



Budget 2012 - Pre-Budget Submission EAPN Ireland Europe 2020 Working Group

The European Anti-Poverty Network (EAPN) Ireland Europe 2020 Working Group¹ includes representatives from organisations covering a wide range of group which experience high levels of poverty and social exclusion and many of whom who are distant from the labour market. These include:

- lone parents,
- people with disabilities,
- older people,
- Travellers and
- migrants
- women those in low paid employment
- people requiring literacy supports.

The Working Group welcomes the opportunity to make a Pre-Budget submission for Budget 2012.

This submission will focus on a number of key areas and not on the broad range of policy areas which are needed to address poverty and social exclusion. The areas addressed are adequate income, activation measures and poverty impact assessment. The reason for this focus is in the current context where wide ranging changes and reforms are being progressed in these areas. Some of the organisations represented on the Working Group will be making separate submissions from the perspectives of their own members.

Context

We are aware that Budget 2012 will be framed in the context of the crisis which still faces the country in terms of the national budget deficit of €18 billion in 2012 and an unemployment level of 14.2% or 446,800 people, the majority of whom are now long term unemployed.

Some measures already taken have cut social welfare levels substantially and increased conditionality for most groups of recipients. They have increased the tax burden on particularly low paid workers while prices in the economy continue to rise. They have also reduced services in all areas including health, education, accommodation and transport. They have also made access to many of the new training and education supports more difficult for those on payments such as the One-Parent Family Payment, Disability Allowance etc as these groups are not now a priority and are further marginalised. Funding to community and voluntary groups, many of which provide front-line supports to people in the most vulnerable families and communities, have also been cut. While the wages of many have already fallen there are also ongoing grave uncertainties about the pay of those on lower wages and in particular those whose wages were set under the Joint Labour Committee process. On top of this job opportunities remain extremely limited.

The cumulative impact of the crisis and these measures has resulted in great difficulties for many with more people being driven deeper into poverty and experiencing greater social exclusion. Even

¹ Membership includes Age Action Ireland, Congress Centres Network, Disability Federation of Ireland, Dublin Employment Pact, EAPN Ireland, Irish National Organisation of the Unemployed, Irish Traveller Movement, Migrant Rights Centre Ireland, National Adult Literacy Agency, National Youth Council of Ireland, National Women's Council of Ireland, One Family, OPEN and SIPTU.

at the early part of the crisis the CSO Survey of Income and Living Conditions shows that consistent poverty levels increased from 4.2% to 5.5% between 2008 and 2009 while the level of deprivation of two or more items increased by almost 25% in the same period. This must be considered against the Government's commitment to eliminate consistent poverty by 2016 contained in the National Action Plan for Social Inclusion 2007-2016 and the National Reform Programme submitted to the European Commission under Europe 2020.

For Budget 2012 the Government has committed itself to a further budget adjustment of at least €3,600 million in its Memorandum of Understanding for financial support with the EU/ECB/IMF. As part of this adjustment the Government has committed itself to specific tax changes and to reductions in capital and programme expenditure including cuts to social expenditure. Additionally, the Memorandum committed to, and this Government delivered, reform in the area of pensions to raise the age at which people can receive the State Pensions, from 65 years currently to 68 years by 2028 thereby asking older people to work for longer.

The Comprehensive Review of Spending is a key part of the Government's Plan to identify areas for further cutting of public expenditure. Alongside this the Government is also investigating significant long term reforms of state welfare supports such as a single payment for all people of working age, changes to child income supports and supports for people with disabilities.

The current Programme for Government commits to the integration of the Employment and Community Services elements of FÁS into the Department of Social Protection to create an integrated National Employment and Entitlements Service and a 'one stop shop' for people seeking to establish their benefit entitlements; looking for a job; and seeking advice about their training options. It is important that this one-stop-shop is not does not treat clients as a homogenous group, but rather understands the complexities of different jobseekers for example, the discrimination those with a disability or older people may face.

At EU level Ireland has also committed itself to the strategy for the Active Inclusion of people excluded from the labour market² which involves an integrated approach to the provision of adequate income for a decent life, access to quality services and an inclusive labour market. This is an important frame for decision making in relation to Budget 2012. Our concern is that such an integrated framework is not guiding the planned cuts and wider welfare reforms which are largely driven by the need to reduce exchequer expenditure.

