

Citizens Information Board

Pre-Budget 2012 Submission

1. Introduction

This Submission is based on feedback from Citizens Information Services (CISs)¹, the Citizens Information Phone Service (CIPS) and the Money Advice and Budgeting Service (MABS)². Queries from the public to CISs and CIPS cover a wide range of areas of living, including social welfare entitlements, disability-related matters, housing, education and health. MABS provides assistance to people who are over-indebted and need help and advice in coping with debt problems.

In 2010, there were **666,837** callers to Citizens Information Services with over a million queries and CIPS responded to **144,513** requests for information and advice from the public. In the first half of 2011, there have been 339,432 callers to CIS's and 520,814 queries were handled. Many of the queries from the public related to the economic downturn, particularly in relation to social welfare entitlements³. Issues related to job loss feature consistently. Many of these queries point to difficulties and challenges faced by newly welfare dependent and low-income (usually work-poor) households. Not surprisingly, MABS has also experienced an increased demand for its services. The total number of new clients seen by MABS in 2010 was 21,653, an increase of 13.4% on the figure for 2009. A total of 11,658 new clients were seen by MABS in the first half of 2011, an increase of 5% on the same period in 2010. The total active caseload end of June, 2011 was **26,249**. The MABS National Helpline took over **27,700** calls in 2010, compared with 24,737 calls in 2009. In the first half of 2011 the helpline has assisted 16,620 callers.

The experience of CISs, CIPS and MABS clearly reflects the current economic environment with an increasing number of clients who require additional support from the State. A high proportion of the queries to CISs and CIPS and MABS are presented by people at the lower end of the income scale and reliant fully or partly on social welfare. In a small number of instances access to basic income is the core issue - some people reported being left without any income for a period of time.

CIB has a statutory function to provide feedback on the experiences of social services users.

¹ There are 42 Citizens Information Services (CISs) in the national network.

² There are 53 MABS companies delivering money advice nationwide.

³ Almost half (47%) of queries to CISs in 2010 and just over half of the calls to CIPS concerned social welfare matters.

2. Priorities for Budget 2012

The priorities for Budget 2012 should be as follows:

- *Maintain current levels of income support for children in low income households*
- *Promote the acquisition of further skills by unemployed and underemployed people*
- *Create more flexible mechanisms to meet the training, education and income support needs of people in atypical employment, including, in particular, people in casual self-employment*
- *Maintain the income levels of people primarily dependent on social welfare and ensure quicker and more efficient access to supports*
- *Eliminate benefit traps and system anomalies as far as possible*
- *Review the eligibility criteria for the Mortgage Interest Supplement*
- *Explore the concept of minimum income retention which would allow indebted families have a guaranteed minimally acceptable standard of living*
- *Develop initiatives to help sole traders/micro enterprises deal with indebtedness, including a mentoring service for sole traders in difficulty and a support unit along the lines of the UK's Business Debtline*
- *Introduce more streamlined measures and related guidance for dealing with arrears in relation to both Local Authority mortgage arrears and rent arrears*
- *Examine the operation of the Local Authority Differential Rent Scheme from an equity perspective*
- *Consider social lending and access to short term credit mechanisms through credit unions to support low income households experiencing multiple indebtedness and those who cannot access mainstream financial services*
- *Support entrepreneurship through incentives and improved social protection*
- *Maintain current levels of funding for core community care services*
- *Provide further supports to meet the educational costs for low-income families and work to reduce costs*
- *Continue to address the issue of fuel poverty in both the short and longer term*

3. Background to Submission: Evidence from CIB Delivery Partners

3.1 Increased Demand for Social Welfare Support

Not surprisingly, many of the queries to CISs and CIPS and referrals to MABS focus attention on the complex difficulties and challenges faced by families struggling to meet the costs of daily living and coping with, for example, rising utility and school costs as well as mortgage repayments and rent. In 2009, almost a quarter of households were in arrears on one or more of the following items: utility bills, rent or mortgage payments, hire purchase agreements or other loans/bills. This compares with a rate of just over 10% in 2008.⁴

Almost half of the queries to CISs refer to social welfare issues and a half, also, are regarded by information providers as complex which suggests that the income maintenance system is experienced by clients as difficult to navigate and that the pathways to supports lack clarity from the perspective of the user.

3.2 People with Multi-faceted Income Support Needs

A significant and increasingly common feature of the lives of citizens who use CIS, CIPS and MABS services is their multi-faceted income support needs. These citizens are typically living on the margins, trying to maximise household income using the optimum combination of income from available work (very often part-time and atypical) and social welfare supports. In many instances, the information, advice and advocacy support sought is around helping them to identify and access the most favourable combination of work/welfare options. For some, usually because of the nature of their household circumstances, the most favourable financial option is clearly full-time social welfare payments even where there is a possibility of work.

3.3 Problems of Over-indebtedness

During the past two years, CISs, CIPS and MABS have experienced a substantial increase in the number of queries relating to over-indebtedness. The relationship between income poverty and debt problems has been widely acknowledged. As a consequence of the current economic crisis, people heretofore on relatively high incomes are now experiencing significant reduction in disposable income. The problems of indebtedness have thus become more complex, longer-term and harder to resolve than heretofore.

3.4 Costs of Schooling

The cost of schooling has emerged as a major issue for service users in recent years with many families seeking information and advice from CISs and CIPS about how to get additional assistance.

⁴ Central Statistics Office (2010), *EU Survey on Income and Living Conditions (EU-SILC) 2009*.

3.5 Atypical Working

Many households seeking information, advice and advocacy from CISs are, as already stated, reliant on a combination of part time work and social welfare⁵. Many employees are having their working hours reduced with no clear guide about what days per week they will be working. This has negative consequences for employees applying for social welfare for the days they are not working.

3.6 Specific Benefit Traps

Some families are finding that their combined income leaves them marginally above the threshold for additional supports such as FIS – or it may disqualify them from applying for some grants and schemes, even though they may be partly reliant on social welfare to survive. There continue to be some anomalies in the operation of the retention of secondary benefits system (see Appendix/ Case Examples)

A significant benefit trap relates to Rent Supplement which is paid to social welfare recipients 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 full-time employment creates a trap for those wishing to take up employment if their take home pay is not well above the level of social welfare (Rent Supplement could be worth €100 a week for a single person).

