



Submission to Department of Employment Affairs and Social Protection on Bench Marking Social Welfare rates

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This submission has been made with input from members of the EAPN Irelands Minimum Income Network, a network of organisations formed to advocate around adequate and accessible social welfare supports. The network includes the following organisations:

- Altogether in Dignity Ireland
- Disability Federation of Ireland
- European Anti-Poverty Network Ireland
- Focus Ireland
- Irish National Organisation of the unemployed
- Longford Women's Link
- National Youth Council of Ireland
- One Family
- St Vincent De Paul
- Vincentian Partnership for Social Justice

Bench marking Social Welfare Submission

We welcome the opportunity to submit to DEASP regarding plans under the Social Welfare Pensions and Civil Registration Act 2018 to bench mark social welfare rates. We would like to highlight the importance of social welfare and emphasise the vital role it plays in maintaining basic societal standards.

[The European Minimum Income Network](#), in which the EMIN Network in Ireland plays a part, explains that adequate social welfare schemes are vital because they:

- Ensure that people who receive them can remain active in society; they help them reconnect to the world of work and allow them to live in dignity.
- Help reduce inequality, which benefits the whole society. Evidence from a variety of sources shows that more equal societies perform better on many social and economic indicators and are more stable than more unequal societies.

- High return on investment, while the cost of non-investing has enormous immediate impacts for the individuals concerned and long term costs for society.
- Act as ‘economic stabilisers’. Within the European Union, countries with high-level social protection systems have been best placed to resist the negative impacts of the recent crisis.
- Are effective economic stimulus packages, as the money is used to address pressing needs and immediately re-enters the real, particularly local, economy, often reaching disadvantaged areas experiencing market failures.

We believe the mere existence of social welfare structures and associated payments and supports, though essential, is alone not enough to mitigate the destructive long term effects of poverty and social exclusion, which has a detrimental impact upon families, communities and within society as a whole. EAPN Ireland believes the ability of social welfare to help reduce poverty levels in a longstanding capacity, is linked to the adequacy of social welfare payments.

The European Commission Country Report for Ireland 2019 recognises that the levels of at-risk-Poverty and social exclusion has fallen in Ireland, with progress seen across those with incomes that are at risk of poverty, those in material deprivation, and those living in houses with very low work intensity. A drop in poverty levels is of course welcome, however it must be assessed within context, 750,000 people, or 15.7% of the population, have incomes below the poverty line, this is much higher than before the economic crisis with 18.8% of people living in deprivation, higher than the 11.8% level of 2007. 6.7% of the population experiences both of these and are therefore in consistent poverty, again much higher than the pre-economic crash level of 4.2%.¹ The Report also acknowledge that ‘*many people have yet to reap the social benefits of the economic upturn*’ and specifically highlights child poverty as an areas where Ireland is falling short, with a figure of 1 in 4 children in poverty.²

¹ <http://www.eapn.ie/eapn/wp-content/uploads/2019/04/Better-Europe-Alliance-Response-to-European-Commission-2019-Country-Report-for-Ireland.pdf> p22

² https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf p37-38

In line with this and within the context of benchmarking social welfare, it is important to emphasise that the right to an income which allows us to participate fully in society and live with dignity, is enshrined in international human rights and also within the Global Goals for Sustainable Development, which Ireland has signed up to. This right does not differentiate regarding the source of income whether through employment or social welfare. Ireland has also signed up to the European Pillar of Social Rights which states that *'everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life'*.³ A lack of income adequacy represents a major obstruction in Ireland's bid to meet its National Social target for poverty reduction of 2% or less, by 2020.⁴ Income adequacy therefore plays a huge part in ensuring Ireland will meet its anti-poverty targets and commitments. Without adequate social welfare, households become entrenched in intergenerational poverty, are limited in their access to necessary supports and services in order to meet basic needs, as well as ongoing social isolation and the disintegration of community fabric in disadvantaged areas. Therefore we call on the DEASP to benchmark social welfare to a rate that is adequate, Adequacy being an amount that will:

- Lift people above the poverty line
- Ensure the Minimum Essential Standard of Living

We question the validity of benchmarking social welfare if it is not linked to adequacy and believe that benchmarking at a point below adequacy ensures the futility of any such exercise.

Benchmarking against Adequacy:

As stated we believe that social welfare adequacy should lift people above the poverty line and should provide people with the [Minimum Essential Standard of Living](#), (MESL) that is the standard below which nobody should have to live.

Based on rigorous research conducted by the Vincentian Partnership, MESL represents the goods and services households require in order to meet their physical, psychological and social needs and includes a variety of household types, including those in receipt of social

³<http://www.eapn.ie/eapn/wp-content/uploads/2018/02/poverty-briefing-2018.pdf>

⁴http://www.socialinclusion.ie/documents/PublishedNPTBriefing_003.pdf

welfare. Below we see the gap in 2018 between what a diverse range of households dependent on social welfare live on and what in reality they require in order to achieve the Minimum Essential Standard of Living.

