

Citizens **Information** Board  
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# Pre Budget Submission 2014

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## Pre-budget Submission 2014

### *Introduction*

Each year the Citizens Information Board prepares a pre-budget submission based on feedback from our delivery partners – Citizens Information Services (CISs)<sup>1</sup>, the Citizens Information Phone Service (CIPS), the Money Advice and Budgeting Service (MABS)<sup>2</sup> and the National Advocacy Service (NAS). This joint submission sets out the social protection policy concerns and related tax issues identified by services providing information, advice and advocacy and concerns relating to indebted clients identified by MABS.

Feedback from the CISs, CIPS and MABS continue to report that their clients are going through difficult times, negotiating the rising costs of living, with reduced incomes, fuel poverty, the prohibitive cost of schooling, and problems with rent supplement as an effective housing and income support. The cumulative effect of recent budgets and increasing unemployment are reflected in the complex queries received from the public. Many are struggling within an information environment which is rapidly changing as decisions from recent budgets take effect and have a negative impact on household income.

In 2012, CISs dealt with over **600,000** callers and **over 900,000** queries from members of the public. Almost half of all queries (47%) were Social Welfare related. The Citizens Information Phone Service responded to **157,483** Callers. Social Welfare queries to Citizens Information Centres and CIPS cover a range of topics including social assistance payments (and related means-testing) and insurance-based payments.

The total active caseload of MABS at the end of 2012 was over **26,000** clients. Most (85%) of these cases were new clients looking for assistance with over-indebtedness and budgeting problems. During 2012, the MABS Helpline received over **24, 000** calls.

Supplementary Welfare schemes (which include Rent Supplement and Mortgage Interest Supplement) accounted for over 12% of social welfare queries to CICs during 2012. This was followed by queries on disability and illness matters (11%); claiming a social welfare payment (11%); families and children (10%); and matters relating to older and retired people (9%). Queries to CISs that directly related to payments for unemployed people accounted for 9% of Social Welfare queries during 2012 (Jobseekers Allowance 4%; Jobseekers Benefit 2%; Unemployed People 3%).

Many of the issues identified by CIB service delivery partners in the Pre-Budget submission 2013 remain the same. Since our Pre-budget Submission 2013, CIB have made a number of further submissions relating to tax and social protection policy, which are relevant to Budget 2014:

The **Working Age Supports Submission**, December 2012 made to the Advisory Group on Tax and Social Welfare identified a number of cross cutting issues relating to working age supports. These refer mostly to specific household situations where social welfare replacement rates result in people being only marginally better off if they take up low-paid or part-time employment. The Report highlighted the main disincentives to employment identified by CIB delivery partners: **1) working hours criteria - the fact that jobseekers' payments are calculated according to days rather than**

<sup>1</sup> There are 42 Citizens Information Services (CISs) in the national network.

<sup>2</sup> There are 53 MABS companies delivering money advice nationwide.

**hours worked; 2) the withdrawal of Rent Supplement; 3) different treatment of married and co-habiting couples in the income tax and social welfare codes; 4) in-work costs (childcare, transport); 5) impact of the Universal Social Charge; 6) loss of a medical card and 7) administrative delays in processing payments**, particularly in respect of reclaiming benefits lost in a return-to-work situation.

The **Rent Supplement Submission**, November 2012 to the Department of Social Protection draws attention to specific concerns in relation to Rent Supplement presented by clients of the national network of CISs, the National Advocacy Service and callers to CIPS. The submission identifies **problems with the current administrative arrangements for processing Rent Supplement applications through the new central rent units**, as well as concerns relating to the **impact of the reduction in maximum rent levels and disincentives for some in low income full time employment that are not eligible for support under the scheme**.

A **Submission on School Costs** was made to the Oireachtas Joint Committee on Education and Social Protection in March 2013. One of the priorities outlined in the submission concerned the **need for further supports to meet the educational costs for low-income families** and the impact of reducing these costs. The submission noted that an increasing number of families seek information and advice from CISs and CIPS about how to get additional assistance with schooling costs. Evidence from MABS points to the risk of parents borrowing to meet necessary costs associated with schooling.

In addition, and since the start of the economic crisis the CIB have in successive submissions to government, called for a comprehensive review of the role of secondary benefits and the impact on moving from welfare to work.

## 2 **Budget 2014 Priorities and Recommendations**

### ***CIB recommend:***

A revision of Working Age Supports so that social protection policy will respond to new atypical working arrangements, through:

- An enhanced FIS scheme which includes adjustment of the income threshold and 19 hours working hours;
- A greater emphasis on tapered disregards in relation to the receipt of secondary benefits on take up of employment, activation programmes or training;
- A reduction in delays in the processing of applications and appeals in social welfare payments.

Maintaining current levels of income support for children in low income households through Qualified Child Increases, Child Benefit and Family Income Supplement (FIS) or a reformed in-work benefit

Considering extending eligibility for the BTSCFA to earning families whose income is below or equivalent to a social welfare payment for their family size.

Consider reinstating Child Benefit for young people over the age of 18 when they are in full time education.

Maintaining the universal element of the Child Benefit payment.

Maintain current levels of income support for children in low income families as a strategy to minimise child poverty and incentivise work.

Carrying out a systematic analysis of the long-term impact of current secondary benefits is needed.

Substantial promotion of the National Fuel Scheme to help those who are dependent on long-term social welfare and who are unable to provide for their own heating needs.

Consider the scope of extending the fuel season beyond 26 weeks, similar to April 2013.

Budget 2014 expedite the introduction of the Housing Assistance Payment (HAP) for long term recipients of rent supplement.

Further income supports to meet the educational costs of low-income families.

Promoting school book recycling schemes and rental schemes as initiatives to reduce the cost of schooling.

Continuing to reduce the back log in the processing of claims and appeals for disability payments to ensure that people with disabilities have access to adequate income to sustain an acceptable standard of living.

Immediately addressing the substantive issues relating to the administration of the scheme (as set out by the DCA Review Group, 2012): the application process; the medical assessment process; the medical guidelines; the review process; communications; the appeals system.

***MABS recommend that:-***

Budget 2014 will not result in any further erosion of the disposable incomes of those currently reliant on social welfare or of the 'working poor'.

The introduction of specified timelines for each stage of the Mortgage Arrears Resolution Process (MARP) to increase effectiveness of the process overall. The introduction of a non-judicial regulatory framework to address non-mortgage debt as part of a holistic package of responses.

The establishment of a Working Group to develop and agree Mental Health Guidelines (similar to those implemented in the UK by the Money Advice Liaison Group) to address the stress and mental health difficulties that are strongly associated with mortgage debt difficulties.

A common definition of sustainability is needed in order to provide transparency, give guidance to the lender and clear information to the borrower in mortgage arrears cases.

That ***urgent consideration*** is given as to the best form of delivery of credit to low income households using a social model of lending.

### 3 Working Age Supports

In considering working age supports for Budget 2014, there is a broad range of social and economic issues to be taken into account that have arisen since the economic crisis and which negatively impact on people's participation in the work force. NESCS, 2013<sup>3</sup> outline how most people have been impacted, at least to some extent by the economic crisis. Jobless households represented 22% of all Irish households in 2010, up from 15% in 2007. The average weekly household disposable income has changed from €552 in 1999 -2000; to €843 in 2004 - 5 (up 53%); and to €886 in 2011 (up 5%)<sup>4</sup>. To cope with reduced income, NESCS, 2013 found that most households were most likely to cut back on everyday expenditure such as clothing and footwear (64%) and groceries (56%). (NESCS 2013)

In addition, the economic crisis has resulted in a decline in inward migration and rising unemployment. For the decade up to 2007, working age people made up most of the population and the working age population grew, both in numbers and as a share of the total population (ESRI, 2008)<sup>5</sup>. There were 435,357 people signing on the Live Register in June 2013<sup>6</sup>, of which 197,508 are long term unemployed. (CSO, 2013)

This change in the size of the labour force is also influenced by changing participation levels. Part-time underemployment has increased over the past year, (+12.3%) to 155,900 and represents 34.3% of total part-time employment having been 28.7% two years earlier. (CSO, Quarter 1, 2013)<sup>7</sup> There has also been an increase in the number of households with very low work intensity. Many people are now relying on a combination of temporary part-time work and social welfare payments to live, marking the danger of long-term exclusion from full labour market participation. From this scenario, new atypical types of employment have emerged.

#### Atypical Working

A key issue in feedback from service delivery partners is the slowness of the social protection system to respond to these new (often precarious) and atypical working situations, which require some working age supports to incentivise work and withstand the rising costs of living. Service delivery partners consistently raise concerns about tax and social protection policy which, can contribute to the difficult situations in which individuals find themselves. There has been some evidence from CISOs and CIPS during 2012 and highlighted again during 2013 of clients who are not in a position to increase part-time hours, take up work opportunities or government training initiatives because they simply cannot afford to do so. Problems arise for some people when they find they cannot access adequate income support to cover the cost of daily travel to a training course - or lose supplementary welfare allowance such as Rent or Mortgage Interest Supplement on take up of employment or face additional childcare costs. *See case examples in the Appendix.*

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<sup>3</sup> NESCS, 2013- Report 134: *The Social Dimensions of the Crisis: The Evidence and its Implications*. NESCS: Dublin.