Ensuring adequate income

a. Social Welfare levels

The Europe 2020 Working Group believes that social welfare levels should ensure that people have sufficient income to live with dignity. They should also be designed to ensure the existence of effective pathways to education, training and employment, including access to quality and affordable childcare and after school care for parents.

Between 2003 and 2007 progress was made in Ireland in reducing the levels of those at risk of poverty reducing from 20% to just over 14%. This indicates progress towards greater income

2

equality facilitated to a great extent through redistribution under the social protection system. However, this progress just brings Ireland below the EU average for at-risk of poverty³.

The cut of approximately 10%⁴ to the minimum social welfare payments for almost all social welfare recipients plus the changes to many secondary benefits has had a very negative impact on recipients. The social welfare level for a working-age individual of €188 is now €43.20 below the 2009 at-risk-of poverty level. The Vincentian Partnership for Social Justice Essential Budget Standards⁵ shows that for most family types there are large gaps in levels of income required for a minimum essential standard of living. The gap is also higher in rural than urban areas.

While at-risk-of poverty levels remained largely unchanged from 2008 to 2009 this may mask the real impact of cuts. The material deprivation levels clearly show the impact. The cuts to payments reduce peoples' capacity to participate fully in society. For many it impacts on their ability to heat their homes to a sufficient level and to provide adequately for themselves and their families. For those who are unemployed this reduces their capacity to interact in a way which opens up training and employment opportunities. This results in negative physical and mental health outcomes, including depression for many people which are both physical and mental. It also has a wider negative impact on disadvantaged communities. From a purely economic perspective social welfare cuts also reduce spending in the economy as those on low incomes need to spend all their money to survive day to day. Therefore a cut to welfare levels takes money out of the economy and has a deflationary effect. Cuts therefore cannot be seen as a euro for euro saving for the exchequer.

The Department of Social Protection is currently carrying out a consultation for the introduction of a single social assistance payment for people of working age. The Working Group would welcome the provision of increased services and supports for all people seeking paid work, as envisaged in the NESC Developmental Welfare State report, which would assist them to achieve their full social and economic potential.

However, members of the Working Group are extremely concerned at the large projected loss of income for almost all people impacted on by the changes. Depending on the type of payment, number of children and whether it is a single person or one of a couple engaged in employment the loss could be between €19 - €166 per week, but even greater under certain circumstances for those in receipt of Carer's Allowance. For those on Community Employment the loss varies from €85 - €174 per week. If implemented, this will significantly increase poverty levels among the most vulnerable groups in society.

Proposals

1. There should be no further reduction in the levels of social welfare or in the real incomes for people on social welfare, for example by changes to other secondary payments. There should also be no further restrictions to eligibility criteria for social welfare supports.
2. Social welfare cuts should not be imposed by stealth through the removal or reduction of secondary supports such as reductions in the income disregard of those on the One Parent Family Payment, further changes in supports for those wishing to access education, changes in financial entitlements to Community Employment, cuts in child benefit etc.
3. The Department should proceed to implement the enhanced supports structure and measures to address the labour market barriers as outlined in the feasibility study for a

³ A different measurement is used by Eurostat for measuring At-risk of poverty. According to their statistics for 2009 At-risk of poverty for Ireland was 15% compared to an EU average of 16.3%.

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Living_conditions_statistics#Publications

⁴ Including the cut of the Christmas bonus – give fuller explanation of where 10% comes from

⁵ <http://www.budgeting.ie>

single social assistance payment for people of working age and extend these supports to all jobseekers including those over 64 years of age. It should however not proceed with the welfare changes as outlined in the feasibility study. These changes would have a detrimental impact on poverty levels of most of the groups affected. Further discussions should be held on the development of an integrated package of long term welfare reform measures which reduce poverty and improve pathways to education, training and work.

b. Protecting the low paid

In 2009, almost one of every 20 (or 5.5% of those in work), were at-risk of poverty. The proportion of those in work unable to afford two or more of the 11 agreed deprivation items increased from 6.6% to 7.9%. Since then those on the National Minimum Wage have been brought into the tax net and very low incomes are subject to the Universal Social Charge. This will/has result in increased poverty among workers and their families.