(i) Minimum Essential Standard of Living

Minimum Essential Standard of Living 2018 for selected social welfare dependent households

	Urban family			Rural family		
	Needed	Actual	Gap	Needed	Actual	Gap
Two parents with 2 children , one in pre-school & one in primary school (ages 3 & 6)	461.30	460.02	-1.28	515.37	460.02	55.35
Two parents with 2 children , one in primary and one in secondary school (ages 10 & 15)	539.13	464.83	-74.30	591.33	464.83	-126.50
Two Parents with 3 children , one in pre-school and one in primary school (ages under 1, 3 & 6)	545.74	524.13	-21.61	595.03	524.13	-70.90
Two Parents with 4 children , two in primary, and two in secondary school (ages 8, 11, 14 & 17)	745.96	600.25	-145.71	806.17	600.25	-205.91
One Parent with 1 child under 7 years in primary school (aged 6)	301.22	276.19	-25.03	377.76	276.19	-101.57
One Parent with 2 children , one in pre-school and one in primary school (ages 3 & 6)	347.47	340.30	-7.17	422.24	340.30	-81.94
One Parent with 2 children , one primary and one secondary school (ages 10 & 15)	425.30	345.11	-80.19	498.19	345.11	-153.08
Single Adult of working age living alone	245.38	198.00	-47.38	282.83	198.00	-84.83
Couple, or Working Age co-habiting, no dependent children	434.61	396.00	-38.61	436.84	396.00	-40.84
Single Pensioner living alone (Non-Contributory)	246.59	255.18	8.59	310.89	255.18	-55.71
Pensioner couple (Both non-Contributory)	310.90	417.08	106.18	385.03	417.08	32.05

The MESL research differentiates between cost of living within urban and rural areas, (for example greater expenditure in rural areas on transport costs). Outside of specific scenarios for

older people, we see that the vast majority of households in receipt of social welfare payments do not receive an adequate amount to meet the minimum essential standard of living. This is particularly pertinent to households with children, where in 2018, the gap between need and the reality of income received was as high as €153.08 for a single parent household with 2 children and €205.91 for a two parent household with 4 children.

The below table also examines the gap between different individual welfare rates and what is needed to lift people above the poverty line.

(ii) Poverty Line

Adequacy of Social Welfare to lift people above the poverty line

Payment	Rate (2019)	Poverty line(2017)	€ Gap
Jobseekers Allowance, Disability Allowance, and One Parent Family Payment	€203	€239.95	-36.95
Jobseekers Allowance age 18-24	€112.70	€239.95	-127.25
Jobseekers Allowance age 25	€157.80	€239.95	-82.15
State Pension (Non-contributory) age 66-79	€232	€239.95	-7.95
States Pension (Non-contributory) age 80 +	€242	€239.95	+2.05

Despite increases in social welfare rates between 2017 and 2019, we note that payments are still below the 2017 poverty line of €239.95 per week for all recipients, apart from those on the State Pension. We also see the largest gap is for those under 26 years of age, (who are on unfairly on lower social welfare rates since 2010) with this age group living €127.25 and €82.15 per week below the poverty line respectively. While Increases to Budget 2019 were welcome, it is clear that in order to meaningfully bridge the gap between what households receive and what in reality they require to live above the poverty line and access essential goods and services, benchmarking needs to be linked to a point of adequacy. We believe that point of adequacy is represented by what is necessary to lift people above the poverty line and provide them with a Minimum Essential Standard of Living.

Consumer Price Index versus Minimum Essential Standard of Living

We do not support the notion that social welfare rates should be benchmarked to the Consumer Price Index (CPI). We note that CPI has little relevance to the lived circumstances of those who engage with the welfare system. The Central Statistics Office also concurs that the Consumer Price Index is not a reflection of the cost of living and operates as “*purely a price index*”.⁵

The Consumer Price Index is calculated on the basis of a much broader basket of goods and services than what is necessary to meet a minimum essential standard of living, including purchases by those with means far beyond the income of an average household or that which is represented by the Minimum Essential Standard of Living. Within MESL, the basket of goods and services selected only includes essential goods and services that ensure people do not live below an agreed minimum standard. In order to ensure accurate representation of the basic goods and services required to meet a minimum standard of living, the Vincentian Partnership has developed a methodology that excludes the “*extraneous items*” located within the Consumer Price Index, in order to ensure their influence on price fluctuations does not unfairly impact upon adjustments to the MESL.