<sup>4</sup> The ratio from household debt to household disposable income grew from 1:116 in 2002 to 1:220 in Quarter 4 of 2009. See NESCS, 2013.

<sup>5</sup> Callan, T. *et al.*; 2008. *A Social Portrait of People of Working Age*. ESRI: Dublin.

<sup>6</sup> **The Live Register is not designed to measure unemployment.** It includes part-time workers (those who work up to three days a week), seasonal and casual workers entitled to Jobseeker's Benefit (JB) or Jobseeker's Allowance (JA). Unemployment is measured by the Quarterly National Household Survey and the latest estimated number of persons unemployed as of the first quarter of 2013 was 292,000.

<sup>7</sup> In the year to June 2013, there was a slight decrease (-0.2%), with the number of males increasing by 287 (+0.6%) and the number of females decreasing by 430 (-1.1%).

Social welfare replacement rates are in fact low for a large majority of claimants on the live register, so it is important not to overstate the proportion of the people for whom welfare provision acts as a disincentive. Callan et al., 2012<sup>8</sup> noted that over 90% of people working in Ireland are better off in work than out of work, even when considering travel and childcare costs involved. However, the number of long-term unemployed is continuing to increase in Ireland (CSO, 2013) and many households that are in contact with CIB service delivery partners are living on a combination of part-time working and social welfare entitlement<sup>9</sup>. Replacement rates for people with dependent spouses and children can be significantly different than those for single people or people with spouses who are earning.

A number of areas of social protection policy are consistently highlighted by service delivery partners as key influences on the decision made by a person to return to employment and training. These include:

- ***The availability of secondary benefits, such as Rent Supplement and Mortgage Interest Supplement;***
- ***The availability of FIS as an income support for low income working families engaged in atypical working arrangements;***
- ***The 3 day limitations on social welfare payments for part-time workers.***

### **Activation Measures**

At a national policy level, a key element of the government response to on-going labour market challenges has been the re-orientation of the system of activation towards an integration of training and employment and entitlements services. DPER (2011: 8). However, receipt of secondary benefits - in particular rent supplement – can raise replacement rates to disincentive levels for social welfare recipients.

The rationale for secondary benefits, in particular, was to facilitate the transition from welfare to work. However, the success of these supplementary supports have not been recently evaluated in line with changing trends in earnings, levels of disposable income, reduced social welfare rates and poverty lines.

The fact that high replacement rates are potentially damaging to the individuals financial incentive to take up a Tús internship, start a third level course or apply for a Job Bridge programme will need to be taken into account in Budget 2014, particularly with the introduction of *Intreo* and the integration of payment and activation supports.

There is some evidence from service delivery partners to suggest that the welfare traps inherent in the tax and social welfare system can lessen the positive impact of new activation measures.

Indeed NESC 2011<sup>10</sup> suggests that concerns that social welfare is having disincentive effects may also have a basis in the high marginal effective tax rates that can apply when people who are combining receipt of a social welfare payment with some low-paid, part-time work attempt to earn more. The fact that people on the Live Register and those in receipt of other working-age payments, (e.g., lone

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<sup>8</sup> See *Work Incentives: New Evidence for Ireland- Budget Perspectives 2013* in T. Callan (ed.). 2012. **Budget Perspectives 2013**. ESRI: Dublin.

<sup>9</sup> A clear distinction needs to be made between 'nominal' replacement rates (calculated on the basis of 'representative' individuals and without taking the impact of means-testing into account) and 'actual' replacement rates (what individuals actually receive in social welfare after their household means have been assessed).

<sup>10</sup> NESC, 2011. **Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession**. NESC: Dublin.

parents) can engage in part-time work while retaining their social welfare payments is also an important factor to be considered by Budget 2014.

### **Recommendation**

**CIB submit that a systematic analysis of the long-term impact of secondary benefits is needed in order to make the social welfare system more responsive to casual and atypical working.**

## **4 Challenges Facing Families**

A recent DSP Report, 2012<sup>11</sup> commented that Ireland is exceptional in a European context in relation to its high proportion of jobless households, and the proportion of children contained in these households. An examination of the 2009 EU-SILC data, carried out for the report showed that in Ireland over half of adults in very low work intensity (VLWI) households lived with children and the average number of children in these households is among the highest in Europe. (DSP, 2012) This work pattern has clear consequences for the quality of life and living standards of large numbers of the population and places Ireland in a unique position in relation to supporting families with children through the recession. Coupled with this, recent budgetary measures have impacted negatively on household income and the majority of households in Ireland have experienced a drop in wealth and/or disposable income, both as the result of the economic downturn in 2008 and of government measures taken since then to address the public finance deficit (tax increases, social security contribution increases, pay reductions, and welfare reductions). NESC (2013:6)

The budgetary measures which specifically impact on family income are reductions in Child Benefit payable to families with three or more children; reductions in the amounts payable under the Rent Supplement Scheme; a reduction in the amount of earnings which is 'disregarded' in the means test for One Parent Family Benefit; reductions in the amounts payable under the Back to School Scheme; increases in VAT and carbon tax; introduction of the household charge and subsequently the Local Property Tax; and an increase in the exemption limit for the Universal Social Charge. The abolition of the standard PRSI allowance also had an impact on all earners, while the introduction of a local property tax will impact on those who own properties (ERSI, 2012)

These increased charges and taxes result in difficulties and sometimes inability by families with children to meet the cost of living. There are a number of influencing factors here, such as the ages of children in a family and/or income status. However, NESC, 2013 found that when the effects of policy impacts are examined by family type, families with someone in employment have experienced a 9 - 12% loss in their income. The losses for earning couples with children are highest, at over 11%, reflecting the recent cuts in Child Benefit. While in general family types dependent on welfare experienced losses of 2 to 7%.

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<sup>11</sup> Watson, D., Maître, B. & Whelan, C.T. (2012), *Work and Poverty in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004–2010*, Dublin: Department of Social Protection.



## **Recommendation**

CIB submit that Budget 2014 should consider the cumulative **effect of recent budgets on earning, as well as non-earning families**, with a view to proofing further budgetary measures to ensure they do not negatively impact on household income and the ability of lower income families to meet the daily cost of living, in-work costs such as travel and childcare and/or maintain labour-market participation.

### **Low Income Families**

Low and reduced income families experience multi-faceted challenges relating, not only to income but to health, housing and adequate nutrition. Previous CIB Pre-budget submissions have highlighted the core income support needs of these families, who are trying to manage on a significantly reduced household income. Households with lower incomes in Ireland are now much more likely in the aftermath of the crisis to have spending that exceeds their income. **63% of households in the lowest 10% of incomes were spending more than their income compared to 21% in the second highest 10% and 16% in the top 10% of incomes** (NESC 2013). Lone parents, the unemployed, the ill or disabled, and those with lower levels of education are those most likely to be over-indebted. (NESC, 2013)<sup>12</sup> One parent families have experienced a 6% loss in income, reflecting a number of factors: a reduction in the means test for one-parent-families; the introduction of the USC; and a reduction in Child Benefit. Reductions in Child Benefit and the Back to School Clothing and Footwear Allowance will also have impacted most on low-income families with children.

## **Recommendation**

CIB submit that Budget 2014 should **seek to maintain current levels of income support for children in low income households** through Qualified Child Increases, Child Benefit and Family Income Supplement (FIS) or a reformed in-work benefit

Budget 2014 should **maintain the real value of the Qualified Child Increase by adjusting the payment to compensate for any changes** to the rate of, or eligibility criteria for, child benefit or other child focused social welfare payments.

The impact of recent budget cuts on the income of **lone parents** in particular, must be taken into account for Budget 2014 in order to ensure no further negative impact or movement toward poverty for this family type.

### **Family Income Supplement**

The Family Income Supplement plays a dual role: it incentivises work for adults by supplementing income in circumstances where the employee might only be marginally better off than if he or she were unemployed and claiming other social welfare payments; and it addresses child poverty objectives, nationally<sup>13</sup>.

<sup>12</sup> Callan, T, et al; 2013. *The Social Dimensions of the Crisis: The Evidence and its Implication*. NESC: Dublin.

<sup>13</sup> See DSP *Review of Child Income Support and Associated Spending Programmes in 2012*, p. 176.

However, CIB service delivery partners consistently raise concerns about FIS as an effective support for employees on low earnings with families. CISs and CIPS draw attention to the fact that the current income limits and working hours threshold do not respond to the type of part-time working arrangements that have emerged in the Irish economy as a result of the economic recession.

### Recommendation

CIB submit that as a consequence of the changing types of employment, underemployment and part-time working arrangements, it has become imperative that a payment such as FIS or a reformed in work payment is effective in facilitating people to take up part-time or temporary employment opportunities *as they arise* and to facilitate the long term move from welfare to work.

