

Citizens Information Board

Pre-Budget 2010 Submission

1. Introduction

This Submission is based primarily on feedback from Citizens Information Services and the Citizens Information Phone Service (CIPS)¹. The CIB supports and funds the nationwide network of Citizen Information Services (CISs)², the Citizens Information Phone Service (CIPS) and the Money Advice and Budgeting Service (MABS). The Board also funds and supports the provision of advocacy services to people with disabilities by voluntary and community organisations around the country.

Over 400,000 people have used Citizens information Services (CIS's) around the country in the first half of 2009 and there has been a significant increase in queries related to the economic downturn, particularly in relation to social welfare entitlements and issues related to job loss. The Money Advice and Budgeting Service (MABS) has also seen increased demand for its services³.

In line with its statutory function to provide feedback on the experiences of users and providers of social services, the CIB has a mechanism in place (Social Policy Records⁴) whereby information providers report on issues that are of concern to their clients. The Submission also takes account of feedback from CIB-funded voluntary and community disability advocacy projects⁵.

2. Focus of Submission

In preparing this submission, the CIB acknowledges the significant pressures on the public finances at present and the related challenges of framing a budget that

¹ In 2008, Citizens Information Services dealt with over 900,000 queries from 670,000 clients and CIPS dealt with 130,000 callers. Queries from the public to CISs and CIPS cover a wide range of areas of living, including social welfare entitlements, disability-related matters, housing and health.

² There are 42 independent Citizens Information Services (CISs) covering 254 locations throughout Ireland. The Money Advice and Budgeting Service (MABS) provides assistance to people who are over-indebted and need help and advice in coping with debt problems. There are 52 local MABS companies delivering money advice nationwide.

³ In the first six months of 2009, 9,800 new clients were seen by MABS staff across the country. The MABS helpline received over 12,200 calls in the first half of 2009 compared to 11,000 in the whole of 2008.

⁴ Social Policy Records refer to situations where the CIS user was unable to get a service commensurate with need.

⁵ There are currently 46 such projects nationwide.

addresses the most urgent needs in society, developing an integrated and co-ordinated approach to creating and sustaining jobs and at the same time ensuring the prudent management of the severely constrained public purse. In that context, priority needs be given to:

- Targeting social welfare payments at people most in need
- Managing the transition back to employment through appropriate activation, education, training and programmes
- Ensuring that Government schemes are streamlined to achieve their objectives in the most cost effective way
- Promoting inter-departmental co-operation to achieve greater efficiencies
- Engaging employers in meeting their obligations towards workers in a time of economic challenge.

3. Priorities for Budget 2010

A key challenge for Budget 2010 is to address the changes arising from the transition from a situation of relatively high levels of employment and related work incomes to one where increased numbers of people will, in the short-term at least, be either welfare dependent or have to live on much lower incomes than heretofore. There is a need to acknowledge the diversity of situations and to intervene appropriately. There are those who have recently lost jobs and are coping with managing on a significantly lower income. There is a growing number of self-employed people out of work who cannot access social welfare supports. There are also people (particularly older people) whose savings and pension funds have collapsed. Another challenge is the extent to which people who have become unemployed have the skills relevant to the areas where future jobs are likely to be created. There is also a clear need to ensure that the relative position of those who are long-term dependent on social welfare and social housing provision, e.g., people with disabilities, is maintained.

In facing these challenges, care must be taken to ensure that the needs of those at greatest risk of poverty and social exclusion are addressed in the context of promoting social solidarity and citizenship on the one hand and addressing the extraordinary pressures on the public finances on the other.

3. Context

Many of the queries to CISs and CIPS focus attention on the complex difficulties and challenges faced by low-income families. The most frequent category of queries is Social Welfare covering 44% of all queries handled. This is followed by Employment related queries at 13%, Health at 9%, Money and Tax at 6% and Housing queries represent 6% of total queries. Four categories of queries - Unemployment-related payments (Jobseekers Benefit and Jobseekers

Allowance), Disability-related payments, Free Schemes (Household Benefits Package, Fuel Allowance and Free Travel) and One Parent Family payments - account for almost half of all social welfare queries⁶. Up to 50% of Social Policy Records returns submitted to the CIB relate to social welfare payments.

Not surprisingly, many of the queries to CISs point to difficulties and challenges faced by low-income (usually work-poor) households. Research⁷ shows that low-income families in work poor households⁸ are at a particular disadvantage and a greater risk of poverty – these include lone parents, people with health and disability problems, people with no qualifications and those with a history of unskilled work. Lone parent families face serious challenges – almost 38% are at risk of poverty compared to 16.5% of the general population and 20% of lone parent households are in consistent poverty (compared to 5% of the general population).⁹ Over 7% of children (those aged 0-17) are in consistent poverty and nearly 40% of all people in consistent poverty are children¹⁰.