A benefit trap that arises regularly is the withdrawal of Mortgage Interest Supplement (MIS) from people taking up work whose remuneration for employment is less than or equal to the amount of MIS granted⁶. This issue is further compounded by the fact that, where a property is jointly owned and mortgaged in joint names, MIS will not be granted if only one spouse loses his/her job (section 198 (6) of the Social Welfare (Consolidation) Act, 2005).

3.7 Retention of Secondary Benefits

Many queries to CISs and CIPS are ‘what if’ queries in relation to the retention of secondary benefits in a possible return to work/training uptake scenario. Various measures have been put in place over the years to encourage people back to work or to retain employment, including the retention of secondary benefits. It is clear that the retention of secondary benefits, particularly rent supplements and medical cards, is very highly valued by and useful to beneficiaries and the loss of these benefits constitutes a major disincentive to taking up work or staying at work.

⁵ There were 470,284 people signing on the Live Register in July. The number of casual and part-time workers increased in the year to July by 6,793 to 85,865 in total, accounting for 18.3% of the Live Register.

⁶ Article 6 of the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations, 2007 (“Regulations”) provides that “MIS will cease 30 days after commencement of employment or the date on which the claimant first receives remuneration, whichever is the sooner”.

The original rationale for the retention of secondary benefits was to provide a smoother transition from welfare to work. However, there has not been any systematic analysis of the long-term effects of the various incentive measures. It is clear that they have short-term effects but the extent to which the short-term retention of secondary benefits has facilitated people staying long-term in work or returning to work has not been evaluated.

3.8 Fuel Poverty

Feedback from the CIB delivery partners continues to highlight the fact that, while increases in fuel prices and related heating costs affect everyone, low income households fare worst because a higher percentage of their disposable income is required for this purpose. Those experiencing fuel poverty often live in cold and damp houses with adverse implications for their health and well-being. "Fuel poverty means that some people are unable to afford to heat their homes to a level that is healthy and safe. Fuel poverty is caused by the interaction of high fuel prices, low income and poor energy efficiency in the home".⁷ The recent significant increases in gas and electricity prices is a cause of great concern to low income households.

While the coordinated delivery of all fuel poverty initiatives across Government Departments and agencies, in particular house insulation programmes, should achieve greater energy efficiency in the longer term, there is a need for further supports for households experiencing fuel poverty in the short-term. Also, many people currently offer their customers the cheapest tariff if they pay by direct debit or deal with payments online, this facility is not available to those who, because of their circumstance, may not have a bank account or access to the internet.

The following specific issues have been identified:

- People on Jobseekers Benefit (JB) are not eligible for Fuel Allowance
- There is a period of 3 months after people move from JB to Jobseeker's Allowance when they are ineligible for the Fuel Allowance.
- Low income households with gas or oil central heating find it difficult to fund a fill or, indeed a half fill, at the beginning of the winter months.

3.9 Additional Costs of Education and Training

There is some evidence from the feedback to the CIB that education and training opportunities are not taken up by people on low income simply because they cannot afford to do so. Additional specific costs identified that may act as barriers are childcare and transport (the former for lone parents and the latter particularly for people living in rural areas).

3.10 Challenges for Families Arising from Budget 2011

Changes introduced in Budget 2011 (a further €8 weekly reduction in adult social welfare payments and €10 per child per month reduction in Child Benefit) presented significant difficulties for CIS, CIPS and MABS users. Unlike 2010, when compensatory measures were given to those targeted

⁷Institute of Public Health (2009), *Annual Update on Fuel Poverty and Health*, p.2.

families in receipt of Qualified Child Increase and Family Income Supplement, no such measures for low income families were provided in 2011. Other changes that are having a notable impact on low income households identified in feedback from the CIB delivery partners are school transport charges, the increase in third level education student contribution to €2000, reduction in student maintenance grants, contributions for PLC courses for those who do not qualify for grants and medical card holders being entitled to emergency dental treatment only.

3.11 The Cumulative Effect of Budgetary Adjustments in Recent Years

A number of CISs report the experience of citizens that various cutbacks in social welfare and increased tax charges, in particular, the Universal Social Charge (USC) together with increases in utility and other costs is having a cumulative negative impact on many low income households and increasing the level of inequality in income distribution⁸.

3.12 Administrative Difficulties

A key and regular component of feedback from CISs and CIPS is the impact of administrative delays on service users. While such delays are not integral to the delivery of an inclusive and equitable welfare and taxation system, they do contribute significantly to people's feelings of exclusion and alienation which can have a long term negative impact on their attitude to activation programmes and returning to work. This is particularly the situation with many self-employed people who may feel that their willingness to engage in enterprise and to take on risks is not replicated by the availability of an easily accessible social welfare support system.

4. Recommendations

Child Income Supports

The CIB agrees with the Value for Money Review finding that in order to eliminate child poverty we need a combination of child and adult income supports and access to quality public services. The CIB recommends that any changes to the social welfare system must ensure that children are not adversely affected by any change. Any changes to Child Income Supports must ensure that families currently in receipt of social welfare payments would not receive less than they do under current provisions. An enhanced FIS scheme would be likely to provide greater work incentives through better support for families on low pay. Meaningful targets to reduce child poverty and a clear implementation plan for reaching these targets are required.

Family Income Supplement (FIS)

The thresholds for FIS must be adjusted in line with any changes in the income tax system or Child Benefit payment to ensure that work is rewarded and that those trying to remain in work on very low incomes are supported to

⁸ The USC of 2% is levied on those earning incomes upwards of €4,004 (that is, by people earning less than €80 a week). The rate increases to 4% at €10,037 and to 7% at €16,017. The top rate for the USC (7%) applies regardless of whether income is, for example, €20,000 or €200,000.

do so. Also, FIS income limits should be kept under regular review taking account of trends in earnings, social welfare rates and poverty lines.

Relevant Skills Training

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

Eliminating Benefit Traps

The challenge of employment activation programmes is to help people make the transition from welfare to work. Eliminating benefit traps should, therefore, be a central policy goal.

