

PERSONAL INSOLVENCY BILL 2012

Input from the Vincentian Partnership
for Social Justice

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VINCENTIAN
PARTNERSHIP
FOR SOCIAL
JUSTICE

Personal Insolvency Bill 2012

The Vincentian Partnership for Social Justice wishes to raise the following points regarding the Personal Insolvency Bill and proposed amendment to Section 23 regarding “Guidelines on reasonable living expenses for debtors”:

Section 23 (3) Currently the proposed amendment will require the Insolvency Service to have regard to Government publications on poverty and social inclusion and official CSO data.

The VPSJ recommends that the Insolvency Service shall also have regard to complimentary research carried out by other bodies and organisations. In particular regarding research on poverty, debt, and Minimum Income Standards in Ireland.

Section 23 (3) d The Insolvency Service will be required to take household size and composition into account.

The VPSJ recommends broadening scope to include, but not limited to, the following:

- The physical health of all individuals within the household
- The employment status of heads of the household
- Caring required by the household (childcare and eldercare)
- The location of the household i.e. urban or rural

Section 23 (3) e The VPSJ welcomes the inclusion and recognition of the vital importance of social inclusion in the proposed amendment. The VPSJ would recommend that any provision for social inclusion would ensure meaningful participation in society.

Section 23 (4) The Bill and proposed amendment highlight the need for ensuring “reasonable living expenses”.

It is crucial that any definition of “reasonable living expenses” is one that ensures a household’s physical, psychological and social needs are met.

The definition and operationalisation of “reasonable living expenses” must be derived from a grounded and evidence based measure.

Minimum Income Standards data provides an evidence based benchmark grounded in the lived experience of people. The data compliments other poverty measures and has the potential to be effective in defining “reasonable living expenses”.

Minimum Income Standards – Background Information

Introduction

The work on establishing Minimum Income Standards in Ireland was begun by the VPSJ in 1999. Since then the VPSJ has continued to use and develop the Consensual Budget Standards methodology to establish Minimum Essential Standard of Living (MESL) budgets for a variety of household types. Then benchmarking the adequacy of the minimum wage and social welfare payments against the minimum expenditure needs of these household types. Using this methodology the VPSJ has continually extended and developed the MESL budgets, publishing *A Minimum Income Standard for Ireland* in early 2012 and launching the Minimum Income Standard calculator (www.MISc.ie) in May 2012.

The VPSJ has established Minimum Essential Standard of Living data for a broad range of household types through the use of the Consensual Budget Standard methodology. This work establishes a consensus on what members of the public believe is a minimum standard that no individual or household should live below. Working with focus groups (and expert opinion where necessary e.g. nutrition and home heating), the cost of the minimum goods and services that everyone needs for a socially acceptable minimum standard of living are identified.

Focusing on needs and not wants, the concern is with more than survival as this is a standard of living which must meet physical, psychological and social needs, at a minimum but acceptable level. It is not a standard for people in poverty; it is a standard for everyone, below which no one should be expected to live. Therefore, it is not drawn up for a particular socio-economic class or particular to one group in society.

The Need for an Adequate Minimum Income

Minimum income provision is fundamental to EU and national policy on the fight against poverty and social exclusion. The right to an adequate minimum income has been recognised at European level. The European Commission's recommendation 2008/867/EC called for member states to recognise and implement the rights of individuals to adequate resources as part of a consistent and comprehensive measure to fight social exclusion¹.

In Ireland, the need for a minimum income benchmark was recognised as far back as 1986 when the Commission on Social Welfare proposed a minimum income benchmark based on prevailing living standards and the prevention of poverty (Walsh, 2010). In the context of the current legislation on personal insolvency it is essential to identify an evidence based

¹ Details of the Commission's Recommendations available online at europa.eu/legislation_summaries/employment_and_social_policy/social_inclusion_fight_against_poverty/em0009_en.htm

measure which defines “reasonable living expenses”; Minimum Income Standards present a credible answer to this challenge.

A number of organisations and academic institutions have recognised the need for and value of developing Minimum Income Standards. To that end, the Vincentian Partnership for Social Justice (VPSJ) has been to the forefront of developing Minimum Income Standards in Ireland. Our colleagues at the Centre for Research in Social Policy at the University of Loughborough have been leading Minimum Income Standards Research in the UK. Minimum Income Standards are also being developed in many other countries including Australia, The Netherlands, France, Austria and Portugal.

Deciding on an appropriate minimum income and defining the line between a reasonable and unreasonable standard of living is nevertheless a challenge. Thus, Minimum Income Standards have direct policy relevance by contributing to debates and discussions about poverty and, hence, informing the development of policy designed to combat and avoid it. The availability of robust minimum income standards can complement other poverty measures, by helping to ‘ground’ them in an informed benchmark of how much income households need to avoid hardship.