There are a number of factors that mitigate against FISs effectiveness as a family income supplement for low-income families: -

- *The current income limits do not reflect current trends in disposable income/ income distribution and are not inclusive of large numbers of low-income families;*
- *FIS is usually paid for 52 weeks. If a persons' wages are reduced during that time, the FIS payment will stay the same – likewise if wages increase*
- *If the number of hours you work each week is reduced to below 19 hours (38 hours per fortnight) you are no longer entitled to FIS.*
- *If you lose your job or have reduced working hours you are no longer entitled to FIS, however there is no tapering of income support but an immediate withdrawal of income supplement.*

For a significant cohort of CIS and CIPS service users, the most favourable option is full-time social welfare payments even when there is a possibility of part-time work. (See Case Examples in the Appendix). A revised FIS scheme would be likely to provide greater incentives to work through better support for all families on low income.

### Recommendation

CIC submit that Budget 2014 should provide for **an enhanced FIS scheme** which includes adjustment of the income threshold and 19 hours working hours rule.

The **thresholds of FIS should be changed** to reflect recent changes to the income tax system and Child Benefit payments – in order that earners trying to stay in work, are supported to do so.

**Opportunities to revise FIS applications within the 52 week time band** should be considered to reflect new temporary and often precarious work arrangements of many earning families.

**Delays in FIS processing will have to be addressed for such as facility to be effective** in providing income support to families when needed most.

## **Supporting Children**

In their social impact assessment of the main welfare and direct tax measures in Budget 2013 the DSP found that the households worst affected by the budgetary 2013 measures are those with children, in particular lone parent families<sup>14</sup>. (DSP, 2013)

In 2011, 18.8% of children were considered to be at risk of poverty (EU-SILC, 2011), while overall the child population of Ireland has increased by 13.4% between 2002 and 2011 (Census 2011). There is a general consensus that rising poverty rates for children is a reflection of reduced child benefits available to children. Callan *et al.*; 2008 expressed the view that the increase in Child Benefit, especially in 2001-2, contributed to a fall in child poverty of up to a fifth of the total number of children living in poverty.

Changes in successive budgets present significant difficulties for CIS, CIPS and MABS service users who have children and who are increasingly looking for information and advice about how to get additional assistance to meet the cost of living. International research points to a strong and consistent association between relative income poverty and children 'falling behind'. Parental income is positively correlated with virtually every dimension of child well-being and children *falling behind* is strongly correlated with relative income poverty. UNICEF, 2010<sup>15</sup>

## **The Cost of Schooling**

Evidence from MABS, CIS and CIPS point, in particular to the cost of schooling as a difficulty for many families, with the cost of school books<sup>16</sup>, school uniforms<sup>17</sup> and school transport<sup>18</sup> proving to be particularly prohibitive. An increasing number of families are seeking information and advice from CISs and CIPS about how to get additional assistance with school costs. Many low-income working families are not in receipt of social welfare. They are therefore not entitled to a Back to School Clothing and Footwear Allowance (BTSCFA) payment, even where their income is below or equivalent to a social welfare payment for their family size/type.

Services report that many clients find themselves in debt at the start of the school year with the costs incurred in children returning to school. Evidence from MABS suggest that parents may opt to ensure that their children continue to participate in extra-curricular activities, and on school tours but that this brings with it the risk of deepening household poverty.

In addition, the BTSCFA has been reduced in successive budgets, now standing at €200 for children aged 12-17 (or aged 18-22 and in full-time education) and €100 for children aged 4-11. In 2011, the amounts payable were €305 and €200 respectively. This represents a BTSCFA cut of 33% for secondary school children and 50% for primary school children, over a two-year period, at a time

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<sup>14</sup> Households where no-one is working or without children are least affected.

<sup>15</sup> UNICEF Innocenti Research Centre (2010), Report Card 9, The Children left behind – A league table of inequality in child well-being in the world's rich countries, UNICEF.

<sup>16</sup> In the UK, school text books and photocopied materials, as well as copy books, are provided free of charge, since they are considered to be essential components of free education. "If an item or an activity is part of the school curriculum, then the school must provide it free of charge" <http://www.adviceguide.org.uk/scotland/education>

<sup>17</sup> The majority of schools require school uniforms to be worn. Many continue to insist that the uniform be bought from a particular supplier, which prevents parents from shopping around for much better clothing deals.

<sup>18</sup> School transport fees for eligible school students have risen substantially in recent years. Holders of full medical cards can claim exemption.

when household incomes have been falling and costs of living have increased quite substantially (e.g. food and fuel costs).<sup>19</sup>

### Recommendation

CIB recommend that there should **no further cuts to the Back to School Clothing and Footwear Allowance (BTSCFA)**.

Budget 2014 should consider **extending eligibility for the BTSCFA** to earning families whose income is below or equivalent to a social welfare payment for their family size.

**Further income supports should be considered to meet the educational costs of low-income families**, such as the promotion of **school book recycling schemes** and **rental schemes** as initiatives to reduce the cost of schooling.

### *Child Benefit/Qualified Child Increases*

Child Benefit payments, used by many families to cover education costs (books, uniforms, voluntary contributions and ancillary costs) have been cut in recent budgets. In the CIB Pre-Budget Submission, 2013 MABS services noted that Child Benefit does not cover [educational and related] costs for many families. The impact of this is that there is a risk that parents will borrow to pay for necessary costs associated with the education and social development of their children. In addition, callers to CISs have reported a struggle to meet the costs of Leaving Certificate year as Child Benefit stops when a child reaches the age of 18, even if they are still a full-time secondary school student.

### Recommendation

Budget 2014 should consider reinstating **Child Benefit for young people over the age of 18** when they are in full time education.

According to a 2010 UNICEF Report,<sup>20</sup> inequality in educational outcomes is principally driven by socio-economic status. Indeed, there is a consensus that previously reduced child poverty levels were achieved by the sustained effect of social transfers over time<sup>21</sup>.

Budget 2014 should consider that while there is little scope for improvement to the levels of social welfare payments in the current economic climate, targeted supports for children in low income families must remain a core policy objective.

While increases for a qualified child (IQC) payable with welfare payments (currently €29.80) have the advantage of being targeted, they also create disincentives to work and, therefore, require new thinking as a child income support. One such approach in the short-term would be to provide for the retention of the IQC for a year or more after a person takes up employment or reaches the

<sup>19</sup> See, for example, the Survey on Living Conditions (SILC) 2011 data

<sup>20</sup> UNICEF (2010), *The Children Left Behind*, Innocenti Research Centre Report Card 9.

<sup>21</sup> Callan et al (ESRI 2008) expressed the view that the increase in Child Benefit, especially in 2001-2, contributed to a fall in child poverty of up to a fifth of the total number of children living in poverty.

earnings limit for the payment in question. In effect, the IQC could be treated as a secondary benefit since provision for its retention would lessen the disincentive to get into paid employment.

### Recommendation

In addition, (and in light of some of the possible changes outlined by the Advisory Group to the Minister) CIB submit that child income support targeted at children should continue to be provided in **direct cash benefits rather than through the income tax system**, to ensure the inclusion of all families with children including those who do not pay income tax.

To this end, the option outlined in the **First Report of the Advisory Group in Tax and Social Welfare**<sup>22</sup> which suggests the introduction of an integrated child income support payment is welcomed. A basic feature of this payment is that a universal payment will be paid to all children and an automatic supplement payable in respect of children whose parents are in receipt of an adult social welfare payment. Children whose parents earn an income may receive an additional supplement depending on their income level. This supplement will be determined through a universal/selective split of 40% universal and 60% selective. This would mean, for example, that low income earning families with children would continue to get a portion of their selective payment if their annual income was below the threshold set for that family types,<sup>23</sup> targeting child income support where it is needed most.

### Recommendation

CIB submit that Budget 2014 should **maintain the universal element of the Child Benefit payment.**

**A targeted Child Benefit Supplement for children in low-income families** could make a significant contribution to reducing or eliminating child poverty without affecting work incentives.

## 5 Fuel Costs

Recent adverse movements in energy prices will have a disproportionate impact on poorer households and push up the energy poverty rate. A Department of Environment Report in 2009 stated that one-in-five households (some 317,000 households) were likely to have experienced some form of energy poverty, while one-in-ten were likely to have experienced severe energy poverty.<sup>24</sup> These households are considered to be energy poor because in the economic climate of the time, they were unable to attain an acceptable standard of warmth in the home at an affordable cost. (DCENR, 2011) Indeed, the Report suggests that these figures may underestimate the numbers in energy poverty, as some household under-heat their homes relative to international guidance on healthy standards of comfort.

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<sup>22</sup> See <http://www.welfare.ie/en/Pages/Advisory-Group-on-Tax-and-Social-Welfare-First-Report-Child-and-Family-Income-Support.aspx>

<sup>23</sup> See the **First Report: Child and Family Income Support, 2012 from the Advisory Group on Tax and Social Welfare** at <http://www.welfare.ie/en/downloads/Advisory-Group-on-Tax-and-Social-Welfare-First-Report-Child-and-Family-Income-Support.pdf>

<sup>24</sup> See **Warmer Homes: A strategy for Affordable Energy in Ireland, 2011** at <http://www.dcenr.gov.ie/NR/rdoonlyres/53F3AC25-22F8-4E94-AB73-352F417971D7/0/AffordableEnergyStrategyFINAL.pdf>

## **Fuel Poverty**

There is a broad consensus in feedback from CIB delivery partners that there are a number of people who remain at a disadvantage in relation to arranging energy efficiency in the home. There is a need for enhanced supports to reach, in particular:

- *those who do not have bank account or access to the internet in order to avail of greater energy deals when buying online;*
- *Low income households with gas or oil central heating who do not have the means to fill their tanks or meet the cost of fuel during Winter months;*
- *People on Jobseekers Benefit(JB) who are not eligible for fuel allowance;*
- *Those who recently moved from JB to Jobseekers allowance and must wait the 3 month period before eligibility for fuel allowance;*
- *The elderly and disabled.*

Fuel poverty does not arise from high fuel prices alone, but is brought about by multiple factors such as low income and poor energy efficiency in the home. Feedback from service delivery partners continue to highlight the need for enhanced fuel poverty initiatives and house insulation programmes that target both the private and rental homes. Budget 2014 should examine whether energy efficiency ratings could be increased through a statutory requirement to meet a minimum standard before letting or re-letting a property; a strategy which will reach many low income families renting a home.