- The eligibility criteria for Rent Supplement should be amended to allow for greater flexibility for retention in return to work situations.
- There would be much merit in implementing the recommendation in the Report of the Mortgage Arrears and Personal Debt Group⁹ and the DSP internal review of the Mortgage Interest Supplement Scheme (MIS)¹⁰ for an amendment to the provision which excludes people deemed to be in full time work from rent supplement and MIS.
- Article 6(3) of the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations, 2007 which provides that "*a person shall be regarded as being engaged in remunerative full-time work where he or she is so engaged for not less than 30 hours per week*", should be amended to refer an income limit/means test, rather than to set hours.

Costs of Schooling

Continue work to reduce the costs of schooling overall. The following measures should be introduced in respect of the Back to School Clothing and Footwear Allowance:

- There is a need for additional assistance for low income working parents in respect of school costs. Some tapered provision of the *Back to School Clothing and Footwear Allowance* should be considered for low income working households.
- All parents who are getting Family Income Supplement should automatically qualify for the Back to School Clothing and Footwear Allowance. While their income from FIS is not taken into account in the

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<http://www.finance.gov.ie/viewdoc.asp?DocID=6585&CatID=45&StartDate=01+January+2010>

¹⁰ Review of the Mortgage Interest Supplement Scheme (2010), http://www.welfare.ie/EN/Policy/CorporatePublications/Finance/exp_rev/Documents/misreviewjuly2010.pdf

means test, their income could still be above the limits which exist at present.

Dealing with the Problem of Over-Indebtedness

There is an urgent need to develop further innovative measures and integrated responses to deal with over-indebtedness. While measures to deal with mortgage arrears and negative equity have been the subject of much debate recently, there is also a need to identify measures to help people deal with other types of indebtedness, frequently associated with the costs of daily living. The holistic approach to dealing with debt used by MABS (working with clients to achieve sustainable outcomes to enable them to avoid debt problems relating to 'priority expenditure' or day-to-day living expenses) is particularly important.

- Short-term social welfare measures to support low income households struggling with over-indebtedness should be explored by Government in the context of enhancing any Government initiatives for assisting people with mortgage debt.

Maintaining People in Employment

- Additional mechanisms to support companies struggling to survive should be explored, including greater flexibility in workers combining welfare payments and work and more extensive use of the Family Income Supplement.

Supporting Self-employment¹¹ and Entrepreneurship

- The structures for supporting the micro- business sector built on a local enterprise and self-employed approach should ensure that social welfare protection is put in place for those setting up as sole traders.
- The Short-term Enterprise Allowance scheme¹² should allow entrepreneurs to retain their social welfare payment for two years from the time they enter the scheme.
- Self-employed people need to be covered by insurance-based contributions to cater for contingencies of unemployment, illness or disability.

Reviewing the Role of Secondary Benefits in Facilitating Return to Work

A comprehensive analysis of all Secondary Benefits Retention arrangements should be conducted with a view to establishing whether or not they are effective in the long term and whether other arrangements might be better suited to the current labour market and economic conditions.

¹¹ The CIB is currently finalising a Social Policy Report - *Responding to the Welfare Needs of Self-employed Individuals and Families*.

¹² The Short-term Enterprise Allowance was introduced in May 2009. There is no qualifying period. The allowance is paid for a maximum of one year.

Early Intervention

There should continue to be a strong focus on prevention and early intervention measures as a way of ending the intergenerational transmission of poverty and disadvantage and to improving outcomes for children. Meaningful and realistic tax and social welfare targets to reduce child poverty and a clear implementation plan to achieve these are still required.

Recommended Reform of Integrated Child Income Supports

The CIB is broadly in agreement with structural changes to Child Income Supports proposed in the Policy and Value for Money Review¹³ including, in particular,

- Replacing Child Benefit with a basic flat rate per child payment for all children
- Replacing Qualified Child Increase with Child Income Support Supplement
- Replacing the child related component of FIS with a Child Income Support Supplement
- Abolishing the Back to School Clothing and Footwear Allowance by subsuming it into the supplement payment but paying it at a higher rate at critical times for families with children (e.g. September and December)

Fuel Poverty

Additional measures to protect vulnerable people should be introduced to accompany carbon taxes in accordance with the Commission on Taxation view that any increased revenue from carbon and property taxes should be used to improve the situation of the less well off.

Employment, Training and Labour Market Initiatives

The CIB broadly welcomes the fact that a number of employment and labour market initiatives have been expanded or extended, including the extension of the Employer Job (PRSI) Incentive Scheme and the creation of 15,000 additional labour market activation places, the establishment of SOLAS and the establishment of the National Employment and Entitlements Service within the DSP for enhancing a citizen-centred approach by creating stronger linkages between training, job activation and income maintenance programmes. Such linkages should facilitate CISs and MABS in supporting people to manage in a developmental way the interface between social welfare, training and job activation programmes.

Equality and Quality of Life Audit

The CIB agrees strongly with the TASC proposal that all current and proposed tax expenditure should be subject to an equality audit and economic efficiency audit. The provision in Budget 2011 that future budgets will include

¹³ Department of Social Protection (2010) *A Policy and Value for Money Review of Child Income Support and Associated Spending Programmes*, www.welfare.ie

measurement of wellbeing across a series of non-monetary indicators should be implemented in Budget 2012 so as to ensure that these indicators are used to inform and guide policy-making.

5. Specific Issues Identified by MABS and Proposals to Address These Issues

5.1 Profile of MABS Clients' Needs

The demographic profile of MABS clients has remained relatively stable. Almost 70% of MABS clients are social welfare recipients, (growing from approximately 63% in 2007). The majority is aged between 26 and 40, female and over 60% have children.

The number of mortgaged clients has grown and is continuing to grow as a percentage of the total caseload and now amounts to almost 40% of the client base where accommodation status is known. (It should be noted that not all mortgaged clients present with a mortgage difficulty but the mortgage is a consideration in such cases as there may be debts secured on the home etc.). MABS is negotiating arrangements with creditors for an increasing number of its clients.

At the end of 2010, 70% of all debts owed by MABS clients were owed to banks or financial institutions. While there had been a declining trend in total utility debt owed over 2009, for each Quarter in 2010 there has been a growth in the total amount owed by new clients to utility companies. This trend is expected to continue in 2011.

