESL analysis includes an assessment of 214 test household cases comprised of one and two parent household compositions with one to four children in various age-groups, working-age adults without children, and pensioner households. The adequacy of social welfare supports are benchmarked against MESL need when in an urban area^{vi}.

The analysis identifies trends in income inadequacy, highlighting systemic issues in the social welfare systems response to particular dimensions of household need can contribute to persistent income inadequacy.

In 2019, 82 cases demonstrate income adequacy and 132 cases demonstrate inadequacy. Within the inadequate cases, 69 have an income which meets at least 90% of MESL need, and 63 are in deep inadequacy where social welfare provides for less than 90% of need.^{vii}

The final effect of the above proposals is modelled, to demonstrate the effect of the nominal adjustments to social welfare rates and crucially the rebalancing of the relative value of rates. The MESL need of an urban working-age single adult is taken as the benchmark for the personal rate (based on current MESL expenditure need) and a system of rates based on the following is applied:

Personal Rate	100% of MESL need of working-age urban single adult
Qualified Adult	retained at current nominal level
Qualified Child, under 12	maintained at 33% of Personal Rate (including Child Benefit)
Qualified Child 12 & over	increased to 100% of MESL need second level age child

If the rates of payment were modelled on the above relativities, the adequacy assessment for the 214 test cases would show the following:

- 204 of the 214 test cases demonstrate income adequacy
- No cases of deep income inadequacy
- The 10 cases demonstrating inadequacy are within 5% of meeting MESL need
- The inadequate cases are due to the treatment of QCI in differential rent calculations ^{viii}

Replacement Rates

For illustrative purposes the replacement rate is calculated for a single working-age adult in receipt of the a personal rate benchmarked at 100% of MESL need, €245 per week.

A single adult would have a replacement rate of 69% to 70% when earning the current National Minimum Wage (€9.80) and in full-time employment with 37.5 to 39 hours per week.

This replacement rate indicates a continued incentive to work in the context of adequate social welfare rates. It also highlights the continued need to ensure that both the rate of the National Minimum Wage and in-work supports (e.g. Working Family Payment) are maintained in relation to adjustments to social welfare rates.

Future adjustments to the National Minimum Wage rate, and reducing the gap between the Minimum and Living Wage would further improve this replacement rate, and ensure that the benefits of taking up employment are maximised for those who transition from social welfare dependency to paid work.

Adults aged under 26

The cost of an MESL for an unemployed young adult living in the parental family home (and qualifying for a full medical card) is €148 per week^{ix}. The cost of an MESL for an unemployed working-age single adult, living independently, is €245 per week.

For adults under 25 the reduced rate of Jobseeker's Allowance (JA) was increased in 2019 to €112.70. This rate of payment meets 76% of urban MESL need, in the context of the adult continuing to live in the parental family home. An individual in this scenario requires significant financial support from their family to afford an MESL.

The reduced rate of JA for 25-year olds (€157.80) provides an adequate income, in the context of the adult continuing to live in the parental family home.

To live independently, adults aged under 26 have the same MESL needs as older adults, and therefore require the same level of income support. It is essential that moves toward restoring the full Personal Rate for adults aged 18-25 are made, abolishing the unequal and inadequate reduced rate of JA for younger adults. This is a vital step towards enabling all adults to have an acceptable minimum standard of living.

Recommendations

- › Re-instate the full rate of Jobseeker's Allowance for 25-year olds.
- › Set a timescale for the restoration of the full rate those aged 18 to 24. As an interim step, ensure the rate for this age-group enables an adequate income when living in the family home — increase the current rate to €148 per week.

Older People & the State Pension

Increases in the State Pension rate over the last four budgets have improved the position of all pensioner household types examined in the MESL analysis. While pensioner couple households tend to demonstrate income adequacy when reliant on the state pension, a pensioner living alone has tended to show greater vulnerability to income inadequacy. In 2017 an urban pensioner living alone household type moved to income adequacy when reliant on the Non-Contributory Pension and living in social housing; the first time since 2010.

In 2019, additional supports have added a further €5.43 per week to household income for a pensioner living alone. The Non-Contributory Pension, and secondary supports, now provide an income that is 4.3% above the MESL floor need when in an urban area and living in social housing.

Deep income inadequacy persists for the pensioner living alone household type when in a rural area. Due to additional needs in a rural area, primarily transport, the non-contributory State Pension (and secondary supports) meet only 83.5% of MESL costs for a rural older person living alone.^x

An urban based pensioner household can utilise the free travel pass to meet minimum transport needs on public transport. The same is not true for rural pensioner households. The need for a car adds an additional €59 per week to the MESL budget for a lone pensioner in a rural area.

Lack of access to adequate public transport, and the resulting need for a car, result in income inadequacy for the pensioner living alone household type in a rural area. Improved public transport services are key to addressing this deep inadequacy. If the need for a car was removed, thereby reducing MESL costs, the current state pension rate would be adequate for pensioner living alone household types in both rural and urban areas.

Recommendation

- › Work toward improved public transport options for rural areas, to enable an MESL without the need for (and cost of) private transport. This is of importance for allowing rural older people realise the full value of the free travel pass and enabling income adequacy when dependent on the state pension.

Fuel Allowance

Home energy prices increased by an average of 4.6% in the last year. This has added to the ongoing rising cost of home energy, which have increased by an average of 29.9% since 2010.^{xi}

In 2010 the Fuel Allowance was paid at the rate of €20 per week for 32 weeks of the year. Giving an overall value of €640 over the year. The Fuel Allowance season was reduced to 26 weeks in 2012, significantly reducing the overall value of the support. An increase in the weekly rate in 2016 and the extension of the Fuel Allowance season by a week in 2018 and again in 2019, have almost restored the nominal of the support to 2010 levels.

