

Key Recommendations

The VPSJ acknowledges that the adjustments required to achieve adequate levels of social welfare support are significant, and even more so in the current context. However, the evidence of the households which have the greatest risk of income inadequacy, poverty and deprivation is inescapable, and the needs of these households are even more acute in the current context.

To make progress towards the target of adequacy, an evidence-based response is required. Therefore, it is recommended that resources are focused on the households with the greatest risks: households with older children and working-age households headed by one adult.

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. This should align with the timeframe of the Roadmap for Social Inclusion and Programme for Government.

The Qualified Child Increase for children aged 12 and over should be increased by €10.00 to €50 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 €3.00.

Maintain the current nominal rate of the Qualified Adult payment (€134.70). This measure can contribute to a greater increase in the Personal Rate - moving it towards adequacy - and improving the proportion of minimum need met by the Qualified Child Increases.

Set a timescale for the restoration of the full Jobseeker's Allowance rate for those aged 18 to 24, when not living independently. 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 €150 per week.

Work toward improved public transport options for rural areas, to enable an MESL without the need for (and cost of) a private car. This is crucial to enable people in rural areas to have an adequate income when reliant on social welfare, and particularly for older people to 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 €25.30 per week.

Introduction

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 crisis arising from COVID-19 and its impact on individuals, families, society, jobs and the economy present many unique challenges to the country and the new government. The ESRIⁱ has recently warned of the potential for a sharp increase in child poverty due to the economic effects of COVID-19.

Prior to this crisis the reality was one of 690,000 people living below the at-risk of poverty threshold, including over 200,000 children, and over 110,000 people with a job but remaining 'at risk of poverty'. Furthermore, social welfare rates were inadequate to meet the minimum needs of many household types, as measured by the VPSJ's Minimum Essential Standard of Living (MESL) research. This fact was implicitly recognised when the Pandemic Unemployment Payment (PUP) was set at €350 per week.

It is crucial that both those already living with inadequate income when entering this crisis and those now reliant on state income supports, are supported through the measures taken in Budget 2021. Making progressive steps towards benchmarking social welfare rates against the cost of an MESL can ensure households are supported through this crisis and are ultimately enabled to live with dignity at a socially acceptable minimum level.

MESL – an evidence-based adequacy benchmark

The VPSJ's Minimum Essential Standard of Living (MESL) research works with members of the public in deliberative focus groups to reach consensus on what is the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social and psychological needs, and enable a life with dignity.

The research is iterative, working through multiple phases of deliberative focus groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable, standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.

The MESL research operationalises the concepts which underpin the Irish Government definition of poverty, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity. It translates these concepts and ideals into a practical indicator, specifying the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. In effect it provides a unique measure of what is required to avoid poverty, enable participation and inclusion, and live a life with dignity. In this way, the MESL data provides an evidence-based benchmark to assess the adequacy of social welfare rates.

This submission draws on the analysis in the 2020 MESL assessment of minimum expenditure and income needs, to inform evidence-based policy recommendations.ⁱⁱ The 2020 MESL data is the product of an extensive two-year review and rebase research project, which entailed convening multiple deliberative focus group sessions for each household type to review, interrogate, and adapt the content of the MESL baskets to current requirements. Subsequent to re-establishing the content of the basket of goods and services required for a socially acceptable minimum standard of living, the itemised baskets were directly re-priced for each household type, in both urban and rural areas. Consequently, the 2020 data are not directly comparable with the adjusted 2019 MESL data.

MESL assessment of social welfare adequacy

The findings from the 2020 MESL assessment of social welfare income adequacy are consistent with previous years. This analysis has found that while the position of social welfare dependent households has improved over recent years, households with older children and households headed by one adult consistently have the greatest risk and depth of income inadequacy.

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. This highlights systemic issues in the accepted equivalence scales which inform the relativities between social welfare rates of payment. This submission outlines recommended adjustments to address these issues which are behind the persistent deep income inadequacy.

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 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. 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. This measure signposts the consideration which must be given to the relativities which underpin social welfare rates of payment, and the need for similar evidence-based steps to rebalance rates of support for one adult headed households.

The recommendations below outline the adjustments required to current social welfare rates to reduce income inadequacy, and ultimately realise evidence-based social welfare rates which can provide an adequate minimum income which enables a life with dignity.