The following contextual factors need to be acknowledged in the provisions of Budget 2010:

Despite the reduction in consumer prices and related economic deflation, many essential goods and services have seen price inflation in recent years, e.g., education, health and public transport. Also, poorer households have to spend a higher proportion of their income on basic necessities (electricity, fuel, transport, health, education) than those on higher incomes.

Many families continue to be highly dependent on secondary benefits such as Back to School Clothing and Footwear Allowance, Fuel Allowance and Carer's Allowance.

Many self-employed people, particularly those associated with the construction and related services industry, are in serious financial difficulties. The precarious position of the self-employed requires urgent attention as self-employed people who are out of work are not eligible for Jobseeker's Benefit and the means-testing system for Jobseeker's Allowance and Supplementary Welfare Allowance does not cater adequately for their situation (see 4.3 below).

⁶ Solution Enable (2008), *Citizens Information Services Survey Report 2008*, Citizens Information Board.

⁷ Russell *et al.* (2004), *Work-Poor Households: The Welfare Implications Of Changing Household Employment Patterns*, ESRI

⁸ A work-poor household is defined as one in which none of the working age adults has a paid job

⁹ Central Statistics Office (2008), *EU Survey on Income and Living Conditions (EU-SILC) 2007*.

¹⁰ Central Statistics Office (2008), *EU Survey on Income and Living Conditions (EU-SILC) 2007*, CSO.

For those who never had to rely on welfare previously, negotiating the social welfare system can be daunting, e.g., long waiting lists, having to access Supplementary Welfare Allowance payments and rent supplement.

The income support needs of those who have difficulty finding work because of a disability should be prioritised in any rationalisation of income support mechanisms.

Government policies clearly impact on families in a wide variety of ways and not just through explicit family policies. Family impact statements should be carried out on all policies, programmes and services to determine their impact on families.

According to Census 2006, there were 160,917 family carers in the country providing an average of 24 hours of unpaid care per week – this is an essential social cohesion component that needs to be supported on an ongoing basis.

4. Income Support and Low Income Households

4.1 Work-poor Households

Household joblessness has serious implications for the financial situation of households and consequently for the psychological wellbeing of their members. It also has important implications for the scale of public support necessary to prevent poverty (Russell *et al.* 2004)¹¹. Despite increases in welfare provision and the introduction of various anti-poverty and social inclusion measures over the years, work-poor households have continued to be at risk of poverty. People who are unemployed or unable to work due to illness or disability have the highest at risk poverty rates (38.7% and 37% respectively), compared with 7% for people at work. Unemployed persons also have the highest consistent poverty rates (17.5% compared with 1.3% for persons at work (Central Statistics Office 2008). More dynamic and flexible welfare responses are required to protect the needs of jobless households in the current crisis.

4.2 Children in Low-Income Families

As already stated, child poverty continues to be an issue for welfare dependent families. Research (Daly and Leonard 2003) identified three potential risks for children in low-income families – exclusion from the social world of their peers, leaving school early and not achieving their full potential, exposure to the risk of growing up in a harsh environment and, additionally for girls (early) lone motherhood. These authors further found that while almost all of the families in their study fell below one poverty threshold or another, “their members led

¹¹ *Work-Poor Households: The Welfare Implications Of Changing Household Employment Patterns*, ESRI.

impoverished lives not just because of financial shortages but also because of an insufficiency of services and of the capacities and resources needed to change their situation” (p.204).

The role of pre-school facilities for disadvantaged children has been widely acknowledged. The issue of support for childcare and early childhood intervention is a significant issue apart from Child Benefit and the needs of children in disadvantaged households need to be ring-fenced in any changes to the support structure.

4.3 Self-Employed People and the Social Welfare System

Jobseeker’s Allowance (JA) is the only jobseeker’s payment available to the self-employed who are out of work. Cases continue to be reported to CISs of means being assessed on the basis of previous year’s earnings without taking sufficient account of current circumstances. Also, the way means are assessed for the self-employed differs from others claimants. If, for example, an applicant for JA has a self-employed spouse, all the income from self-employment is taken into account for the means test, whereas if the spouse had weekly earnings as an employee, €20 per day for each day up to a maximum of €60 is discounted and only 60% of the balance is assessed as means. CISs have also reported situations where clients who are self-employed seek SWA while waiting for JA and are told they must first de-register as self-employed. It is recommended that assessment of income for means tested payments for self employed be based on a current needs basis.

