

Citizens **Information** Board
information · advice · advocacy



2015

Pre Budget Submission

Work

Welfare

Housing

Health

1. Introduction

The focus of government in recent years on the issue of working age income supports and the interaction of the tax and social welfare systems to determine how best to support people through periods of involuntary unemployment - and other financial crisis - is welcomed by the Citizens Information Board (CIB). Revision of the tax and social welfare system is fundamental to many peoples' successful recovery during the economic crisis in Ireland.

The CIB pre-budget submission is based on feedback from the Board's delivery partners – the Citizens Information Services (CISs)¹, the national Citizens Information Phone Service (CIPS), the Money Advice and Budgeting Service (MABS)² and the National Advocacy Service (NAS). This submission sets out the social policy concerns and related issues identified by these services in relation to work/income, welfare, housing and health.

Citizens Information Queries from the Public

During 2013, CISs assisted over 600,000 people and answered nearly a million queries.

The Citizens Information website (www.citizensinformation.ie) recorded an average of 719,216 unique users per month during 2013. Across the year the site had 14.1m visits and 46.5m page views.

CIPS answered 162,750 requests for information and advice from the public.

MABS services dealt with 20,552 new clients in 2013. A further 3,825 sought information about budgeting and money management from local services.

The MABS National Helpline, dealt with 23,127 Callers giving information, advice and support on many money management and debt issues.

2. Since Budget 2014

Many of the issues identified by CIB service delivery partners in the Pre-Budget Submission 2014³ remain the same. However, the cumulative financial impact of increased charges and taxes announced in Budget 2014 and earlier budgets have had a negative effect on many households and drew a significant number of people into Citizen Information Services during 2013 and early 2014, as they tried to deal with a drop in income and sometimes an inability meeting the cost of living. This is reflected in the queries received by services during this time: after Social Welfare, which represented nearly half (45%) of all queries received by both CISs⁴ and CIPS,

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

² There are 53 MABS companies delivering money advice nationwide.

³ See http://www.citizensinformationboard.ie/publications/social/downloads/social_prebudget_2014.pdf

⁴ The number of social welfare related queries (451,507) CISs dealt with in 2013 continues to far outnumber other queries. The next highest query categories were Money and Tax (9% of all queries), Employment (8%), Health (77,415 or 8%), and Housing (6%). A significant number of CIPS queries (45.4%) were also in relation to Social Welfare. This area can be further broken down as follows: Unemployed People Jobseeker's Allowance (10%); Families and Children (10%); Disability and Illness (9%); Unemployed People Jobseeker's Benefit (7%); and Older and Retired People (7%).

the next main category of query received by CISs was in relation to Money and Tax (90,348), which represented 9% of all queries and covered a range of topics including the Local Property Tax and debt.

MABS ongoing concern is to ensure that adequate protection continues to be given to those who are most economically vulnerable. Budgets over the last few years have had a serious impact on low income families and the working poor. As the economy improves it is asked that priority be given to those most impacted by the recession.

The impact of the property tax and water charges will see additional taxes on the average Irish household. MABS from its own records has identified that the average yearly disposable income of new clients who attended the service in 2013 was €456.63⁵. These additional charges will result in the MABS clients having little or no disposable income in 2015.

At the end of 2013, 42% of all debts owed by MABS clients were owed to banks or financial institutions – of these, 29% were personal loans, 31% credit card debts, 21% mortgage debts, 6% overdrafts and 5% hire purchase agreements.

2.1 2013 Query Profile

The increased taxes and public spending cuts implemented in recent budgets present long term uncertainty for CIS and MABS clients, many of whom are social welfare dependent. During 2013, over a half (55%) of the Social Welfare queries from CISs fell within the main category areas of: Claiming a Social Welfare Benefit (12%) which included some of the more complex issues to do with Jobseekers payments, and frequently dealt with multi-faceted welfare claims; Extra Social Welfare Benefits (11%) which covers additional payments such as Free Travel and Fuel Allowance; Disability and Illness queries, (11%) dealt with a range of disability related benefits and allowances including information and advice on both payment refusals and the appeals processes; Families and Children (10%) - queries in the main relate to Child Benefit, Family Income Supplement applications and increases for qualified children on social welfare payment; and Supplementary Welfare schemes, which accounted for just over 11% of social welfare queries, similar to 2012 figures⁶. Nearly one quarter of CIS Money and Tax queries (20,244 or 22%) were about the **Local Property Tax** as the public tried to deal with a newly introduced system of self-assessment tax. Money and Tax was also the 3rd highest category of query dealt with by CIPS during 2013 (13.2%).

3. Welfare, Labour Market Integration & the Underemployed

Income supports and related activation schemes provided by the Department of Social Protection (DSP)⁷ are vital to people in times of involuntary unemployment. However, their success in incentivising work and dis-incentivising welfare dependency can often be determined by the integration of tax and welfare systems

⁵ MABSIS 2013

⁶ CISs reported many problems associated with Rent Supplement rent limits. See the CIB Policy Submission Rent Supplement, http://www.citizensinformationboard.ie/publications/social/downloads/Submission_Rent_Supplement_Nov2012.pdf

⁷ The Activation Schemes referred to here and which features significantly in Feedback from CISs and CIPS are Tús, Jobplus, JobBridge, Rural Social Scheme, Gateway, CE programmes and the Back to Education Allowance.

and what this means, in practical terms in relation to the income (or take home pay) of the welfare recipient.