Primary working-age social welfare rates

In 2020, the standard social welfare rates (Jobseeker's Payments, One-Parent Family Payment, etc.) do not provide the basis of an adequate income for the majority of working-age household compositions (examined in the research) when benchmarked against the cost of an MESL.

Deep income inadequacy means household income meets less than 90% of a household composition's MESL expenditure need per week. The MESL standard represents a socially negotiated consensus on the necessities and essentials which people have generally agreed everyone needs to have for a socially acceptable minimum standard of living. Having a consistently inadequate income means doing without what is required to meet basic needs and to take part in normal day-to-day activities and participate in society.

The analysis of the 2020 MESL assessment of social welfare income adequacy finds that deep income inadequacy is concentrated in households with older children (aged 12 and over) and one adult headed households, i.e. lone parent households and single working-age adult households. This is consistent with the findings of the MESL analysis in previous years.

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.

In 2020 a working-age single adult household type demonstrates deep income inadequacy, with a full Jobseekers payment meeting 81% of MESL expenditure needⁱⁱⁱ, when living alone in an urban area. This represents a nominal income shortfall of almost €47 per week.

Analysis of the 2020 MESL data shows that One Parent household compositions show a greater incidence and depth of income inadequacy, than equivalent Two Parent household compositions, when dependent on social welfare. One Parent household compositions demonstrate the greatest rate of deep income inadequacy, and the highest rate of older child deep income inadequacy. Also, unlike in households headed by two adults, there is a notable incidence of deep income inadequacy in One Parent households with only younger children.

The current structure of the social welfare system implicitly regards a couple as requiring 1.66 times the income support of a single headed household. Analysis of the MESL data finds that the minimum needs^{iv} of the adult in a couple headed household cost 1.5 times that of an equivalent one adult headed household with children.

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 headed households which reduce the relative cost of the second adult in the household. This finding has been observed not only in Ireland but also in other countries with developed minimum budget standards research.^v

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 (€250 per week in 2020), maintaining the current nominal value of the qualified adult rate until it reaches a relative value of 50 – 55% of the Personal Rate.

The VPSJ recommends an €8.00 increase to the Personal Rate of primary working-age social welfare supports in 2021. Maintaining the Qualified Adult rate at the current nominal value can contribute to enabling this level of adjustment.

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 €132 per week, 60% 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 59% of the MESL costs for an older child, compared to meeting at least 85% of MESL costs of younger children.

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 impacted due to the additional 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. This was further built on in Budget 2020.

While the current rate of QCI for older children continues to fall notably short of the cost of MESL needs, the measure represents the type of crucial adjustments which are required to progressively realise a minimally adequate income. 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.

The VPSJ recommends a significant increase of €10.00 to the QCI for older children, to bring the rate to €50 per week in 2021. This is a vital measure to continue progress towards addressing the needs of a group that is consistently at risk of deep income inadequacy.

Recommendations

The table below presents the recommended adjusted rates for 2021 to the working age Personal Rate, and Qualified 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.

	2020	2021	2022	2023	2024	2025
Personal Rate	203.00	211.00	220.80	230.60	240.30	250.00
Qualified Adult	134.70	134.70	134.70	134.70	134.70	134.70
QCI, Under 12	36.00	39.00	41.30	43.60	45.90	48.20
QCI, 12 and over	40.00	50.00	61.20	72.40	83.60	94.70