It has been recognised that the methodology behind the MIS data is designed to answer the crucial question “how much does it cost to reach an acceptable living standard?”². The alternative to utilising such an evidence based measure of need and adequacy is to continue utilising abstract, ad hoc, indicators grounded in theory and subject to potential bias. The consequence of basing further policy on such measures is the continuation of poverty, deprivation and social exclusion, and the unfortunately well known associated social ills.

The Minimum Income Standard Data

The output of over 10 years of research by the VPSJ in this area is listed below. The product of this research is a robust and detailed set of data on the minimum needs of a wide variety of Urban and Rural household types, representing approximately 81% of households in Ireland.

The data covers four broad household types:

- i. Two Parent households
- i. One Parent households
- ii. Adults of working, living alone
- iii. Pensioner households

The recent completion of further research on the additional needs of family households with up to four children (previously the data was limited to households with up to two children), has enabled a further expansion of the coverage and utility of the dataset. The data now covers the expenditure needs of 92% of households with children.

² Parker, H (ed) (1998) *Low Cost but Acceptable: A minimum income standard for the UK*

In order to maintain the relevance and utility of the data the VPSJ adjusts the MESL expenditure budgets in accordance with inflation annually. In so doing, it is then possible to examine the adequacy of minimum wage rates of payment and/or social welfare payments across a range of employment patterns for a variety of household types. These analyses are published on the VPSJ's budget standards website, www.budgeting.ie, for a set of sample households. Furthermore, the VPSJ has utilised this analysis to repeatedly demonstrate the inadequacy of the National Minimum Wage rate for many household situations in submissions to Government at pre-budget time, in open calls for submissions during Government Reviews³, and in direct consultation with representatives of Government Departments.

The data on the minimum expenditure needs enables the examination of adequacy of minimum wage rates of payment for a variety of household situations. The VPSJ TCD joint research project, *A Minimum Income Standard for Ireland (2012)*,

brought this work to the next step – establishing the gross minimum income required in a particular household situation. This study established the minimum income needs for a matrix of model household types in urban and rural areas, across a variety of employment patterns. The income calculations took full account of tax liability and entitlement to social welfare transfers. The Minimum Income Standard calculator web app, www.MISc.ie, carries out this calculation for household situation as specified by a user, making the data accessible to the general public.

Who is using the work

To date the Minimum Income Standards work of the VPSJ has been utilised by NGO social and community bodies, statutory agencies and Government Departments.

- A broad range of NGOs including, the SVP, Barnardos, Healthy Food for All, Social Justice Ireland and Age Action, make use of the MIS data in their policy proposals, research and submissions to government.

VPSJ PUBLICATIONS

- 2001** One Long Struggle – A Study of Low Income Households
- 2004** Low Cost but Acceptable Budgets for Three Household Types
- 2006** Minimum Essential Budgets for Six Households (Urban)
- 2008** Minimum Essential Budgets for Six Households:
Changes in the Cost of a Minimum Essential Standard of Living from 2006-2008
- 2010** Minimum Essential Budgets for Households in Rural Areas
- 2012** A Minimum Income Standard for Ireland
- 2012** The Cost of A Child:
A consensual budget standards study examining the direct cost of a child across childhood

³ See www.budgeting.ie/index.php?option=com_content&view=article&id=55&Itemid=100006 for recent VPSJ submissions, including the VPSJ submission to the Government Review of the Minimum Wages set by Employment Regulation Orders, demonstrating the inadequacy of the current national minimum wage rate.

- The VPSJ has regularly met with various members of the Department of Social Protection to brief them on the findings of the MIS research, informing policy decisions on social welfare reform.
- MABS and FLAC both make use of the MIS data in advising their clients and advocating on their behalf, particularly in the area of personal debt and insolvency.
- MABS supported the VPSJ in the development of the Minimum Income Standard calculator, www.MISc.ie, and make regular use of the tool with their clients.
- Department of Finance and Central Bank
Informing the debate on personal insolvency – the Minimum Income Standard data provides a potential benchmark for establishing the retention income necessary for households to achieve sustainable loan repayments
- Financial institutions are adopting the MIS figures in negotiating affordable credit and debt resolution cases.

Summation

The Minimum Income Standard data represents a unique resource, developed through years of rigorous, time-consuming, peer-reviewed research. There is growing recognition internationally and in Ireland of the vital importance of Minimum Income Standards research. For Viet-Wilson⁴ the MIS methodology provides a credible answer to the question “How much is enough?”, setting a standard for ‘we the people’, not ‘they the poor’.

The value of this evidence based measure which is grounded in the lived experience of households has seen great growth in the multiplicity of uses and applications of this data in Ireland. The MIS not only complements other poverty measures, but informs policy makers on the adequacy of income support measures and the sustainability of personal debt resolutions. In summation, the MIS data has the potential to be a vital tool in establishing the guidelines on reasonable living expenses for debtors.

⁴ Viet-Wilson (1998) in Parker, H (ed) (1998) *Low Cost but Acceptable: A minimum income standard for the UK*