If social welfare increases or decreases are simply based on changes in inflation or deflation (e.g. CPI) there is no link to adequacy or the needs of those dependent on social welfare. For example, Welfare payments based on CPI could rise by 1% due to inflation, but if inadequate to start with, it will never be enough for people to live on and will only serve to maintain social welfare at changeable and inconsistent points below the poverty line. MESL, which is updated annually, allows for benchmarking to adequacy, and indexing to ensure this adequacy is maintained.

The use of reference budgets in the context of social welfare payments represents a growing movement within the EU. Since 2014, in the context of the social investment package, the EU commission has been promoting the development of reference budgets, “*as a means to access adequate income support in EU member states*”⁶ with reference

⁵ <https://www.cso.ie/en/media/csoie/studentcorner/documents/frequentlyaskedquestions.pdf>

⁶ https://eminnetwork.files.wordpress.com/2018/11/reference_budgets_report_emin_peer_review.pdf p4.

budgets considered to be “illustrative for what people need at the minimum for social participation”⁷. The research on MESL conducted by the Vincentian Partnership is recognised on a European Level by the EU platform on Reference Budgets as well as the European Minimum Income Network. Within a national capacity, it is utilised to calculate living expenses by the Insolvency Service of Ireland.

Indexing to CPI provides no benefit to those most in need. Benchmarking welfare payments to CPI and therefore to the purchasing powers of all sections of society, regardless of income capacity, is not in any form representative of the profile of marginalised groups and those engaging with the Department of Employment Affairs and Social Protection. The MESL study however entails a robust design that ensures the basket of goods and services utilised for the purposes of the research, accurately represents the Minimum Essential Standard of Living and actively includes low income and welfare dependent households.

Social Welfare Transfers

We recognise the need for benchmarking to MESL take the form of progressive realisation to ensure a strategic and targeted move towards adequacy. We also believe that benchmarking should occur in tandem with investment in social supports, services, thus reducing the intensity of the burden and reach expected to be carried by income supports alone. Investment in, for example, housing for low income households, would go towards reducing costs under the Minimum Essential Standard of Living. We also support the move towards adequacy of earnings through the Living Wage and believe this should occur alongside social welfare adequacy, which in turn would offset any concerns around overly generous replacement rates, (which research has shown are not high in Ireland). The EU has highlighted the effectiveness of social transfers in reducing poverty in Ireland, however, the EU Country Report for Ireland 2019 reiterates that this should be treated with caution ‘*due to the low level of in-kind benefits relative to the high cost in the economy*’. While on the surface social welfare rates in Ireland compare favourably to other European Countries, this does not take in to consideration the impact of the cost of living on people’s incomes.

We reject the simplistic assessment that benchmarking social welfares to adequacy could potentially act as a deterrent to employment engagement. The 2001 Report of the Social

⁷ https://eminnetwork.files.wordpress.com/2018/11/reference_budgets_report_emin_peer_review.pdfp2

Welfare Benchmarking and Indexation Group states that replacement rates above 70% can have a negative impact on employment participation. This finding is further explored within the ESRI Making Work Pay report 2015 which concludes the 70% replacement rate should not be interpreted in this context, emphasising the complexity and diversity of reasons people take up employment, *“that dynamic gains over the longer term in employment, and nonfinancial rewards from working life are two such reasons.”*⁸. The report also finds that almost 80 percent of unemployed individuals have a replacement rate of less than 70 percent and that majority those who are facing high or very high replacement rates are in fact in employment.⁹

We believe bench marking provides the Department of Employment Affairs and Social Protection an opportunity to actively decide upon their intentions and ambitions for people who are receiving social welfare payments, what are such payments striving to achieve for those in living poverty and within society? We call on the Department to ensure that any move to bench mark social welfare rates will not be at the expense of accessibility, benchmarking of social welfare at a level that is adequate should not have any negative impact on the criteria or conditions which enable access to welfare supports for those who need it.

If social welfare payments are designed for the purposes of survival only, then how they can play their part in realising the anti-poverty commitments Ireland has signed up to, including Europe 2020, the UN Sustainable Development Goals, and the European Pillar of Social Rights. How can they be utilised to ensure people are enabled to live life in dignity and to ensure the future prospects of people on social welfare? We call on the Department to bench mark social welfare rates to MESL ensuring that the annual fluctuations to welfare payments that will occur as an inevitable part of a bench marking process, do not come to represent a measure of how far below the poverty line social welfare payments operate, but instead reveals social welfare as a tool that helps to lift people above the poverty line, enabling them to actively engage in society in the long-term.

⁸ <https://www.esri.ie/publications/making-work-pay-more-recent-initiatives> p16

⁹ <https://www.esri.ie/system/files/media/file-uploads/2015-07/BP201602.pdf> p35