Effect of above measures

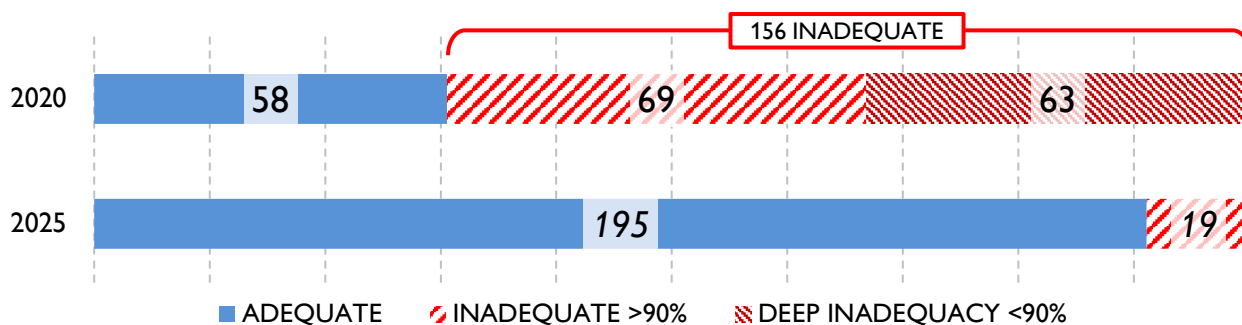
To examine the patterns of social welfare income adequacy the MESL analysis includes an assessment of 214 test household cases comprised of one and two parent household compositions with one to four children in various age-groups, working-age adults without children, and pensioner households. The adequacy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

The analysis identifies patterns in income inadequacy, highlighting systemic issues in the social welfare systems response to dimensions of household need which contribute to deep income inadequacy.

The final effect of the above proposals is modelled, to demonstrate the effect of the nominal adjustments to social welfare rates and 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 (when combined with Child Benefit)
Qualified Child 12 & over	increased to 100% of MESL need second level age child (net of Child Benefit and Back to School Clothing & Footwear Allowance, at current 2020 rates)

Graph I 2020 MESL social welfare adequacy benchmark – 214 test cases
 2020 social welfare rates and adequate rates in 2025



In 2020, 58 cases demonstrate income adequacy and 156 cases demonstrate adequacy. Within the inadequate cases, 69 have an income which meets at least 90% of MESL need, and 87 are in deep inadequacy where social welfare provides for less than 90% of need.

If the 2025 rates of payment were implemented, as outlined above, the adequacy assessment for the 214 test cases would show the following:

- 195 of the 214 test cases demonstrate income adequacy
- No cases of deep income inadequacy
- The 19 cases demonstrating inadequacy are within 5% of meeting MESL need, 9 of which are within 1%
- The inadequate cases are due to the treatment of QCI in differential rent calculations. The increased QCI for older children results in rent increases under the current system – an anomaly which could be addressed – which result in inadequacy persisting for some household compositions with multiple children aged 12 or over. ^{vii}

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, €250 per week.

A single adult would have a replacement rate of 69% to 70% when earning the current National Minimum Wage (€10.10) 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 18 - 24

The restoration of the full Personal Rate (€203) to adults aged 25 was a welcome step towards equalising the treatment of all adults. The extension of the full Jobseeker’s Allowance (JA) rate to adults aged 18 – 24, when living independently and in receipt of a state housing support, was also a welcome step. However, as outlined above the current Personal Rate does not adequately meet the cost of an MESL for a single working-age adult.

The cost of an MESL for an unemployed young adult living in the parental family home (and qualifying for a full medical card) is estimated to be €150 per week in 2020. The cost of an MESL for an unemployed working-age single adult, living independently, is €250 per week.

For adults aged under 24, not living independently the reduced rate of Jobseeker's Allowance (JA) remained at €112.70 in 2020. This rate of payment meets 75% 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 VPSJ recommends that a timescale is set for the restoration of the full rate for those aged 18 to 24. As an interim step, the rate for this age-group should at least enable an adequate income when living in the family home – therefore it is recommended that the rate is increased to €150 per week.

Older people & the State Pension

Over recent years improvements in the State Pension rate 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.

The increase to the Living Alone Allowance of €5, in 2020, demonstrated an evidence-based improvement in supports for the group of older people more at risk of income inadequacy. This measure built on the 2015 increase in the Living Alone Allowance and introduction of the Telephone Support Allowance in 2018.

In 2020, improved rates of payment have added an average €6.08 per week to household income for a pensioner living alone. The Non-Contributory Pension, and secondary supports, now provide an income that is 3.5% above the MESL need when in an urban area and living in social housing.

Deep income inadequacy continues 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 82.2% of MESL costs for a rural older person living alone.^{viii}

An urban based pensioner household can utilise the free travel pass to meet most of their minimum transport needs on public transport, supplemented by the occasional use of a taxi. For rural households a car is a necessity due to the inadequacy of public transport. The need for a car adds an additional €67 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.