Based on analysis of average fuel price developments from 2010, the Fuel Allowance now requires an annual value of €830, to restore the 2010 purchasing power and enable the same amount of energy to be purchased in 2019.

Recommendation

- › Restore the purchasing power of the Fuel Allowance to 2010 levels, progressively re-instate the 32-week season with a rate of €25.95 per week.

Employment & Social Welfare

Employment should enable people to have an income which provides a Minimum Essential Standard of Living for themselves and their families. Having an income below this standard of living means doing without goods and services which are vital for taking part in the norms of everyday life.

In all situations examined in the 2019 MESL analysis employment improved household income in comparison to social welfare alone, when secure and stable hours are available.

Setting an appropriate wage floor is essential, to address the needs of those without dependent children, and to set a reasonable floor for other social support mechanisms to work from. Well designed in-work income supports and services which reduce living costs (e.g. affordable childcare and access to adequate affordable housing) need to work effectively in conjunction with an appropriate minimum wage rate, to enable all households to achieve an MESL when in employment.

Current income supports, when working in tandem with services, have the potential to provide income adequacy. However, there are points within the current system where the interaction of supports produces negative results. The VPSJ highlights the following findings from the latest MESL analysis, regarding in-work income supports and the need for access to services.^{xii}

Working Family Payment

The Working Family Payment is a crucial support for enabling income adequacy in lower paid employment, reducing the gap between a household's earnings from low paid employment and the cost of an MESL, when working in conjunction with services which reduce childcare costs and provide affordable rents.

The income thresholds for Working Family Payment have not been consistently adjusted in line with changes to the National Minimum Wage and increases to social welfare rates. Failure to maintain WFP thresholds in the context of rising rates may, overtime, reduce the incentive for the take up of employment.

Analysis of various employment scenarios has demonstrated incongruous situations where the current tapering and withdrawal of WFP can result in households with higher work intensity / higher rates of pay being worse off than equivalent households with lower income.

This primarily due to the interaction with the Community Childcare Subvention, and eligibility for higher subvention bands being contingent on qualifying for WFP. The significant difference in support provided for childcare costs has much greater impact than the failure to qualify for the minimum rate of WFP.

It is found that ineligibility for WFP for households with higher work intensity contributes to income inadequacy, compared to situations of adequacy with less hours worked or only one adult employed. Potential poverty traps are identified where household scenarios based on minimum wage employment may demonstrate income adequacy, but earning €1 above the NMW rate results in inadequacy due to WFP ineligibility and a lower level of CCS support.

Recommendations

- › Review Working Family Payment income thresholds and ensure thresholds are adjusted in line with changes to social welfare rates.

One Parent Family Payment

The increase to the earnings disregard for One-Parent Family Payment (OPF) in 2019 has contributed to improving household income for recipients in employment. However, the increase in the threshold has not kept pace with changes in the minimum wage nor earnings generally.

The combined tapering of OPF and WFP is very steep, with a Marginal Effective Tax Rate (METR) of 86% on the change in earnings from part-time to full-time minimum wage employment. Resulting in minimal net gain to household income from increased work intensity.

The steep withdrawal rate, combined with the OPF salary limit (maximum of €425 gross salary per week) combine to create a significant income trough, with earnings of €425 to €605 per week resulting in lower net household income than when in full-time minimum wage employment. To improve household income, earnings significantly above the minimum wage are required, for example a One Parent household with two children earning double the NMW (€735 per week) would have a household income only 7.5% higher than household income when in full-time minimum wage employment.

Recommendations

- › Review the OPF earnings disregard in relation to changes in the National Minimum Wage. To restore the real value in relation to the 2019 NMW rate, a disregard of €166 per week would be required.
- › The structure of the OPF gross salary limit makes no allowance for the number of children in a lone parent household. Consideration should be given to equalising this threshold, to ensure larger households (with higher costs) can retain support at higher salary levels.
- › The appropriateness of the high METR resulting from the current tapering of both OPF & WFP should be reviewed, and the potential disincentive effects considered.
- › Enable lone parents in employment, with children aged between 7 and 14, to be eligible to for both Jobseeker's Transition and Working Family Payment.

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- i VPSJ, 2019. MESL 2019 Update Report. Published on-line: www.budgeting.ie/publications/mesl-2019/
 - ii The VPSJ's recent Submission to the DEASP on Social Welfare Benchmarking is available on-line: www.budgeting.ie/publications/social-welfare-benchmarking/
 - iii See MESL 2019 Update Report, page 12 – 17.
 - iv Based on urban MESL expenditure need, adjusted for Medical Card, and housing based on differential rent or rent supplement tenant contribution.
 - v See MESL 2019 Update Report page 24 – 25.
 - vi The analysis includes housing costs based on differential rent (and the Rent Supplement tenant contribution for working age households without children). Households not in traditional social housing, e.g. receiving Housing Assistance Payment while in private rented accommodation, may face significant additional costs in the form of rent top-ups.
 - vii See MESL 2019 Update Report, page 13 – 17.
 - viii The inadequate cases are households with three or four teenage children, the income inadequacy is due to the treatment of QCI in differential rent calculations.
The QCI is assessed as part of the differential rent calculation, and as the QCI rate is increased for older children rents are also increased.
Rents for households with three or more teenagers would become unaffordable, leading to social welfare income falling up to 5% short of MESL need.
 - ix See MESL 2019 Update Report, page 19 – 20.
 - x When in receipt of the Contributory Pension income meets 87% of MESL need. For further detail see the MESL 2019 Update Report, page 20 – 22.
 - xi Based on analysis of annual energy price developments, as measured in by the CPI Sub-Indices 'Electricity, gas and other fuels' data, from March to March.
 - xii See MESL 2019 Update Report, page 26 – 34.