The Commission on the Family recommended that Family Income Supplement for the self-employed should be considered to assist self-employed low-income families. More flexibility is required in relation to the eligibility criteria for FIS.

4.4 Means Testing

Many reports have argued that means testing should be streamlined and simplified. In particular it should be necessary to carry out only one means test for any applicant for Jobseekers’ Allowance (JA), weekly Supplementary Welfare Allowance (SWA) or Disability Allowance (DA). At present, an applicant for JA or DA who has to apply for SWA while awaiting a decision on the other payment has to undergo a separate means test, conducted by different people. Further consideration should be given to the rationalisation of means tests, the devolution of decision making on claims and the integration of Community Welfare Officers’ to the Department of Social and Family Affairs should proceed.

4.5 Household Benefits Package

The Household Benefits Package is an important addition to the basic social welfare payment and ideally should be included with this as a cash payment to allow recipients more control over their limited resources and ensure that the basic rate of social welfare covers the basic essential costs of daily living. It is recommended that a more targeted approach towards those most in need might be adopted with this scheme.

4.6 Anomalies in the Social Welfare System

The way Jobseekers Benefit (JB) is administered can result in certain anomalies associated with reduced working hours. For example, those whose hours of work are reduced and who now work 3 hours 5 days a week are not entitled to JB to make up for the hours lost while those whose hours are reduced and who work 5 hours 3 days a week are eligible for JB for the days they are off work.

There is a need for a more integrated package combining welfare and work that would allow greater flexibility in how JB operates and better support those on reduced working hours.

4.7 Family Income Supplement

Family Income Supplement (FIS) is a top-up payment for those in low paid employment. It is designed to make up 60% of the difference between net family income and the income limit which applies to a particular family size in order to maintain a basic standard of living. It was originally established to restore the incentive to work in the case of the low wage earner with a family who might be only marginally better off working than claiming social welfare benefits. However, the restrictions on eligibility for FIS and how it operates mean that it does not necessarily fulfil its function. Those in receipt of FIS are only reviewed every 12 months and if their hours or pay are reduced in the meantime, no adjustment is made to their FIS payment. It is not available to the self-employed. FIS cases should be reviewed more frequently in the current climate and its potential as a vehicle to support those in low paid work or on reduced hours should be considered further.

4.8 Housing

The economic downturn has resulted in significant problems relating to mortgage and rental payments for people experiencing reduced household income. There is a need for more effective responses to the needs of people unable to meet housing payments. Also, despite the major expansion in house-building during the past decade, research points to a high correlation between poverty rates and household income on the one hand and dissatisfaction with accommodation (Central Statistics Office 2009¹²). The at risk poverty rate for households dissatisfied with their dwelling is 26% compared with a rate of 16% for satisfied households and 12% of dissatisfied households are in consistent poverty compared with 4% of satisfied households. More than a quarter of households renting their dwelling reported dissatisfaction with their dwelling.

¹² Central Statistics Office (2009), *Survey on Income and Living Conditions 2007: Housing Module*, CSO.

4.8.1 Private Sector Rents

Rents in the private sector have fallen somewhat because of market factors. However, feedback from CISs shows that the reduction in the Rent Supplement by 8% from 1st June 2009 presented significant difficulties for some tenants. The experience of some CIS users was that landlords were not prepared to reduce the rent and in effect people had to dip further into their welfare payments to make up the shortfall in the Supplement. This was on top of the increased minimum contribution of €24 effective from 1st June 2009. Some tenants reported that they were tied into one-year lease agreements with landlords and stood to lose their deposit if they moved. Other tenants said they could not afford to pay the deposit and a month's rent in advance on alternative accommodation. Feedback from CIS's indicates that the new requirement requiring a person to be in rented accommodation for six months before they can apply for Rent Supplement or be assessed as being in housing need is leading, in some instances to waiting periods for processing of housing assessments by local authorities. In the interim, applicants cannot avail of a supplement and cannot afford the accommodation.

It is important that Rent Supplement is maintained at reasonable levels, that tenants do not find themselves having to absorb costs out of their basic income and that procedural changes do not have adverse impacts.

4.8.2 Mortgages

An issue has arisen for some people who took out a mortgage but whose income at the time would not have been within the DSFA standard guidelines for the size of the mortgage. They are now being refused Mortgage Interest Supplement (MIS). On losing their job or having a pay reduction, they now clearly need support but are being refused on the basis that they should not have got the mortgage in the first place. Others have been refused MIS because the level of the mortgage exceeds the amount the Health Service Executive (HSE) considers reasonable for their area, so the only alternative is to trade down which is not always possible. Consideration should be given to a more flexible and effective system of mortgage interest relief to cater for such situations. The rules for supplementation must take cognisance of the changed environment.