The VPSJ recommends that work towards providing adequate public transport for rural areas should be a priority. This service is essential 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 decreased by an average of 2.6% in the last year. Despite this decrease, the cumulative effect of rising home energy costs in previous years results prices in 2020 are an average of 8.5% higher than 2016, and 26.5% higher than in 2010. ^{ix}

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.

The extension of the Fuel Allowance season to 28 weeks in 2019, and the increase in the weekly rate in 2020, mean the nominal value of the support over the full season now exceeds the 2010 nominal value for the first time. However, based on analysis of average fuel price developments from 2010, the Fuel Allowance would now require an annual value of €810, to restore the 2010 purchasing power and enable the same amount of energy to be purchased in 2020.

The VPSJ recommends that the purchasing power of the Fuel Allowance should be restored to 2010 levels, through progressively re-instating the 32-week season with a rate of €25.30 per week.

Notes

- ⁱ Regan, M. and Maître, B. (2020). Child Poverty in Ireland and the Pandemic Recession. https://www.esri.ie/system/files/publications/BP202104_1.pdf
- ⁱⁱ The 2020 MESL data is published on-line: www.budgeting.ie/publications/mesl-2020/
 The publication of the full MESL 2020 report and analysis has been delayed this year due to the impact of COVID-19. At the time of writing core MESL data for all household types and details of the 2020 MESL Social Welfare Income Adequacy Benchmark are available on-line. The publication of the full report is forthcoming.
- ⁱⁱⁱ Based on urban MESL costs (adjusted to reflect secondary benefits) and net housing costs when in receipt of Rent Supplement. When in receipt of a Jobseekers payment for over 15 months, the Single Adult household may be eligible for the Christmas Bonus and the Fuel Allowance. These payments would contribute an additional €17.09 average weekly income, over the year. This would bring household income to 88% of MESL expenditure need.
 This household when in receiving Housing Assistance Payment while in private rented accommodation, may face significant additional costs in the form of rent top-ups. For example, social welfare would provide only 57% of the MESL needs for a single adult renting in the Dublin area, qualifying for HAP and paying a top-up to 90% of average rent. For details of the calculations see: https://www.budgeting.ie/download/pdf/sw-sa_cp_u-2020.pdf
- ^{iv} Based on urban MESL expenditure need, adjusted for Medical Card, and housing based on differential rent.
- ^v A recently published joint paper examines the situation in Ireland, the UK, France and Portugal. Hirsch, D., Concialdi, P., Math, A., Padley, M., Pereira, E., Pereirna, J., and Thornton, R. 2020. 'The Minimum Income Standard and equivalisation: Reassessing relative costs of singles and couples and of adults and children.' *Journal of Social Policy*, Cambridge University Press, 1–20. doi:10.1017/S0047279419001004.
- ^{vi} The MESL expenditure need is specific to the composition of a household, varying with the adults and children (number and age-groups) in the household.
 The MESL data can distinguish between the MESL expenditure needs of 69 compositions of 1 to 4 children across four age-groups, this results in 69 Two Parent household compositions and 69 One Parent household compositions. Further permutations are introduced through examining different income scenarios.
 This flexibility enables the benchmarking of social welfare adequacy for 214 test cases. The cases are comprised of the following household types, compositions, and income scenarios:
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|--------------------------|-------------------------------|-----------------|------------------------|----------|
| Two Parents | 1 to 4 children, 4 age-groups | Social Housing | Jobseeker & Qual Adult | 69 cases |
| Two Parents | 1 to 4 children, 4 age-groups | Social Housing | Jobseeker x 2 | 69 cases |
| One Parent | 1 to 4 children, 4 age-groups | Social Housing | OPF / Jobseeker | 69 cases |
| Working-Age, No Children | Single & Couple | Rent Supplement | Jobseeker | 2 cases |
| Pensioner | Living Alone & Couple | Social Housing | State Pension | 5 cases |
- ^{vii} The inadequate cases are households with two or more children aged 12 or above, 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 these household could become unaffordable, leading to social welfare income falling up to 5% short of MESL need.
- ^{viii} When in receipt of the Contributory Pension income meets 85.5% of MESL need. For further detail see the MESL 2020 social welfare income scenarios - www.budgeting.ie/publications/mesl-2020/
- ^{ix} 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.