5.2 The MABS Focus

The primary focus of MABS is working with clients to achieve sustainable outcomes to enable people to avoid debt problems relating to 'priority expenditure' or day-to-day living expenses and to ensure that, where possible, actions are taken to prevent the factors which cause or compound debt problems.

5.3 Reference Budget -Trigger Figures for Minimum Income Retention

An important part of the MABS process is assisting clients with budgeting. The planning of household expenditure forms a crucial part of assisting clients to construct an affordable and sustainable budget plan as well as arriving at realistic repayment proposals for creditors.

In the present economic climate there is increased pressure on consumers to repay their outstanding debts. Consumers are under pressure on two fronts – reduced household incomes and increased demands. The pressure to reduce personal/household spending to the core in order to meet mortgage and other credit repayments is considerable and often has severe psycho-social effects on individuals and families.

The question of income retention to allow families have a minimally acceptable standard of living has now come into critical focus and needs to be

addressed. A pre-agreed level of expenditure for certain areas of discretionary household expenditure should be identified. In this regard, MABS supports the work carried out by the Vincentian Partnership and others. Agreed trigger figures would identify levels of income retention for which no explanation or comment was needed and would identify levels of expenditure which would be accepted as reasonable. In other jurisdictions these basic budgeting figures are often confined to a list of basic items and include figures for telephone, travel, housekeeping and 'other' costs¹⁴. Having agreed income retention figures would bring about consensus on a number of what are currently highly subjective issues.

Since 1999 considerable research has taken place in establishing Minimum Essential Budgets for both urban and rural households in Ireland.¹⁵ It is the view of MABS that this research should form the basis for establishing national income retention guidelines.¹⁶

5.4 Micro-entrepreneurs/Sole Traders: Problems of Indebtedness

5.4.1 Links between Business and Family Indebtedness

Micro-entrepreneurs/sole traders play a significant role in the economic life of both the local community and the Irish economy. However, many of these traders are now in financial difficulty and are finding it very difficult to access low cost or free business debt advice and social supports for themselves and their families.

It is also the case that very often there is no distinction between the business and personal/family finances of micro-entrepreneurs. Many such families presenting to MABS (as well as to CISs and CIPS) often have very low or nil income. Furthermore, they often put up their home as collateral for business loans and do not have separate accounts for home finances. This means that when things go wrong, as they often do, the family home can be in danger. Even if the home has not been put up as collateral, as the trader is not limited by guarantee, his/her personal assets may be subject to repossession.

Loss of income and lack of capacity to cope with their debts results in many such families approaching MABS. Such families are regarded by MABS as amongst the most vulnerable because of the lack of alternative supports¹⁷. Because in many instances business and personal debts are intertwined, there is a need to look at the issue holistically and to have an integrated response. The lack of holistic response and integrated supports may result in salvageable enterprises failing and families becoming more indebted and reliant on the State as a result.

The experience of MABS (as well as that of CISs and CIPS) is that former sole traders are finding it increasingly difficult to access social welfare supports to meet basic living expenses for themselves and their families. This

¹⁴ www.cfs.moneyadvicetrust.org

¹⁵ Budgeting.ie

¹⁶ See 'Handbook of Reference Budgets, European Consumer Debt Network,(ECDN) 2009

¹⁷ MABS can offer advice and support in relation to personal debt but cannot give the necessary advice on small business debt.

may be as a result of the absence of a Tax Clearance Cert which, because of their situation, takes some weeks to obtain consequently leaving them and their families without any income. The relationship of self-employed people with the social insurance system is, as already noted in this submission, also likely to be a significant factor.

5.4.2 Supporting Sole Traders in Dealing with Indebtedness

The following are identified as initiatives that could be undertaken to help address the problems of indebtedness among sole traders/micro-enterprises and their families

- Where a person cannot establish entitlement to a social welfare payment, Supplementary Welfare Allowance (SWA) should be paid for a period of 6-8 weeks in order to tide a person over. (The principle enshrined in the Social Welfare Consolidation Act 2005 regulations with respect to persons with no income could be invoked as normal practice in these cases).
- A free mentoring service for sole-traders/micro enterprises in difficulty should be established – preferably through an existing structure such as the County Enterprise Boards. A module should be added to BASIS, covering core material relating to troubled micro-enterprises.¹⁸
- Given the change in the economic climate, and the need for MABS to remain focused on its target group, the issue of indebtedness among sole traders/micro enterprises should be examined in the context of a national employment strategy. Consideration should be given to establishing a separate support unit with the requisite competence along the lines of the UK's Business Debtline. Key stakeholders in such an initiative include the City and County Enterprise Boards. (Subject to resources, and due to the cross-over between personal and business debts, MABS are prepared to assist with the development of any such initiative).

5.5 Local Authority Mortgage Arrears

The revised Code of Conduct on Mortgage Arrears (effective as at 01 January 2011) (the Code) issued by the Central Bank, and encompassing many of the recommendations from the Mortgage Arrears and Personal Debt Expert Group, provides for a clarity of process across the mortgage lending sector in the form of a Mortgage Arrears Resolution Process (MARP). The Code is statutory and is enforceable against any regulated mortgage lender who does

¹⁸ BASIS (Business Access to State Information and Services) was established in 2000 as part of the Irish Government Action Plan 'Implementing the Information Society in Ireland'. The Department of Enterprise, Trade & Innovation is responsible for the development of the BASIS initiative. The aim of the BASIS website is to 'deliver Government information and services to business 24 hours a day, seven days a week, from a single access point and with a consistent look and feel.'

not comply with its terms.¹⁹ Unfortunately, there is no such mechanism for consumers who have taken out mortgages with their local authority. The Department of the Environment, Heritage and Local Government issued guidance on dealing with mortgage arrears in March 2010 in the form of a voluntary guideline based on the Codes of Conduct on Mortgage Arrears issued by the Central Bank in 2009 and 2010. This guidance, while a step in the right direction, falls short of providing adequate protection for local authority borrowers for the following reasons:

1. It is voluntary and, as such, local authorities are not compelled to comply with all, or indeed any, of it. This results in an inconsistent approach being taken by local authorities when dealing with mortgage arrears.
2. There is little clarity of process for local authority staff dealing with mortgage arrears and borrowers.