## **Recommendation**

CIB submit that there is a need for **substantial promotion of the National Fuel Scheme** to help those who are dependent on long-term social welfare and who are unable to provide for their own heating needs.

Budget 2014 should **maintain the Fuel Allowance at its current rate** and consider the scope of extending the fuel season beyond 26 weeks, in terms of a flexible response to weather conditions as in April this year.

In order to reach those who do not have the resources, financial or otherwise to avail of greater energy deals when buying fuel, Budget 2014 should consider a mechanism for those eligible to receive two lump sum payments across the year to purchase fuel at a better rate – or as part of **an initiative to provide alternative ways of ensuring that the lowest income households can avail of the lowest energy prices** - make direct payments to service providers for fuel (twice annually).

## 6 Rent Supplement

Many problems have been associated with the Rent Supplement rent limits set in Budget 2012. Primarily they were set at levels that did not enable eligible households to secure and retain basic suitable rented accommodation, even having regard to the different rental market conditions in different parts of the country. Feedback from service delivery partners illustrate how many people, particularly from the Dublin and Galway areas could not find suitable accommodation within the limits outlined.

**The new rent limits under the Rent Supplement Scheme, which came into force in June 2013 following a review<sup>25</sup> of rental costs throughout the country - are welcomed by CIB service delivery partners.** Due to the increase in the overall volume of persons renting property in recent times, the review highlighted how the market share for Rent Supplement has fallen from 40% to approximately 30%. This DSP review sets Rent Supplement maximum rates generally at the 35th percentile of availability (to ensure that 35% of the relevant market is suitably priced for Rent Supplement recipients). CIB welcome the increased rent limits in Dublin and Galway in line with trends in these rental markets.

### Recommendation

CIB submit that **rent limits be kept under review by the DSP** to ensure that people on Rent Supplement are not priced out of the market for private rented accommodation – and that the recent reductions in **rent limits in rural counties**, in particular, reflect conditions in these rental markets.

### *Rent Supplement and Welfare Trap*

There is a general consensus that the sustained long term use and availability of rent supplement for people who are welfare dependent or working part-time only, has constituted a benefit trap which disincentivises the take up of employment. One of the key reforms recently announced by Government was to review the operation of the rent supplement scheme and bring forward appropriate proposals to integrate rent supplement and social housing support systems. It is the Government's stated intention to put forward "substantive housing legislation" that will bring in a new **Housing Assistance Payment (HAP) scheme**, so as to implement the in-principle decision to transfer responsibility for long-term RS recipients from DSP to local authorities.

CIB welcome this development and the stated intention to pilot the scheme during 2013.

Under the proposed new scheme the rent supplement payment will transfer from the DSP to local authorities, which are responsible for meeting housing needs. This commitment in the Programme for Government followed concerns about the evolution of rent supplement into a long-term housing support; which it was never designed to be.

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25 The DSP has completed a full review of rental costs throughout the country using data received from the Private Residential Tenancies Board (PRTB) of actual rental tenancies registered with them. The Department has also used publicly available data sources including the Central Statistics Office rental indices, the Daft.ie Rental Report and websites advertising rental properties to ascertain both the market trends and the current asking prices for rental of one, two and three-bedroom properties.

The new payment will be made directly to landlords rather than tenants, as is the case with rent supplement at present. This is also a welcome development as feedback from CIB service delivery partners has consistently highlighted how the lowering of the maximum rental limits (along with the administrative requirement that tenants negotiate rent reductions directly with landlords) has undermined access to adequate and appropriate housing. There is also some evidence to suggest that it has impacted negatively on stability and security of tenure in some cases where people have lived for some years in the same privately rented family home.

There is some evidence to suggest that the combination of the lowering of maximum limits and the increase in tenant contribution (from the primary social welfare payment or from part-time employment income) has also in some instances led to situations where tenants are illegally 'topping up' the rent (i.e. the actual rent has been under-declared on the RS claim form, with the tenant agreeing to pay the difference to the landlord in cash). This practice has clear implications for a tenants' capacity to stay out of poverty.

A related issue is the role Rent Supplement funding has played in recent years as a significant subsidy to private landlords. In order, to at least partly address this issue, the possibility of paying Rent Supplement directly to registered and compliant landlords, as is already the case for Rental Accommodation Scheme (RAS) tenancies, should be explored.

### **Recommendation**

CIB recommend the proposed reform of housing support such that rent subsidy be paid directly to fully registered and compliant landlords, providing tenants with more security and choice.

Consideration should also be given to introducing a statutory requirement that landlords meet a minimum standard before letting or re-letting a property to tenants eligible for rent subsidy.

Such statutory requirements should include a declaration of compliance that they will not request illegal 'top ups' from tenants.

### **Incentivising Employment**

There have been long-standing concerns within the policy arena that what started out as a short-term form of financial assistance for people who are temporarily unemployed has turned into a longer-term income support. Latest figures show that the Department of Social Protection continues to hold responsibility for some 86,000 households currently in receipt of Rent Supplement (the majority in receipt of primary social welfare payments, particularly JA, OFP, DA, SWA and JB).<sup>26</sup> Of these, 54,000 have been in receipt of RS for over 18 months.<sup>27</sup>

With this in mind, there is a strong argument for the retention of Rent Supplement during the initial period of employment, to incentivise the take up of work opportunities and smooth the transition from welfare to work. The eligibility criteria for the RS scheme – and in particular the fact that eligibility is based on hours worked in addition to a means test (with a 29-hour per week cut off point) – operates as a disincentive to taking up full-time employment. Feedback from service

<sup>26</sup> Sources: <http://www.welfare.ie/en/downloads/2011stats.pdf> and <http://www.kildarestreet.com/debates/?id=2013-05-29a.238&s=rent+supplement#g240.r>

<sup>27</sup> Source: <http://www.kildarestreet.com/debates/?id=2013-05-29a.238&s=rent+supplement#g240.r>



delivery partners describe frustration with the system of disregards which does not consider RS for fulltime earners in the same way as it does earnings from part-time work. There is evidence in feedback from CIB service delivery partners that there is a disincentive effect for some clients to taking up a job opportunity or an increase in working hours, when there is a risk of losing Rent Supplement. In the main, services have focused on instances where the income in and outgoings are unsustainable, particularly if the tenant has been previously making up the balance between the actual rent paid and the rent supplement allowed for their family type.

The introduction of the new Housing Assistance Payment – as described - will address this issue as it will not exclude those on low income in full time work and will operate on a similar basis to the Local Authorities differential rent scheme.

### ***Recommendation***

CIB submit that under the new scheme, a **greater emphasis needs to be placed on tapered disregards in relation rent supplement for all earners**, to incentivise a return to full-time work and to re-establish rent supplement as the short-term income support to people whose means are insufficient to meet their accommodation costs.

### ***Processing Delays***

The centralisation of the RS processing system - though intended to introduce greater efficiency in a situation of rising demand for support under the Supplementary Welfare Schemes - is reported by CISs and CIPS to have given rise to significant problems, amongst which are processing delays/errors; communication difficulties; and a lack of clarity as regards responsibility for processing claims. Evidence provided by service delivery partners also points to significant difficulties regarding, in particular, the Central Rent Units (CRUs).

There is evidence from CISs telephoning on behalf of clients to suggest that the client was still on hold after a lengthy wait (for example 40 minutes) with no resolution. Service delivery partners in their feedback to CIB question how people can be expected to bear the cost of such lengthy and possibly fruitless calls.

The administration of the RS scheme - and in particular the transition in some areas from locally-based community welfare services to centralised RS processing units - has been beset with processing delays and communication deficits that have further impacted on tenants' security of tenure and peace of mind.

### ***Recommendation***

CIB recommend that a system of automated (e.g. text messaging) acknowledgment of applications be introduced to include information about current average processing times and/or that an online system for processing and updating the status of RS applications be put in place. This would reduce the number of enquiries to the Units, allowing staff to focus on processing.

It would also enable tenants to confirm to landlords that RS applications are in process.

With respect to delays in claim processing, CIB is conscious that this is an issue across a number of DSP schemes at this time, whilst acknowledging recent improvements to waiting times for example, in relation to jobseekers payments. Delays result not only in loss of income leading to, in some cases, substantial hardship, but also significant distress and anxiety. In the case of Rent Supplement, delays can also bring with it the risk of loss of a tenancy.