The reinstatement of the National Minimum Wage to €8.61 is welcomed. However, there are grave concerns about the collapse of the Joint Labour Committee (JLC) Wage Setting Mechanisms and the proposals by Minister Bruton to make significant changes including to the Sunday pay rates set under the Employment Regulation Orders. The JLC is an essential mechanism for protecting the incomes of the lowest paid and most vulnerable workers. This has been highlighted by the Independent Report on the JLC Wage Setting Mechanism which has also stated that cutting the wages of the low paid will not lead to a significant increase in employment⁶.

Proposals

4. Tax measures in the budget should not further reduce the incomes of the lower paid. Instead the Government should focus on addressing tax expenditures and on the incomes and assets of those on higher incomes and the wealthy. In Autumn 2011 the Community Platform is publishing a number of detailed proposals for a progressive tax system which if implemented over a ten year period will generate sufficient revenue to invest in job creation, public services, promotion of equality and environmental sustainability our tax system needs reform.
5. The Government must ensure that legislation is put in place immediately which re-establishes the Joint Labour Committee Wage Setting Mechanism and that the system is only reformed according to the proposals outlined in the *Report of Independent Review of Employment Regulation Orders and Registered Employment Agreement Wage Setting Mechanisms*.
6. The Government should consider the reversal of the universal social contribution rate on income equal to/less than the equivalent welfare rate.

Developing Positive Activation for those distant from the labour market

Government plans for the realignment and development of its activation services are welcomed, particularly if there is a real commitment to addressing the needs of those people who are currently unemployed and those distant from the labour market. These proposals must be backed up by a clearer jobs creation strategy which is serious about addressing the depth of the unemployment issue. A clearer jobs strategy would set out a plan for job creation in different sectors. From the

⁶ Report of Independent Review of Employment Regulation Orders and Registered Employment Agreement Wage Setting Mechanisms, April 2011

perspective of those most distant from the labour market the strategy would identify the needs of specific target groups and how they would achieve the skills and knowledge necessary to gain employment in these areas. This would involve carrying out the necessary research and putting in place the supports necessary to address the needs of the different target groups.

The National Employment and Entitlements Service (NEES) presented in the Programme for Government envisages it as a 'one stop shop' for people seeking to establish their benefit entitlements; looking for a job; and seeking advice about their training options. This service offers the potential for a more integrated approach to providing supports to people currently distant from the labour market.

The announcement of the new Education and Training Agency SOLAS (Seirbhísí Oideachais Leanunaigh Agus Scileanna) is welcome. In particular that this Agency will ensure access to relevant education and training opportunities for people who are seeking to enter or re-enter the labour market. A clearly coordination between the services of SOLAS and the NEES in providing a pathway to the labour market and to higher skills and qualifications is essential. Added to this childcare and other supports are required if parents are to be able to fully participate in such services.

Government proposals for developing its activation services have been presented within the context of greater conditionality, including the threat of the withdrawal or reduction of welfare supports for those who do not engage or take up jobs or training offers. However, there is clear evidence that while exceptions can be found almost all of those who are unemployed and on other welfare payments are anxious to have a job. Imposing strict conditionality will not alter this. Instead it will increase stress levels and risk forcing people into inappropriate training, education or work, thus wasting their time and state resources. It also results in a stigmatising of those receiving unemployment supports. Instead the focus should be on providing a quality activation service, addressing the barriers that many people face and supporting progression into quality jobs. These barriers range from personal barriers related to health and personal circumstances to labour market factors, not just related to a person's skills and educational background but also discrimination and attitudinal barriers. Other barriers that need to be addressed relate to access to wider range of services that need to be accessed including childcare and transport and finally ensuring that people can earn an income from work that allows them to live with dignity.

The issue of people working longer before retiring as planned in the Green Paper (1998), the Pensions Framework (2010) the National Recover Plan (2010) and now implemented in the Social Welfare and Finance Bill 2011 requires urgent attention. The first reform taking place in 2014 means Government must consider how it will support older workers both to stay in their current jobs and older people as job seekers. It is well known that older people have particular needs and indeed the OECD report on Ireland on this matter addresses the need for supports for older workers.