We note the commitment of the Department of the Environment, Community and Local Government in the recent (June 2011) Housing Policy Statement to “*soon issue comprehensive guidance on arrears management to reflect the changes introduced by the Financial Regulator...*”. We anticipate that this guidance will take the form of a mandatory Code of Conduct on Mortgage Arrears, modelled on the Central Bank’s Code mentioned above, and await such guidance in order to gauge the impact such a Code will have on MABS clients and resources.

5.6 Local Authority Rent Arrears

The current, localised, approach to mortgage arrears taken by local authorities is insufficient as a response to the current debt crisis, with 15.3% of all local authority mortgages in arrears²⁰.

As a service primarily concerned with low income clients experiencing, or at risk of experiencing, over-indebtedness MABS routinely sees clients in difficulty with local authority rents. In recent months, however, MABS has seen a change in the arrears collection practices of some local authorities to a more pro-active approach which fails to take the client’s circumstances into account.

As with the collection of mortgage arrears, MABS would welcome a standardised method of rent arrears collection, which views the client’s circumstances holistically and aims to prevent homelessness, particularly of the most vulnerable in society.

¹⁹ The findings of the recently published (October 2011) Inter-Departmental Working Group on Mortgage Arrears will evidently inform the ongoing deliberations on this issue

²⁰ <http://www.lgmsb.ie/Upload/documents/Service%20Indicators%20Report%202009.pdf>

5.7 Emergency Credit

There has been considerable contraction of providers of financial services in recent years as well as severe curtailment in the availability of credit. We are specifically concerned for people who cannot gain access to mainstream financial services. With incomes reducing, ability to save more difficult, damaged credit rating resulting in an increasing number of consumers viewed as high risk, and the reduction in the availability of credit, many are finding it increasingly difficult to access small amounts of credit other than at very expensive interest rates from moneylenders²¹. These borrowings are usually needed by low income families to meet contingency needs that arise. Loans are to buy essentials such as household appliances, furniture or clothing, to pay bills, to meet the costs of discretionary items, such as holidays, Christmas or family events and often just to make ends meet.

In the UK, through the Department of Work and Pensions, crisis loans are offered interest free to people in receipt of welfare to assist with their immediate short term needs in a crisis. They also offer Budgeting Loans which are intended to help long-term income-related benefit recipients cope with the cost of essential items like furniture and household equipment.²² These loan facilities are being reviewed at present in order to target them more effectively.

Credit Unions have traditionally played a central role in providing access to small emergency and budgeting loans to their members in Ireland. Access to this source of credit has been eroded somewhat in recent years due to a change in the ethos of many larger credit unions, the more stringent regulatory requirements²³, damaged credit record and growing credit union membership of the Irish Credit Bureau. The availability of small loans to low income families is further restricted by the requirement that people need to save before they can borrow. In our view any review of the credit union movement must address current issues impacting on the credit union's traditional role in the provision of saving and loan services to those most vulnerable in local communities²⁴. The strategic review of the Credit Unions, presents an opportunity to consider having personal social lending offered by credit unions placed in a separate category, limited to a certain amount and, where necessary, prioritised ahead of all other secondary debts. This would allow the prioritising of some credit union debt and allowing a line of emergency credit/small loans to remain intact²⁵.

It is proposed that the Loan Guarantee Fund or a similar social lending mechanism be studied to see how the credit needs of low income families can best be addressed.

²¹ <http://Registers.financialregulator.ie>

²² In 1999/2000, 1,680,000 applications for Budgeting Loans were received and 1,017,000 awards were made. The average size of Budgeting Loan awards was £389 (Department of Social Security Statistics 1999/2000)

²³ Financial Exclusion in Ireland 2006, Caroline Corr –CPA 3.5/page 86

²⁴ Financial Exclusion in Ireland 2006, Caroline Corr – CPA Policy Issue 5/ page 177 - 178

²⁵ Credit Union Act 199 section 44

5.8 Cost of Energy and Low income Households²⁶

MABS has had over the years, but particularly now in these difficult economic times and the recent application for significant increases in gas and electricity prices, a special interest in the impact these costs have on the clients approaching the service.

In the joint report of the Women's Health Council and MABSndI on 'Women, Debt and Health', the most commonly cited main debt issue for (30%) of clients approaching the MABS service was arrears on household utilities.²⁷ This study also showed that debt to utilities occur more the lower the household income. This study's findings and the view of the Institute of Public Health concur that those in fuel poverty and consequently in debt often live in cold and damp houses and living in such conditions has an adverse impact on health²⁸.

One parent families make up a disproportionate number of clients approaching the MABS service. One of the highest levels of fuel poverty in Ireland is found among lone parents and fuel poverty is an important aspect of child poverty. Within this context, there are a number of practical measures which could be taken to reduce the cost burden of energy for people on a low income, as follows:

(a) Security Deposits:

One major energy utility supplier has, as and from the 1st June, refused to accept Bonds from Community Welfare Officers to cover the cost of Security Deposits. For people on low incomes, security deposits can be a considerable burden which can and does lead to considerable hardship and in some cases to unaffordable borrowings. Because of the hardship caused, and the now considerable cost of these up-front payments, we ask that consideration be given to reviewing the guidelines governing emergency need payments so that customers throughout the regions will have equal access to assistance.

(b) Fuel Allowance:

People who have oil central heating find it difficult to fund a fill of oil at the beginning of the winter months. In MABS experience they often have to borrow, sometimes at expensive interest rates in order to purchase a tank or half tank of fuel. We ask that consideration be given to facilitate the recipients of the Fuel Allowance Scheme, who have oil central heating, by paying the total of the fuel allowance payments at the commencement of the allowance payments period.

(c) Lowest Tariff Availability

We are of the view that a recent proposal by the Commission for Energy Regulation to introduce debt flagging in order to stop the practice of debt hopping between energy suppliers by customers is to be welcomed. However,

²⁶ Full Submission entitled 'Cost of Energy' sent to the Department of Social and Family Affairs in September 2008.

²⁷ Women, Debt and Health - A joint report of the Women's Health Council and MABSndI, Autumn 2007.