## **7 Illness, Disability and Mobility**

CIB delivery partners continue to report significant issues in processing applications for Invalidity Pension (IP) Disability Allowance (DA) and Illness Benefit (IB), which exacerbates the difficulties experienced by people with disabilities in accessing the income supports needed for living. Of the social welfare issues highlighted by CISs in Quarter 1, 2013, 26% were concerned with disability and illness payments.

### ***Delays in Processing Claims***

Over 100,000 people are currently in receipt of Disability Allowance (DA) and during 2012, some 26,000 claims for DA were processed. The average number of weeks to award a DA application is currently approximately 17 weeks. A recent analysis of the applications pending decision indicated that approximately 60% of them had been waiting for a decision for 12 weeks or fewer<sup>28</sup>. Following completion of a major service delivery modernisation project for the scheme, a plan is in place to deal with day-to-day intake of new claims along with a programme to eliminate the backlog, which includes the assignment of temporary staff to the disability allowance area to assist in reducing the backlog.<sup>29</sup>

CIB welcomes this development. Reports from CISs, CIPS and the National Advocacy Service provide evidence of such lengthy delays. People have had to wait for a decision in relation to Carers Allowance, Disability allowance, DCA and Invalidity Pensions for significant periods of time, and in some cases due to processing errors, must reapply or appeal a decision made. This can cause unnecessary stress and hardship for the applicant.

The Social Welfare Appeals Office processed over 4,000 Disability Allowance appeals in 2012, with nearly half of these appeals being allowed. In the case of appeals to the SWAO for Invalidity Pension in 2012, decisions in some 75% of cases were made in favour of the applicant. Whilst this has been offered as evidence of the independence of the office<sup>30</sup>, it could be argued that it also shows the need to examine first-instance decision making within DSP with regard to this payment.

The long delay in the processing of claims and appeals for disability allowances is reported by CIB delivery partners as being extremely difficult for families who are in many instances trying to come to terms with their child's disability. In many cases, this is compounded by the fact that secondary benefits cannot be claimed pending a decision and that there are further significant delays if

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<sup>28</sup> There are currently approximately 6,500 applications for disability allowance awaiting a decision.

<sup>29</sup> Minister's Joan Burton, Written Answers **Thursday, 16 May 2013**. See <http://www.kildarestreet.com/wrans/?id=2013-05-16a.443&s=disability+allowance+waiting+times> and Written Answers **Tuesday, 12 March 2013** <http://www.kildarestreet.com/wrans/?id=2013-03-12a.674&s=12611%2F13#g675.q>

<sup>30</sup> Dáil Éireann, Debates, 2nd March 2013

applicants decide to appeal a negative decision. Such delays in the application for the DCA are set out in the CIB Submission to the Review Group on Domiciliary Care Allowance, 2012 together with concerns raised in relation to the application process, medical assessment criteria, the support needs of children with significant disability, DCA as a gateway payment for other supports, the communication of decisions to families and the current appeals process. Submissions from a range of other service providers have also highlighted delays in the application process as an issue in their submission to the DCA Review Group<sup>31</sup>.

## **Recommendation**

The Domiciliary Care Allowance should be actively promoted at both national and local levels.

Within current budgets, continue to reduce the back log in the processing of claims and appeals for disability payments to ensure that people with disabilities have access to adequate income to sustain an acceptable standard of living.

The DSP, as part of assuming responsibility for administering DA and DCA, should immediately address the substantive issues relating to the administration of the scheme (as set out by the DCA Review group): the application process; the medical assessment process; the medical guidelines; the review process; communications; the appeals system.

## ***Income Supports***

CIB service delivery partners report a range of issues in relation to existing income supports for people with disabilities. Feedback from CISs, CIPS and NAS have provided evidence of how any withdrawal of services arising out of budgetary cutbacks impacts significantly on families with a disability. This applies particularly to respite services, weeknight, week-end, emergency respite and day care and transport and mobility supports. In this regard, the current move towards an individualised support system is welcomed by CIB.

Other issues and concerns have been raised about the way decisions are communicated to families, particularly in respect of withdrawal of DCA following review. These include lack of clarity, specificity and comprehensiveness<sup>32</sup>.

## **Domiciliary Care Allowance<sup>33</sup>**

Since the DCA is a gateway payment, its withdrawal following review can result in significant financial loss to families with children with a significant disability. Approximately 40% of families receiving DCA also get Carers Allowance with a similar proportion receiving the Household Benefits

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31 50 submissions to the DCA Review Group stated the process should take less than 8 weeks and a further 20 stated it should take less than 16 weeks. The transparency of the appeal process was instanced in 33 submissions, with 21 saying that details of the process should be published on the website. See <http://www.welfare.ie/en/Pages/Domiciliary-Care-Allowance-Review.aspx>

32 There is evidence from CISs, CIPS and NAS of concern about the design of initial application forms/guidelines as well as the format used for reviews are regarded as not being user-friendly. The design of the Application Form does not lend itself to capturing accurately and comprehensively the nature of the information required. This also applies to reviews which appear to be treated the same as new applications.

33 Domiciliary Care Allowance (DCA) is a monthly payment (currently €309) paid to the carer of a child with a disability so severe that the child requires care and attention and/or supervision substantially in excess of another child of the same age. This care and attention must be provided to allow the child to deal with the activities of daily living and the child must be likely to require this level of care and attention for at least 12 months.

Package. The withdrawal of the DCA and the Respite Care Grant is an automatic reduction of €5,000 per annum in family income. The withdrawal of DCA and 'gateway' payments following review understandably puts additional stress on families who had come to rely on these benefits.

The consultation feedback to the 2012 Review of DCA confirmed the main issues nationally. These range from the purpose of the scheme and how the rules relating to qualification are set out and made known, to specific issues relating to process<sup>34</sup>. In addition, the current situation where payment of DCA ceases when the child is aged 16 is also problematic on the basis that it may not be appropriate or ethical; to treat a child with care needs as an adult at age 16.<sup>35</sup>

### **Recommendations**

Disability Allowance should be maintained at current levels, and that in cases that come under review, payments should not be suspended for the period of review.

The recommendation of the DCA Review Group that DCA should continue to be payable up to age 18, with the starting age for DA to be increased to age 18 should also be implemented in Budget 2014.

Until recently, it was unclear what the specific objectives of the DCA were. In practice, it would appear that the payment is aimed at supporting families with the additional efforts and cost involved in caring for a child with a significant disability. The fact that the payment is not means-tested and that there is no provision for a reduced payment suggests that it is targeted at covering the additional costs associated with caring for a child who requires additional support, care and therapies.

The final Report of the DCA Review Group clarified the purpose of the scheme as a payment in recognition of the additional demands associated with caring for a child with a severe disability. The Group also considered the similarities between DCA and Carers Allowance (CA) and explored the contention that the DCA could be seen as a *Carers light*, being a non-means tested allowance for caring for a child with well-defined additional care needs. Following consideration, the group recommended that the link between DCA and CA should be removed, with the required legislative change to be made to decouple the allowances. This will eliminate the automatic medical exemption for CA for future DCA applicants.

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34 The main process issues emerging from the Domiciliary Review Group consultation process include the following: the application process; the medical assessment process; the review process and the frequency of reviews; communications and the need to provide parents/guardians with as much information as possible on the reason for refusal of the allowance; the appeals system, including issues relating to delays.

35 See the Second Report of the Advisory Group on Tax and Social Welfare – review of Budget 2012 proposals regarding Disability Allowance and Domiciliary Care Allowance for similar recommendations, at <http://www.welfare.ie/en/pressoffice/Pages/pb110413.aspx>

### **Recommendation**

Introduce a **cost of disability payment** to meet the extra costs associated with a disability.

In the absence of a general cost of disability payment policy, CIB submit that Budget 2014 support the DCA Review Group recommendation that legislation should provide that the withdrawal of DCA on review should not lead to the immediate withdrawal of CA, with a recommendation that the CA continues in payment for a maximum defined period (possibly 6 months), subject to continuing to fulfil all other conditions<sup>36</sup>.

The fact that large numbers of those who appeal a refusal of DCA have their appeals upheld raises some basic questions. While this reflects a willingness to address errors in the initial decision-making process, a key question is why the initial decision was not the 'correct' one. One possibility is that the specific information provided at initial application stage was not specific or comprehensive enough and only emerged at the review/appeal stage and is not submitted at the initial stage. This may suggest insufficient guidance being provided to the person making the initial application or responding to a review and, perhaps, some basic shortcomings in the language used and the design of the forms.

The refusal of applications for DCA has been the subject of much media coverage and political debate in the past year. The Ombudsman has noted that decisions to discontinue DCA following review were placing huge stress on families who had come to rely on the payment to meet the additional costs of daily living. A key point made by the Ombudsman was that members of the public needed to be told why they were being denied benefits and, in cases which involved a medical opinion, decisions needed to be evidence-based.

### **Recommendation**

Increase the numbers of medical assessors to ensure that decisions are evidence based and to avoid unfair refusal of disability and illness based claims and which leads to lengthy appeals processes.