4.8.3 Social Housing

A suggestion has been put forward that a proportion of newly built houses now vacant should be transferred, within the framework of NAMA to local authorities for social housing in order to meet the huge need that still exists for such housing (approx. 56,000 households were in need of social housing in 2008).¹³ This option would appear to have merit and should receive careful consideration.

¹³ Donal McManus, *The Irish Times*, Monday 17 August 2009 (Opinion).

4.9 Cost of Accessing Social Services

4.9.1 Health Service Charges

Despite reductions in the costs of some services, the reality is that health care charges have increased in some instances. For example, A&E charges have risen to €100. Also, there has been no reduction in GP charges. A study carried out by the Economic and Social Research Institute (ESRI) on GP visits by medical card holders and non-medical card holders raised a question concerning those just above the medical card income threshold “being priced out of the market for GP visits.”¹⁴ The cost of health insurance is also increasing and some people who have paid health insurance for years are now finding they can no longer afford to pay their premiums.

The CIB recommends that no further increases be levied in relation to A&E and drug scheme charges.

4.9.2 Long stay patients in acute hospitals

The implementation of the Nursing Home Support Scheme will mean that some long stay patients in acute hospitals will become liable for the same charges as nursing home patients. This is an aspect of the scheme which is not widely understood and has not been publicised. The patients who will be affected, mainly elderly people, need to be made aware of the potential charges. The HSE and individual hospitals should bring these new changes to the attention of long stay patients and their families in order to ensure that arrangements can be put in place for payment and care representatives can be appointed if necessary.

4.9.3 Costs of Schooling

Even at primary and secondary level, the cost of sending a child to school puts severe strain on household finances and every effort should be made to reduce costs, through mandatory book schemes and other initiatives. The Department of Education also needs to look critically at the frequency of which new editions of schoolbooks are required. Provision could also be made for greater on-line access to learning materials so that parents do not have to buy new books every year. This would be consistent with a public service drive towards eservices.

School transport costs have also risen and most private bus operators have increased their fees because of the compulsory introduction of seat belts and the policy of one child per seat. While the Department has set a maximum payment for families of €650 annually under the school transport scheme, there are families paying in excess of this amount because they have no access to the public system and engage private operators to ensure that their children are transported to school safely.

¹⁴ Nolan, A. and Nolan, B. (2004), *A Panel Data Analysis of The Utilisation of GP Services in Ireland: 1995-2001*.

5. Employment Rights

Of the social policy record returns from CISs and CIPS in the first half of 2009, one in five related to situations where workers felt that they were treated unfairly by an employer. Cases were reported of employers letting their employees go without giving them their statutory entitlements to redundancy, minimum notice or outstanding holiday pay. There were complaints too about the selection processes for redundancies used by employers. It was suggested that in the context of the downturn some employers were restructuring their businesses without regard for worker's rights.

Employers are obliged to reach agreement with their employees before implementing any changes to their terms and conditions of employment. However, this does not always happen and CIS users report that changes to work practices are being implemented unilaterally without agreement from workers. Workers in the current climate do not feel they are in a position to oppose cuts in their hours of pay because of an absence of job security.

While mechanisms are in place for employees to seek redress, workers find themselves in a very vulnerable position because of the downturn. Many CISs are reporting cases of people laid off temporarily or put on short time who are compelled by their employer to seek redundancy rather than being made redundant by the employer; even though it was clear that a redundancy situation existed. In such situations, employees can lose out on pay in lieu of notice as they forfeit their entitlement to minimum notice if they seek redundancy themselves. CIS users reported that some employers oblige their workers to sign their RP50 form before actually paying them redundancy.

There is a clear need to ensure that the requirement for greater flexibility does not lead to increases in exploitation and inequality for employees and those seeking work. Therefore, it is important that employment law is strongly enforced and that the National Employment Rights Authority (NERA) ensures that employers are abiding by employment law including pay and conditions, and redundancy processes. A particular focus on low-paid, low-unionised sectors where the more vulnerable are employed would be important.

There is a gap in the current legislation regarding insolvency. Legally, insolvency means being in receivership, in liquidation, legally bankrupt or insolvent in another EU state, but, if an employer simply walks away, the only avenue open to the employee to receive redress is to take a civil action against the employer. Any award under legislation for e.g. unfair dismissal, arrears of pay, pay in lieu of notice, holidays and in some cases, pension contributions, cannot be availed of from the Social Insurance Fund under the Insolvency Payment Scheme unless the employer is legally insolvent. Redress mechanisms for employees need to be put in place in such cases.