²⁸ Annual Update on Fuel Poverty and Health – Institute of Public Health 2009.

we hope that this measure will not impact negatively on indebted consumers accessing the lowest tariff available on the market.

Most suppliers currently offer their customers the cheapest tariff if they pay by direct debit or online. This tariff is not available to those who, because of their poor circumstance, may not have a bank account or access to the internet.

In the UK, the Government's commitment to eradicate fuel poverty by 2016 has focused the minds of suppliers, and the energy regulator Ofgem, on how innovative tariffs can contribute to this wider policy objective. Consequently, there have been a number of tariff initiatives developed by companies to address specific elements of fuel poverty. It is both necessary and timely to adopt an interagency approach to this issue. In this context we wish to draw attention to some worthwhile international initiatives such as The Energy Efficiency Commitment (EEC) in the UK²⁹ and The Utility Debt Spiral Project (the Melbourne Model in action) in Australia³⁰. The Project is based on the premise that water, electricity and gas bills can be a significant factor in personal debt spirals and the poverty trap. MABS would welcome any similar initiatives to reduce the burden of fuel costs for low income households.

5.9 Systems Anomalies

5.9.1 Local Authority Differential Rents

MABS has previously made reference in pre- budget submissions in respect of the inadequacy of the Differential Rent Scheme. Without a cohesive approach, residents in areas with a higher income formula are unduly prejudiced when compared to their counterparts in areas where the income formula is lower.

In preparation for this submission, MABS took a random sample of the application of the Differential Rent Scheme for ten local authorities. Table 1 below sets out the comparative cost analysis based on the two main income types for MABS clients – Jobseekers Allowance and Wage (for wage we have used a family on the FIS guideline income).

The approach taken by many of the local authorities listed in Table 1 to dealing with hardship cases on a case by case basis is welcomed. However, uniformity in this area is required if assistance is to be of real benefit.

²⁹ <http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/Pages/EnergyEff.aspx>

³⁰ http://www.ewov.com.au/site/DefaultSite/filesystem/documents/PDF/Reports/Utility-Debt-Spiral-Study_April-2005.pdf

Table 1 – Comparative Analysis of Differential Rent Formulae – Sample Local Authority Areas (June 2011)

Local Authority	Income Formula	JA (single person household) €188	Wage (2 Adults, 2 Children) €602
Ennis Town Council	17% less a Principal Earners Allowance	€25.50	€100.30
Cork City Council	15% with income disregards	€22.40	€71.79
Laois County Council	On sliding scale depending on income	€25.96	€108.24
Fingal County Council	11% for Principle Earner plus percentage of Second Earner, based on salary of Second Earner	€20.68	€66.22
Castlebar Town Council	20% with income disregards	€19.70	€103.60
Donegal County Council	1/7 of assessable weekly income if under €200 1/6 of assessable weekly income if over €200	€26.90	€72.60
Tullamore Town Council	22% of assessable income	€26.00	€112.64
Westmeath County Council	22% of assessable income	€26.00	€108.24
South Dublin County Council	10% of household income + €1.00	€19.80	€60.20

5.9.2 Rent and Mortgage Subsidies

MABS would welcome a review of both the Housing (Rent Subsidy) Regulations, 2005 and the Housing (Mortgage Subsidy) Regulations, 2005 which provide, as one criteria, for assistance to be granted to those whose income *in the preceding tax year* was €28,000 or less. Therefore, the recently unemployed, who are in most need of assistance, must wait a year to become eligible for the subsidy if they earned more than €28,000 per annum while employed.

5.9.3 Eligibility Criteria for Mortgage Interest Supplement

There has been much focus on Mortgage Interest Supplement in the recent months, in particular in the report on the Review of the Mortgage Interest Supplement Scheme, issued by the Department of Social Protection in July 2010 and the recommendations made therein.

MABS is particularly concerned that the eligibility criteria for Mortgage Interest Supplement (“MIS”) be reviewed as a matter of urgency, as we believe that Article 6 of the Social Welfare (Consolidated Supplementary Welfare Allowance) Regulations, 2007 (“Regulations”) which provides that “*MIS will cease 30 days after commencement of employment or the date on which the claimant first receives remuneration, whichever is the sooner*”, acts as a significant barrier to employment where remuneration for employment is less than or equal to the amount of MIS granted.

Furthermore, the effectiveness of Article 6(3) of the Regulations, which provides that “*a person shall be regarded as being engaged in remunerative full-time work where he or she is so engaged for not less than 30 hours per week*”, would be greatly improved if it referred to an income limit / means test, rather than set hours. This issue is further compounded by the fact that, where the property is jointly owned and mortgaged in joint names, MIS will not be granted if one spouse loses their employment (section 198 (6) of the Social Welfare (Consolidation) Act, 2005).

6. Overview

The National Action Plan on Social Inclusion 2007 – 2016 states that : “*people are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally*”. While the challenge of responding to this widely accepted understanding of poverty and social exclusion is enormous in the current context of a very tight budgetary and fiscal climate, it is one that must not be lost sight of if principles of social solidarity and citizenship are to be kept to the forefront of policy discourse.

Low-income households, particularly those with children, cannot be reasonably expected to absorb any of the additional costs arising from the need to secure additional exchequer savings. Certain groups in our society are more likely than others to suffer in the current economic crisis and budgetary policy should ensure that such groups do not experience further impoverishment. The latest EU SILC study (CSO 2010) highlights the significant increase in the rate of deprivation experienced between 2008 and 2009. The adequacy of social welfare payments must be considered in the context of the changes to the real cost of living for households living on welfare, e.g., increases in utility charges, health insurance, transport costs.

As is widely recognised, 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. Therefore, there is a need for much innovative thinking in the areas of job creation and skills enhancement to ensure that the focus can move away as soon as possible from welfare support for the unemployed. The 29% increase in long-term unemployment (with 191,578 people signing-on for more than a year) in the most recent Live Register figures points starkly to the enormity of the challenge. The impact of

joblessness is further compounded by delays in receipt of payments, particularly where these payments are in relation to accommodation.