### **Mobility Allowance and the Motorised Transport Grant**

The Government decided on 12th June last, to extend payments of Mobility Allowance to those currently in receipt for a further number of months, pending establishment of new statutory provisions to support the mobility needs of people with severe disabilities. CIB welcome this decision and the agreed set up of an inter-departmental group, chaired by the Department of the Taoiseach, will now be asked to develop detailed proposals for the operation of the new scheme or schemes, including eligibility criteria and administrative arrangements.

### **Recommendation**

CIB submit that given that the Motorised Transport Grant still remains closed (pending the work of the inter-departmental group), the DSP should continue to make payments to those persons currently in receipt of the Mobility Allowance, pending the commencement of new statutory

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<sup>36</sup> A related issue is that the HSE are responsible for the provision of services, including supports for children and young people with care needs whereas the DSP is responsible for income support.

provisions, on the basis that this would prevent hardship, and, on an interim basis, alleviate stress, anxiety and uncertainty among people with a disability.

A related issue is that presently a person must be under age 66 to qualify for a Motorised Transport Grant. Therefore people over 66, who satisfy the criteria (capable of holding down a job, the physical capacity to drive a vehicle, holding a driver's licence and needing the car to do the job), are denied it by virtue of their age. While previously, there is also a provision for a grant to be made on occasion to a person living in a very isolated area even though s/he may not be in employment; a number of CISs noted that older people who have applied for the grant on that basis have also had their application turned down.

A key consideration in the current economic climate is clearly the effective use and targeting of resources. The present situation where State funding is provided for a range of parallel and fragmented transport and mobility support initiatives frequently operating independently of each other is unlikely to be the best use of resources<sup>37</sup>.

### ***Recommendation***

The CIB recommend a more integrated policy response between the various transport/mobility schemes to ensure both efficient resource utilisation and equality of access to transport and mobility supports across all categories of disability and mobility deprivation.

## **Rural Transport Programme**

The principles and modus operandi of the Rural Transport Programme (RTP) are worth considering in the context of both new support transport/mobility support structures and Budget 2014. Currently the RTP funds 36 community transport groups around the country. The RTP has as its overall aim to encourage innovative community based initiatives to provide transport services in rural areas, with a view to addressing the issue of social exclusion in rural Ireland arising from a lack of access to transport. This applies to both people living with disabilities and the elderly and has led to the introduction of a wide range of semi-scheduled and fully-demand responsive services, delivered via a number of different service models<sup>38</sup>. The development of a more integrated approach is now required following a comprehensive evaluation of transport provision by voluntary/community organisations and by the HSE - and how these fit with the Rural Transport Programme and the Free Travel on public transport system.

### ***Recommendation***

People who satisfy criteria for the Motorised Transport Grant should have entitlement to the grant regardless of age or location to prevent social and rural isolation.

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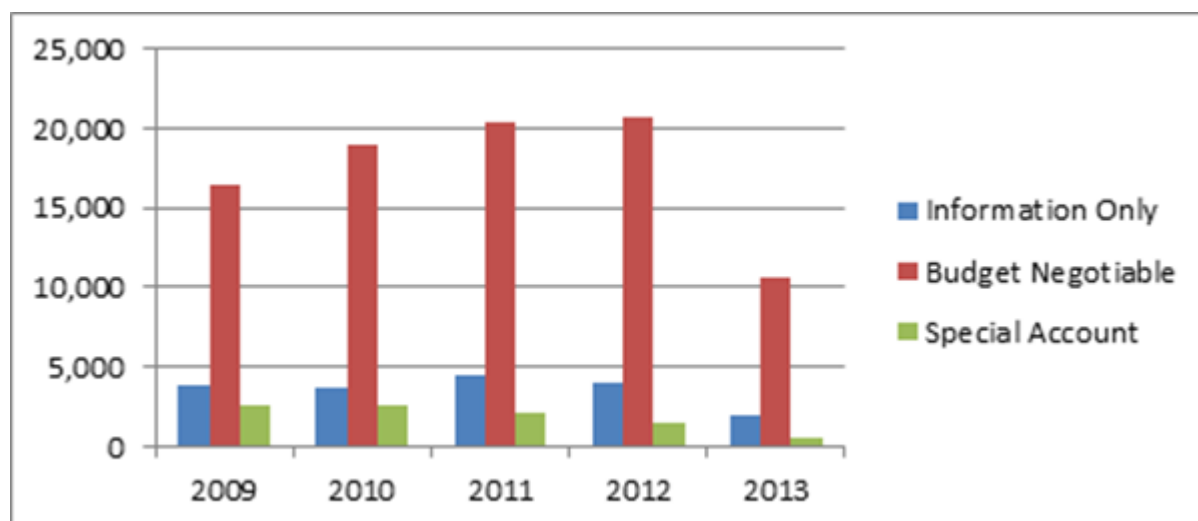
<sup>37</sup> See CIB Report **Submission to Review Group on Transport and Mobility Supports**, April 2013 at [http://www.citizensinformationboard.ie/publications/social/social\\_submissions.html](http://www.citizensinformationboard.ie/publications/social/social_submissions.html)

<sup>38</sup> Rural Transport Programme Performance & Impact Report 2011, [www.pobal.ie](http://www.pobal.ie)

## 8 MABS Priorities for Budget 2014

### MABS Statistics

An analysis of MABS statistical data for the four years, 2009, 2010, 2011, 2012 and first half of 2013<sup>39</sup> is provided in the following graph:



The demographic profile of the client base remains relatively stable over time. In the main MABS clients are in receipt of some form of social welfare payment, the majority are female, aged between 26 and 40 and have children. Just over half of all MABS clients reside in either private rented or rented local authority accommodation. The number of mortgaged clients has grown and is continuing to grow as a percentage of the total caseload and now amounts to almost 48% (in the first half of 2013) of the client base where accommodation status is known (this compares with 21% for 2006, 35% for 2008 and 35% for 2009, 39% for 2010, and 45% for 2012). (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).

At the mid-point of 2013, 42% of all debts owed by MABS clients were owed to banks or financial institutions – of which 31% were personal loans, 31% credit card debts, 18% mortgage debts, 1% overdrafts and 1% hire purchase agreements

The MABS Helpline, which offers assistance to callers Monday to Friday 9am to 8pm, took over 24,000 calls in 2012, in the first half of 2013 the helpline has assisted 12,259 callers.

The number of 'Budget Negotiable' clients is increasing i.e. MABS is now negotiating arrangements with creditors for a higher proportion of its client as a result of the complexity of the issues involved and the increased vulnerability of many clients.

<sup>39</sup> For further detail on MABS statistics see [www.mabs.ie](http://www.mabs.ie)

In 2013 the MABS service will commence a new role as authorised intermediaries processing Debt Relief Notices (DRNs). In preparation for this new role MABS staff have received accredited training and a new support unit - the Approved Intermediary Service Transition Unit, has been established to support the mainstreaming of this activity within MABS.

## Context

While there have been some considerable new developments designed to assist over indebted consumers in the form of the introduction of Personal Insolvency Legislation and the establishment of the Insolvency Service of Ireland, MABS remains an important component of the State's overall response to assist people to address debt issues in the current economic climate and to manage on a reduced income. In addition to its new role in relation to DRN's, MABS will continue its current role as 'honest broker' in supporting the putting in place of voluntary arrangements between debtors and creditors.

Our on-going concern with respect to Budget 2014 is that the State continues to afford protection to those who are most vulnerable. Our experience of the cumulative impact of budgets over the last few years on low income families and the working poor<sup>40</sup> is that certain measures, and in particular the introduction of new universal charges and taxes, have made basic budgeting much more difficult for many families and has compounded the difficulties of over-indebted people. **We would hope that in so far as possible that the next Budget will not result in any further erosion of the disposable incomes of those currently reliant on social welfare or of the 'working poor'.**

In this Pre- Budget Submission, MABS highlights two main (and related) areas of concern 1) a series of recommendations relating to dealing with the mortgage debt crisis and 2) the need for a social lending mechanism to provide access to credit.

## Addressing the Mortgage Debt Crisis

In April 2013, MABS ndl published '*MABS Clients and Mortgage Arrears – a profile of MABS clients in mortgage arrears and factors associated therewith*'. The report presents the findings of research conducted by MABS ndl in co-operation with the staff of the 51 MABS Services nation-wide. In total, it provides information and analysis on almost 6,000 MABS clients who are experiencing mortgage difficulty.

The report made a number of recommendations which remain pertinent and which are summarised below (detailed in Chapter 5, (pages 35-38).