The best outcomes for tackling child and family poverty are those that combine strategies aimed at facilitating access to employment and enabling services with income support. The range, spread and reach of these services will have a major impact on the success of activation policies.

The specific issue of social welfare levels is addressed above. The following are specific proposals on other areas related to the development of the NEES.

Proposals

7. The NEES must be informed by a culture of enablement where all staff are trained to work in a supportive and empowering manner with their customers and capable of passing on the most up to date and relevant information.

8. The focus of resources needs to be on providing supports and advice for those most distant from the labour market.
9. Targeted services and supports for those most at distance from the labour market. For example a strategy for lone parents, people with disabilities and older people.
10. The process for profiling and identifying the different support needs of those accessing the Service must be developed in a sophisticated manner which is customer focused.
11. The Department of Social Protection feasibility study for a single social assistance payment for people of working age outlines some of the personal, economic, social policy and labour market supply and demand side barriers to accessing employment. While this addresses the needs of individual clients it is clear that some groups such as lone parents, older people, those with low skills and educational attainment, people living in rural areas and people with disabilities face a range of both common and particular barriers and these must also be addressed. In addressing these needs it is necessary that the Department of Social Protection works cross departmentally to address particular barriers for example caring for a dependent including childcare and child supports, transport, discrimination, housing and homelessness and health.
12. In the provision of particular supports related to developing an individual pathway for its customers the NEES must develop a coordinated approach at local and national level with services provided by the Department of Jobs, Enterprise and Innovation and the Department of Education and Skills and linking in with local state non-governmental organisation services. This will in particular apply to the newly announced SOLAS when it is operational.
13. If the NEES wants to provide a quality and effective service which meets the needs of customers then it must be adequately resourced. Funding to provide this service must not come from cuts to existing welfare supports. However, savings can be made in the Social Protection budget if people are adequately supported to progress from social welfare supports into quality jobs.

Poverty Impact Assessment

As highlighted in the context section of this submission many decisions have recently been made which have had a negative impact on those living on low incomes whether this income derives from paid work or welfare supports or a combination of both. This has resulted in more people being driven deeper into poverty and struggling to provide a living for themselves and their families.

Currently in some cases a Poverty Impact Assessment is carried out and at times elements of this are published for example in budget statements. Despite this it is clear that some decisions including the cuts to social welfare, the levying of the Universal Social Charge on those on low incomes have had a negative poverty impact. It is clear also that the proposals Department of Social Protection feasibility study for a single social assistance payment for people of working age will also greatly increase poverty levels among the groups affected.

Proposals

14. The process for carrying out the Poverty Impact Assessment needs to be more transparent and involve a wider independent engagement, including engagement with representative organisations of those groups impacted on by the proposed measure.
15. The detailed findings of Poverty Impact Assessment processes should be made public.

Conclusion

This pre-budget submission focuses on a number of specific areas related to the needs of those on low incomes and distant from the labour market. It makes a number of proposals in relation to income and the development activation and support services particularly the new Employment and Entitlement Service.

Policy changes and reforms in relation to these areas are taking place at a rapid pace. It is essential that the decisions guiding these changes and reforms are properly informed and based on meeting the needs of people rather than on the need to address the budget deficit. This will have greatest benefit to the people involved but also for creating a more inclusive society as a whole. As part of this process it is therefore that policy decisions are clearly assessed for the impact they will have on poverty.

The EAPN Ireland Europe 2020 Working Group looks forward to ongoing engagement on the issues addressed in this submission and in supporting the Government to working towards its target of reducing consistent poverty to between 2-4% by 2012 with the aim of eliminating it by 2016.

The EAPN Ireland Europe 2020 Working Group includes representatives from:

- **Age Action Ireland**
- **Congress Centres Network**
- **Disability Federation of Ireland**
- **Dublin Employment Pact**
- **EAPN Ireland**
- **Irish National Organisation of the Unemployed**
- **Irish Traveller Movement**
- **Migrant Rights Centre Ireland**
- **National Adult Literacy Agency**
- **National Youth Council of Ireland**
- **National Women's Council of Ireland**
- **One Family**
- **OPEN**
- **SIPTU**

Contact Details: paul Ginnell, EAPN Ireland, Strand House, 22 Great Strand Street, Dublin 1; Tel: 01-8745737; Email: paul@eapn.ie