There is clearly a very real difficulty facing the Government in addressing the unemployment issues while simultaneously dealing with the very serious budget deficit. There is also need to urgently address the training and income support needs of those engaged in atypical and irregular working to provide for a more flexible transition between work, training and welfare supports. The need for a system which allows families to have a minimally acceptable standard of living has now come into critical focus and needs to be addressed. This is particularly important in the case of sole traders/micro family enterprises where business and personal debts are intertwined.

Maintaining adequate levels of funding for core community care services and primary schools must be a vital component of Budget 2012 so as not to undermine either the community care infrastructure which is so vital to our health and caring system or the educational system which is a key component in lessening inequality in society.

APPENDIX

Caller/Query Numbers and Categories

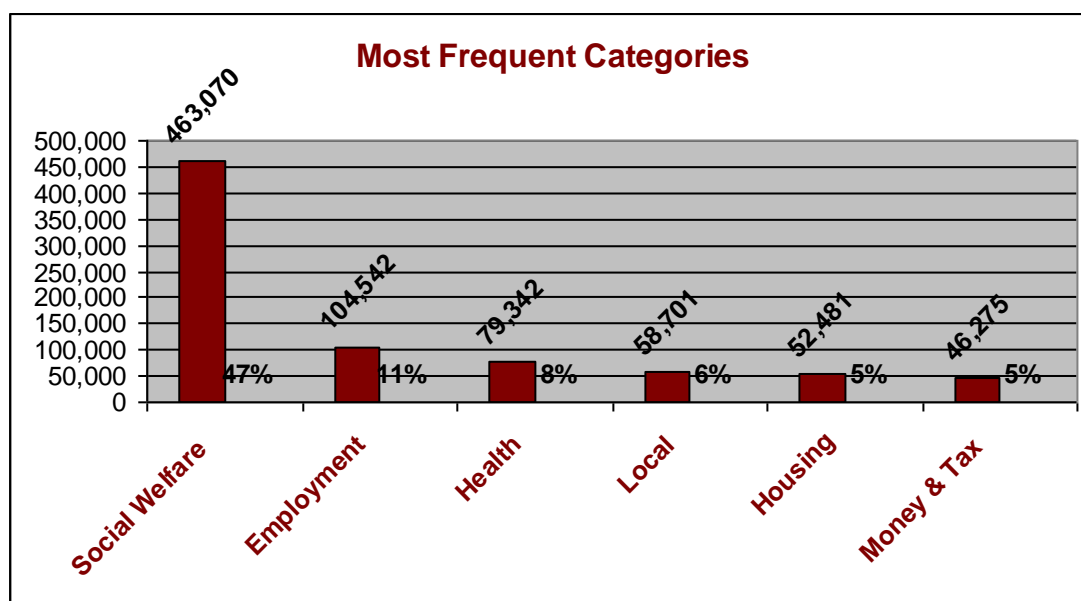
Citizens Information Online

In 2010 citizensinformation.ie recorded more than 4.5m users and more than 27m page downloads. Users had a particular focus on social welfare and health benefits information in 2010. Losingyourjob.ie recorded 57,877 users in 2010 and more than 261,000 page downloads. Keepingyourhome.ie recorded 26,777 users in 2010 and more than 129,000 page downloads.

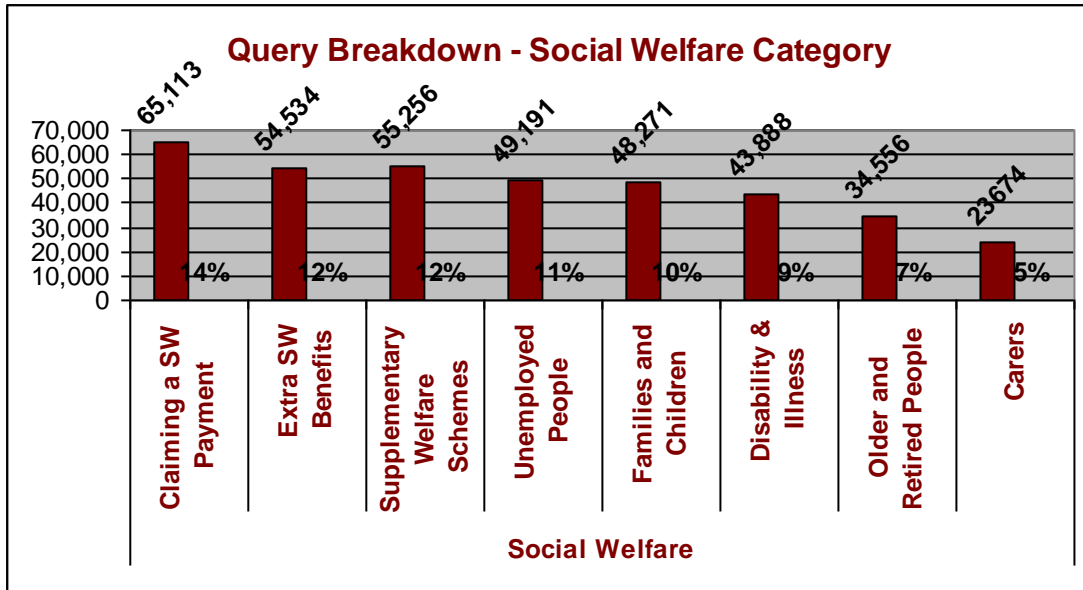
To the end of August 2011 there have been over 3.6 million users of citizensinformation.ie, 44,600 users of losingyourjob.ie and 24,800 users of keepingyourhome.ie

Citizen Information Services (CIS)

The number of queries handled by Citizens Information Services in 2010 was 990,626, an increase of 2% over 2009. The numbers remain similar for the current year with CISs having dealt with over 520,000 queries to end of June 2011. By far the most frequently presented query category is Social Welfare. This category accounts for 465,000 queries or 47% of all queries handled by CISs. This was an increase of 3% over 2009 when social welfare accounted for 44% of all queries to CISs. The next highest categories were Employment (11%) and Health (8%).