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<sup>40</sup> The working poor are defined as the proportion of employed persons living below the poverty line. In most instances the definition is derived from statistical standards developed by international organisations such as the IMF, OECD, Eurostat, ILO. Where possible, the definition has been quoted word for word from the source. OECD 2002



1. Due to the profile of the client group, (their age, level of debt and income level), certain aspects of the current proposed Mortgage Arrears Resolution Strategies (MARS) as currently constituted may not be suitable. Accordingly, broader long-term solutions, taking account of total debt levels and addressing the capital element of the mortgage are required. **In this regard MABS welcomes the recent initiation by the Central Bank of a pilot on how to operate a pilot scheme for the restructuring of secured and unsecured distressed debt (May 2013).**
2. Delays within the Mortgage Arrears Resolution Process (MARP) in assessing cases and in determining appeals reduce the effectiveness of the process overall, as such, **we recommend the introduction of specified timelines for each stage of the MARP, and would hope that the Central Bank will monitor this on an on-going basis.**
3. Due to their level of debt, it is possible that many MABS mortgaged clients may apply for a Personal Insolvency Arrangement or a Debt Settlement Arrangement. However, as these clients have insufficient income to make repayments to non-mortgage debts it is questionable whether they will be successful in their efforts. **As such, we propose the introduction of a non- judicial regulatory framework to address non-mortgage debt as part of a holistic package of responses.**
4. The findings of the MABS research indicate that stress and mental health difficulties are strongly associated with mortgage debt difficulties and, as such, **we again recommend the establishment of a Working Group to develop and agree Mental Health Guidelines similar to those implemented in the UK by the Money Advice Liaison Group.**
5. The MABS research found that where money management was a contributory issue to a mortgage debt difficulty it sometimes arose as a result of a lack of understanding of how to budget and the importance of prioritising repayments in accordance with the consequences for non-repayment. **For this reason we have highlighted the need for a national strategy on Money Management Education, which allows the development of attitude, knowledge and skill within the learner group.**
6. The data set which resulted from this survey is significant and is worthy of further and deeper analysis. On foot of the data contained in this research, a research programme could be developed to provide a greater understanding of the experience of over-indebted borrowers and inform policy decisions. The research programme could include, inter alia:
  - The impact of trading up / re-mortgaging on overall indebtedness;
  - Borrowers experiences as they progress through the MARP;
  - Debts associated with the collapse of business;
  - Mortgage debt and mental health;
  - The psycho-social effect of over-indebtedness.

Two areas of related concern which did not originate in the research cited above but which are presenting as persistent difficulties within MABS client casework are:

- The requirement on lenders to provide a suite of arrangements for borrowers with mortgage arrears (MARS) is to be welcomed. However, the availability of information from lenders on these options, and the terms and conditions governing these, has to date been sparse. It is important that details of these options are available both to borrowers, as well as to

organisations which play an advisory role, to be familiar with and understand the suite of offers available from lenders under the MARS. This allows borrowers to make informed decisions, and allows organisations such as MABS to adequately and appropriately support distressed borrowers through the process.

- Decisions on possible solutions to distressed mortgages are being made on the basis of the sustainability of the mortgage, with reference to sustainability made in the Central Bank's Mortgage Arrears Resolution targets<sup>41</sup>, and in the report of Mortgage Arrears and Personal Debt Group in 2010. There is no shared and definitive understanding of a 'sustainable mortgage' however, with definitions offered by Local Authorities<sup>42</sup> and the Department of Finance<sup>43</sup>. The Central Bank further offers a definition of a 'sustainable solution'<sup>44</sup>, and **it is the view of MABS, that it is now urgent that a common definition of sustainability is agreed in order to provide transparency, give guidance to the lender and clear information to the borrower in mortgage arrears.**

### Availability of Credit

MABS originated over twenty years ago, primarily as a response to the problem of illegal money lending in areas of low-income. As such, the availability of credit is of central concern to MABS and its client group. *"Low income households have, by necessity, a strong appetite for credit use. Six out of ten households in the low income quintile..... Feel the need to borrow in any twelve month period. They have few options to raise money other than by borrowing"*<sup>45</sup>.

Our experience is that availability of mainstream credit for our client group has reduced significantly over recent years and we know that of necessity borrowers turn to money lenders (legal and illegal) and other forms of high cost credit (e.g. catalogues) when conventional credit is no longer available<sup>46</sup>. However, the restrictions imposed by the Personal Insolvency Act<sup>47</sup> may preclude many from accessing any affordable credit into the future, certainly for the duration of the restricted period.

It is in this context that we believe there is an urgent need to put in place a new model of social lending for emergency purposes. In our view the structures best placed to offer social lending are:

- Department of Social Protection,
- Credit Union Movement

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<sup>41</sup> Central Bank – *Mortgage Arrears Resolution Targets* March 2013

<sup>42</sup> Dealing With Mortgage Arrears – A guide for local Authorities 2012, p. 13.

<sup>43</sup> John Moran, Department of Finance – Oireachtas Finance Committee March 7<sup>th</sup> 2013

<sup>44</sup> Mortgage Arrears Resolution Targets March 2013 Page 25

<sup>45</sup> Joseph Rowntree Foundation Study. *Is a non-for-profit home credit business feasible* March 2009, see Chapter 2.

<sup>46</sup> <http://www.berr.gov.uk/files/file35171.pdf>

<sup>47</sup> If you seek to obtain credit of an amount of more than €650 while you are subject to an arrangement, you must inform the creditor that you are a specified debtor subject to an arrangement. Your details on the Register for DSAs may be relevant to your credit rating and may influence any information about you held by rating reference agencies such as the Irish Credit Bureau (or the Central Credit Register). Lenders retain the right to take into account a debtor's credit history in assessing the merits of a credit application. This means you may find it more difficult to get credit in the future. See [www.isi.gov.ie](http://www.isi.gov.ie)

### ***Department of Social Protection***

It is acknowledged that the Department provides Exceptional Needs and Urgent Needs Payments under the Supplementary Welfare Scheme on a discretionary basis to those who meet certain criteria (e.g. they have an essential exceptional expenditure, such as funeral costs, or an emergency expense, such as those incurred in the event of flood or fire). However, while these payments are an invaluable support to those whose income is inadequate, in order for them to be utilised to assist the most in need, they must exist alongside a social lending mechanism aimed at those who have some, if limited, capacity to repay.

The Department of Social Protection has past experience of operating two small scale schemes: a Loan Guarantee Scheme with the Credit Union for those engaged in back to work enterprises and the Loan Guarantee Fund operated by MABS and the Credit Union Movement responsibility for which transferred to the CIB in 2009.

### ***A Role for the Credit Union Movement***

The Credit Unions were established in the 1950s to combat the scarce availability and poor management of money and to establish a system to empower people to gain control over their money<sup>48</sup>. The Credit Union was instrumental in the inception of MABS and in informing its ethos, and there remains strong links between the two organisations to this day.

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 requirements, 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.

The strategic review of the Credit Unions presented 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 intact.

In the Commission on Credit Unions final report it states that *“Credit unions have an important role to play in financial inclusion and social lending. The Report sets out a number of ways for credit unions to do more in this space and at the same time ensuring that this does not create unhealthy risk exposures in the sector.*

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<sup>48</sup> [www.creditunion.ie](http://www.creditunion.ie)

*The Commission recommends that credit unions could take a more prominent role in developing and maintaining social inclusion lending schemes. These schemes should be backed up with support mechanisms to facilitate credit unions becoming more actively involved in social lending”<sup>49</sup>.*

### **Potential Model**

#### **MABS / Credit Union Social Lending Schemes – Local Level**

A number of MABS Services have worked closely with their local credit unions to establish a “Social Lending Scheme” to assist clients of the MABS to borrow for contingencies.

In one area, eligibility was dependent on being both a MABS client and a credit union member, whereas in another borrowers need only be “potential members”, i.e. living in the catchment area and/or having established the common bond.

In all cases the borrower applied for the loan directly with the local credit union, having been recommended for acceptance to the Scheme (by letter or telephone call to the credit union) by their MABS Money Adviser who assessed the eligibility of the borrower.

Maximum loan amounts (between €1,000 and €5,000) and eligibility criteria differed to some degree (with one Scheme requesting a small savings commitment of between €1-2 per week to encourage saving for contingencies and reduce the borrower’s dependency on credit), but the overall ethos of assisting borrowers with emergency credit without recourse to high cost lenders provided the common thread.

### **Conclusion – Availability of Credit**

**For a social lending mechanism to be fully effective, it must be as easy to access as credit from moneylenders, allow for flexible repayment options (particularly for the unbanked) and, of utmost importance, be affordable and sustainable in the long term, with consideration given to the individual circumstances of the borrower.**

Difficulties will arise in persuading existing moneylender customers to access credit from existing or new suppliers. The close relationship that exists between agent and borrower, as well as the level of satisfaction with the credit provider, are major hurdles to be overcome.<sup>50</sup> Any social lending mechanism will of its nature need to be subsidised, at least initially, as it will attract many high risk customers. Consideration might be given to allow for repayment of such loans through the Household Budget Scheme operated by An Post or a similar facility.

**We recommend that urgent consideration be given as to the best form of delivery of credit to low income households using one of the models discussed above or a combination of two or more. In**

<sup>49</sup> Commission on Credit Unions Final Report 2012 3.25 – 3.27

<sup>50</sup> “Moneylenders have a weighted average customer satisfaction rating of 89%” - Financial Regulator’s report -March 2007

order to encourage borrowers, we also recommend that a campaign should be undertaken to educate consumers to accessing responsible credit alternatives, with targeted marketing campaigns for areas most associated with more expensive forms of borrowing.

### ***Overall Conclusion***

We view our recommendations in relation to distressed mortgages and the availability of small amounts of emergency credit as being mutually supportive and reinforcing. Our experience is that in order to sustain and maintain debt-repayment plans debtors need to be able to access small amounts of credit for urgent or emergency purposes. Again it is our experience that in the absence of this support arrangements breakdown – either because other commitments are prioritised or because debtors access high-cost credit types which ultimately undermine the viability of their repayment arrangements.