6. Transition from Welfare to Work

Once a person has become unemployed, it is harder for him/her to find another job and the longer the unemployment lasts, the more difficult it is for a person to get back to work. The social welfare system needs to incorporate flexible responses which would allow strategic delivery of social welfare supports in enterprises where hours are being reduced in order to maintain people in employment. This kind of support should be combined with high quality and labour market relevant training to equip employees to avail of future job opportunities in accordance with the Government's National Skills Strategy (see 6.2 below).

6.1 Minimising Benefit Traps

The challenge of assisting people make the transition from welfare to work as the economic situation improves requires careful management so as to ensure that benefit traps are minimised and that people are encouraged and facilitated to move into part-time and/or lower paid work. One of the main benefit traps in the current system relates to rent supplement which is paid to people living in private rented accommodation who cannot provide for the cost of their accommodation from their own resources. The fact that it is not paid to anyone in low-paid full-time employment creates a dilemma for those on social welfare since rent supplement alone could be worth €100 a week for a single person. There is also a question regarding the means test for rent supplement which should allow for reasonable outgoing expenses, as is the case with the means test for a medical card where, for example, reasonable expenses incurred in respect of childcare costs are disregarded. The cost of childcare is the other major barrier to returning to work and this issue needs to be kept under ongoing review.

The fact that losing a medical card is seen as a disincentive to taking up paid employment is an indication of the hardship being experienced by low income working households who are not eligible for a medical card.

6.2 Activation Measures

In an economic climate where jobs are scarce, activation measures should include up-skilling and personal development to make people ready to take up employment opportunities when they emerge and to eliminate as far as possible situations where people lose the incentive to work and get caught in welfare traps. The eligibility criteria for training schemes and for back to education opportunities should therefore take into account an individual's circumstances and take a long-term view of the contribution they could make to society if they receive a qualification.

Unemployment should be seen as a societal responsibility rather than just an individual responsibility and integrated measures are required to ameliorate its worst effects both for individuals and for society as a whole. Activation

programmes should take cognisance of the merits of promoting and supporting forms of civic engagement other than employment. Job facilitators should, therefore, explore other civic engagement options with people that would help them feel socially included and make a contribution to society. Opportunities for people to undertake voluntary activities or to become involved in community-based activities should be promoted both in terms of the outcomes for individuals and a broader social dividend.

Every avenue should be explored to keep people in employment by supporting companies struggling to survive. These could include: greater flexibility in combining welfare payments and work and more extensive use of the Family Income Supplement (FIS). In this regard, the introduction of the €250 million scheme to subsidise jobs at risk in vulnerable companies to prevent lay-offs (an average of €140 per week over 15 months subsidy for workers in export businesses) is to be welcomed.

6.3 Training and Education

In the context of developing comprehensive job creation strategies, detailed consideration is required in relation to the type and nature of skills likely to be required in the coming years. There may well be a significant skills deficit between where most of the unemployed labour force is at and where most of the jobs are likely to be created. Future skills requirements have been identified and documented by the Expert Working Group on Future Skills Needs¹⁵ and the Government's National Skills Strategy should be implemented accordingly.

Activation strategies by employment services and education and training providers must be based on the following considerations:

Programmes must seek to improve participants' long-term chances of employment.

They must also recognise the need to balance work, parenting and caring roles for lone parents and other vulnerable families.

There would be much merit in re-visiting the concept of socially useful work, and the role of programmes like the Jobs Initiative programme.

It is vitally important that developments, including the recently announced 'Work Placement Programme', provide access to appropriate and fruitful learning experiences for participants.

¹⁵ In July 2005, the Minister for Enterprise, Trade & Employment asked the Expert Group on Future Skills Needs to identify the skills required for Ireland to become a competitive, innovation-driven, knowledge-based, participative and inclusive economy by 2020. In March 2007, a new national skills strategy, *Tomorrow's Skills: Towards a National Skills Strategy* was launched.

The new Government pilot Short Time Working Training Programme¹⁶ is a positive development in this regard and lessons need to be drawn quickly and the scheme rapidly expanded beyond the 277 pilot places. It is important that the eligibility and duration criteria for such initiatives ensure that they meet the needs of those who most need them.

It is important to enhance and utilise 'transferable' skills as much as possible and support people to move between different types of employment and sectors.

Education and training should as far as possible be combined with some labour market experience.

¹⁶ The Short Time Working Training Programme provides 2 days training a week for employees who are on systematic short-time working for 3 days a week and getting a social welfare payment for the 2 days they are not working. People on the Short Time Working Training Programme continue to work 3 days a week and get social welfare payment for the 2 days they are getting training.