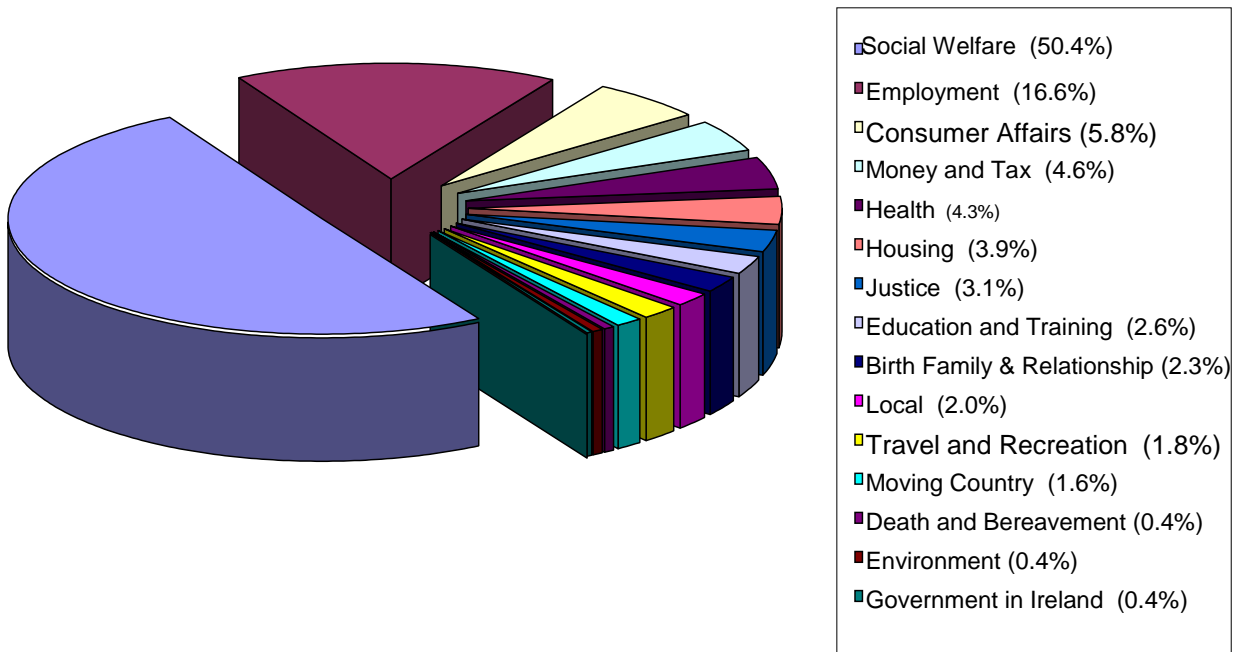
Within the Social Welfare category, the top three sub-categories were *claiming a social welfare payment*, *extra social welfare benefits* and *supplementary welfare schemes*. The top sub-categories remained unchanged from 2009.



Citizens Information Phone Service (CIPS)

In 2010, CIPS' Information Officers responded to 144,513 requests for information and advice from the public, of which 143,793 were telephone queries, 665 emails, 44 text (sms) and 11 Live Advisor (web chat).

CIPS Query Categories



Just over half of the queries to CIPS were in the areas of Social Welfare. Jobseeker's payments accounted for a quarter of social welfare queries, followed by queries relating to families and children (11%) and disability and illness (8%).

Social Welfare Queries Sub-categories	
Jobseeker's Benefit or Allowance	25%
Families and Children	11%
Disability and Illness	8%
Claiming a Social Welfare Payment	7%
Older and Retired People	6%
PRSI	6%
Social Assistance	5%
Rent Supplement	5%
Back to Education	3%
Social Welfare Payments & Work	3%
Supplementary Welfare Schemes	3%
Miscellaneous & Other	14%

Money, Advice and Budgeting Services (MABS)

The total number of new clients seen by MABS in 2010 was 21,653, an increase of 13.4% on the figure for 2009. The total active caseload in 2010 was 24,755. The total number of calls to the MABS National Helpline in 2010 was 28,663.

A total of 11,658 new clients were seen by MABS in the first half of 2011. This is an increase of 5% on the same period for 2010.

2,129 sought Information about budgeting and money management from the local services, an increase of almost 15% on the same period for 2010.

The total active client caseload on 30 June, 2011 was 26,249, an increase of 11% on the same period for 2010.

The MABS Helpline received 16,620 calls to end of June 2011. This is an increase of 11.56% on the same period for 2010.

Selected Case Examples

Rent Supplement

The client has been in receipt of Rent Supplement for over three years. He has just started full-time employment paying the minimum wage. He gave up his Jobseeker's payment and Rent Supplement and is applying for FIS as he has a wife and three children. However, his income will now be €320 wages and about €230 FIS, a total of around €550 per week. Out of this he now has to pay €220 rent per week, leaving €330 disposable income. This is less than the JA rate for his family size, i.e. €402.20. If he was not working he would have this €402.20 minus minimum rent contribution = €378.20. Therefore, he is €48.20 per week worse off working. I enquired with [the council] about his eligibility for RAS housing as he had been on Rent Supplement for more than 18 months, but they said he is now ineligible as he needs to be in receipt of Rent Supplement at the time of application. If he lost his job now he would need to wait another 18 months on Rent Supplement to become eligible again. I feel that he should have been made aware of his eligibility for RAS, as had he applied for the scheme before he started work he would have been in a better financial position to continue working, and would not be in the position where he is better off not working.

CE

A woman asked if her partner who was working on a CE scheme could claim Family Income Supplement. We informed her that you cannot get FIS if you are taking part in a Community Employment Scheme or any other FÁS schemes except Jobs Initiative. The woman explained that her partner had never claimed social welfare before being made redundant in 2009 and was delighted to get a place on a CE scheme late last year. From January this year he now has a take-home pay of €393. If he was not on the CE scheme he would get Jobseekers Allowance of €402.20 for himself, a qualified adult and 3 qualified children. The FIS rates indicate that a family of three should qualify if their income is below €703 per week. This family would be somewhat better off on JA than on CE.

Work placement programme

An employer rang to ask if there were any grants available to encourage people to take up work with him. He explained that he has a person on the FÁS Work Placement Scheme which is about to end. He now wants to offer him work (€8 x 39 hours = €312) but the employee is refusing as he is getting €330 a week on JA and Rent Supplement of €170 a week. Unfortunately, the employee is caught in a social welfare trap where he is better off on social welfare than work.