# Indicative Case Examples

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## Working Age Supports

### *Atypical Working*

This man has to turn down a part-time job offer of 15 hours per week because it runs over four days leading to loss of all his jobseeker's payment and an unaffordable drop in income. Should provision not be made for people to claim welfare payments and work part-time based on hours instead of days? **Dublin City CIS**

This man works three or four nights per week for three or four hours. His pay for four days is €160 maximum, usually less. Each day he works he loses approximately €37 of his JA. If he works four days, he loses all his JA. Going to work therefore costs him money. **Tipperary CIS**

It has come to our attention that many women are applying for home help positions and signing off JA/JB as they work two-three hours per day over five days per week. It is not until they get paid that they realise that the rate of pay is less than they were receiving on social welfare and travel costs are not taken into account. If they give up the employment due to the financial difficulties they experience, they are then faced with dealing with social welfare disqualifications. **Cavan CIS**

A young man is earning just €85 euro per week as an evening cleaner (1.5 hours per day). He is not eligible for Jobseeker's Allowance although he is available and seeking full-time work throughout the day. **Longford CIS**

Man working 40 hours per week, minimum wage, with a dependent partner and two children. They are struggling with rent and living costs. Income-wise, he would qualify for Rent Supplement, but he is not eligible as he works full-time. **CIPS**

Client was working only 24 hours per week but spread over 6 nights - so no entitlement to Jobseekers payments. This job was not really suitable for him as it was starting to affect his health and also he was earning just €23 above the JSB/JSA max rate (even though he had to work 6 nights per week to receive this money.) He had to reduce his nights to 3 nights and by doing so became entitled to JSB. However, he now had a very limited income. At his local SW office, he was not told about the possibility of going on Optional JSA instead of reduced JB. He would be significantly better off on means tested JA. **Dublin City Centre CIS**

### *Activation Measures*

One CIS highlighted the case of a man who recently started a Tús Internship and wished to check if he should pay PRSI. His total income is €392.50 and he is currently paying €10.62 PRSI on an A9 class contribution.

His total income is comprised of social welfare of €188 personal rate; and an additional €124.80 for his spouse; €59.40 for 2 qualified children and €20 for his participation on Tús. Once he has paid PRSI, his income is only €9.38 more for working 19.5 additional hours a week. **Offaly CIS**

A woman on the JobBridge scheme needs to move house to live nearer the placement. Essentially, however, she will not be able to establish a housing need in order to qualify for RS. This will make it very difficult for her to take up the placement as she would have to travel long distances each day. We suggest there should be a payment built in to assist those taking part to pay accommodation if they are required to move. **Donegal CIS**

Of thirty people in her class, this person was the only one chosen for an internship. The position was in a town in an adjoining county. She would have received €50 per week in addition to her One-Parent Family Payment. She could not, however, afford to take this position as the €50 would not cover the cost of travel or payment for child minding. She was extremely disappointed that there was no further support regarding the last two items. **Westmeath CIS**

A woman on jobseeker's allowance, with a young baby has been offered a place on the JobBridge Scheme in a town 20 kilometres from her home. Although she will get the €50 increase on the scheme, the cost of childcare is €795 per month as there is no community crèche that she can avail of. **Offaly CIS**

### Challenges Facing Families

This man has three dependent children and a non-working partner and is in receipt of Jobseeker's Allowance. He has been offered employment at the minimum wage, which would be less than his JA. He will be eligible for FIS but processing time is five months. This means that the man: 1. takes the job and lives with his family below the poverty line for five months, 2. depends on a charitable institution to support him with food and clothing or 3. refuses the offer of employment and remains on JA. **Waterford CIS**

This young woman is working three days per week, being paid €65 per day and paying out €30 per day for childcare. Her net pay after childcare is less than she would get if she claimed jobseeker's for the three days she works. **Kilkenny CIS**

Problem for single parent who is working 15 hours per week - so no eligibility for FIS - but earns more than €130 per week and has had OFP reduced. Travel to work costs €70 per week. **Wicklow CIS**

We met a jobseeker with an offer of employment on minimum wage. We calculated that the household income would be reduced by approximately €5 per week, leaving the person unable to accept the position due to travel costs of approximately €75 per week." **Cavan CIS**

Caller has child who is turning 18. Hardship will be caused to family as her child benefit will stop at 18 even though she is being fully supported by her family and is in full time education. This will cause a big reduction in family income for a family who are already struggling to make ends meet. **CIPS**

## **Family Income Supplement**

This man is working part-time and in receipt of FIS and rent supplement. He has been offered a full time job on minimum wage. If he accepts he loses the rent supplement and the calculations show that he would be €69 worse off by accepting the job. **Fingal CIPS**

A man on long term JA (over 3 years) had been offered part-time work. The work was 14 hours per week. It would be based on 2 hours per day, 7 days per week. Since he would be employed more than 3 days his JA would stop. He would not be working enough hours to qualify for FIS. He had four dependent children and a dependent spouse. He could qualify for the Part-time Job incentive scheme, but the most he would get would be €193.90 per week and this, combined with his wages, would amount to less than what he was getting on JA. I think this demonstrates a clear disincentive to entering into part-time employment. **CIPS**

*Lone parent has to come off the payment in July because of child's age. Getting a FIS payment and working part time. Can't apply for JS [jobseeker's payment] because works more than 3 days. One parent will be cut. FIS won't be reviewed or increased until January 2014. Income will be seriously reduced. No provision for interim reviews to FIS income - deficit in the provision of support. No incentive to work. Current: OFP= €192.80, FIS=€84, Work= €173. Will lose €192 until review for FIS processed. **CIPS***

Man working full time getting €350 net a week and FIS of €62. His wife has just finished getting MB. FIS isn't up for renewal until Sept. If it could be renewed when circumstances change, they could be €150 a week better off every week until Sept as FIS rate for them with 3 kids is €210. Family is €40 under SWA rate but cannot get SWA as husband works more than 29 hrs a week. **CIPS**

## **Rent Supplement**

Delays in rent supplement being processed - Caller applied to CWO for rent supplement 5 months ago. She has provided all of the paperwork requested but her claim has not been processed. The CWO has said that there is nothing further that can be done and that the claims are being dealt with in date order. She is now in arrears with her rent and her landlord is getting very angry and threatening eviction. This is very distressing for her and ultimately she is concerned that she may be made homeless. **CIPS**

A 75-year-old lady has been getting Rent Supplement for eight years in the same property. She has received a letter concerning the reduced RS limits and informing her that she must negotiate a lower rent or else find another property. The caller to the service was her landlord, who has been in contact with a local auctioneer – local rents are all above the new RS levels. **CIPS**

A homeless man has found an apartment but there will be a delay of 8-12 weeks for his RS to be processed and his landlord will not wait that long for payment and he is going to lose his chance of getting accommodation and will remain homeless. The processing times for RS must be reduced to avoid this hardship. **CIPS**



A family comprising a husband, his disabled wife, and their adult son moved into rented accommodation more suitable for a disabled person than their previous tenancy had been, and made an application for RS. This application was lost. (The man had proof of posting.) A new application was made, followed by many attempts by the applicant and CIS staff to get information as to progress. Eventually, they were granted RS at a much lower level than had originally been sanctioned and informed that the adult son would have to make a separate application. This took a further two months to process. The man was extremely distressed at owing arrears of rent and fearful of homelessness. He still faces the possibility that the RS will be stopped because of the new RS limits, despite having already renegotiated and obtained a reduction on the rent originally asked for. This family needs wheelchair-suitable accommodation. Their distress is compounded by the fact that they have not been able to put their case in person to a DSP staff member. **Dun Laoghaire CIS**

A man with a pregnant wife and three children waited over two months for his application to be dealt with under severe pressure from his new landlord and unable to make contact with the CRU. **Dun Laoghaire CIS**

### **Illness, Disability and Mobility**

This client applied for Disability Allowance in April 2012. She came to the CIS to ask could we find out why she had to date not received a decision. The DSP informed us that they are only working on applications from Nov 2011 at present - an 11 month backlog. **Dublin North West CIS**

Client has a daughter with a disability. She is attending the AIT. Client drives 30 miles each way to take her to college. At present her daughter is in receipt of mobility allowance. When this is stopped her daughter will have to leave college as client cannot afford to pay for petrol when this allowance goes. The family live in a very rural area and there is no transport available. **Westmeath CIS**

Client was refused Invalidity Pension at the beginning of 2012 on medical grounds. He sought a review early February 2012 and has only now received a letter advising him that the review was unsuccessful. This is a delay of one year for a Deciding Officer review; client has to now pursue the matter with the Social Welfare Appeals Office which involves another substantial delay. Client is very dissatisfied with the delays in the system and has complained to the Ombudsman but must await the outcome of full Social Welfare Appeal before the Ombudsman can handle the complaint. **Roscommon CIS**

The CIS has had a number of queries from people refused Invalidity Pension following a wait of 12 months plus. This man had waited 14 months and finally was refused. The waiting time for an appeal is 12 months and his only option now is to claim Supplementary Welfare Allowance (SWA). There are so many people in the same situation at present. **Co Waterford CIS**