To the end of May 2014, a number of people availed of a range of activation programmes targeted primarily at the long-term unemployed (over 12 months) and other welfare recipients (including Lone Parents). Feedback from service delivery partners point to the need for focused revision of these programmes. Problems arise for people when they find they cannot access adequate income support to cover the cost of daily travel to programmes. While the loss of Rent Supplement on take up of part-time employment or the additional childcare and travel costs, together with tax and PRSI reductions mean that it becomes too difficult to maintain even part-time participation in the labour market.

The development of a new approach to helping un/underemployed jobseekers return to work through the roll out of 34 Intreo Centres is welcomed by CIB but, we suggest needs to be further enhanced by critical measures that: a) improve the integration of tax and social welfare - as is currently being considered by the Advisory Group on Tax and Social Welfare⁸ - and b) enhance activation programmes, in such a way that it is practical and financially feasible for people to maintain part-time employment, participate in activation measures and reintegrate into the labour market. In doing so, CIB suggest that Budget 2015 should focus targeted intervention in relation to working age supports in order to incentivise people at different life stages (i.e. young adults, underemployed families, older people) to return to or remain in employment and training.

3.1 Young People – facing financial difficulties

The reduced €100 rate of Jobseeker's Allowance and Supplementary Welfare Allowance (SWA) – which⁹ was applied to persons without children (who reach the age of 22 from January 2014 and to new claimants aged 23 and 24 also) from January 2014, has brought a number of young people and their families into CICs. In the main, people are concerned about the limitations on work and training opportunities for young people, who due to reduced income cannot live outside of the family home and are finding it difficult to meet the cost of living and/or travel to and participate in part-time employment and training.

Case Example: Young Vulnerable Adults

The client was a 19 year old male living in homeless accommodation. He is currently unable to move from homeless accommodation as he is in receipt of Jobseekers Allowance at a rate of €100.00 per week. It is not feasible to live in private rented accommodation as his income will reduce by a further €30 per week due to the minimum contribution to rent that he must pay as part of the Rent Supplement scheme. He is currently studying a part-time course with a view to beginning a full-time course in accounting in September on the BTEA. However, in the interim he has

⁸ Minister for Social Protection, Joan Burton T.D established the Advisory Group on Tax and Social Welfare in 2011 to harness expert opinion and experience to address a number of specific issues around the interaction of the tax and social protection systems. The Advisory Group is currently undertaking its final module of work on the issue of the interaction of the tax and social welfare systems to determine how the social welfare system can best achieve its goals of supporting persons through periods of involuntary unemployment while incentivising work and dis-incentivising welfare dependency. See <https://www.welfare.ie/en/Pages/Advisory-Group-on-Tax-and-Social-Welfare-First-Report-Child-and-Family-Income-Support.aspx>

⁹ This reduced rate was previously applicable to 18 to 21 year olds.

no option but to remain in a homeless shelter for the next nine months, after which he may possibly be in a better financial situation if he is in receipt of the BTEA at a reduced rate of €160 per week, less the €30 euro minimum contribution to rent. (Dublin City Centre CIS)

CIB contend that some unemployed young people need to be supported to reintegrate into the labour market through targeted activation measures and training specifically aimed at this demographic. While the youth unemployment rate in Ireland decreased gradually in 2013 - 2014¹⁰, it is still higher than the general population at 15.4%.¹¹ Our feedback suggests that the reduction of Jobseekers Allowance and SWA in Budget 2014, without a counter investment in initiatives to enhance the skills of young people in the labour market has impacted on the objective to discourage welfare dependency and contributes to hardship among younger unemployed people.

To this end, the EU-wide Youth Guarantee to provide young people under the age of 25 with a good quality offer of employment, continued education, an apprenticeship or a traineeship within a short time of becoming unemployed must be maintained¹².

In addition and linked to this is the need to consider re-instating Child Benefit for young people over the age of 18 when they are in full-time education and training. A number of users of our services have reported on the difficulties they experience in maintaining and supporting young people who are in education.

Case Example: Support Families to Educate

The Caller works a few hours per day over six days a week and is therefore ineligible for JA (and earning a low wage). After paying her travel costs to work (€300 per month), she is left with €138 per week. (If she were to be reduced to a three-day week, she would have a weekly income of approximately €264, including JA.) Her son is 23 and in full-time education: she is not entitled to claim FIS for him.

The Back to Education Allowance is also now means tested on the basis of earnings over the six-week period prior to the application. This can act as a disincentive for younger applicants who are in part-time/casual employment prior to applying for BTEA and detracts from the effectiveness of BTEA as an activation measure which is designed to facilitate moving people from a situation of welfare dependency into education and ultimately employment.

3.2 The Underemployed

Jobseeker's Benefit (JB) and Jobseeker's Allowance (JA) provide income support for people who have lost work and are unable to find alternative full-time employment. The fundamental qualifying condition of both schemes is that a person must be fully unemployed for four in any period of seven consecutive days. However, a number of underemployed people using CIS and CIPS do not qualify for JA or JB as their hours

¹⁰ Youth Unemployment Rate in Ireland averaged 18.32 % from 1983 until 2014, reaching an all-time high of 31.30 % in February of 2012 and a record low of 6.20 % in October of 2000. Youth Unemployment Rate in Ireland is reported by the Eurostat. See <http://www.tradingeconomics.com>

¹¹ See <http://www.cso.ie/en/releasesandpublications/er/lr/liveregisterjune2014/#.U7Ups8J00po>

¹² The EU-wide Youth Guarantee is a dedicated drive to provide the work, training and education opportunities that young jobseekers need. The formal Council meeting on the Agreement of Youth Guarantee took place on the 28th February 2013 last. The Irish implementation plan details how the Youth Guarantee will be implemented over the course of 2014 and 2015 and was published by the Minister for Social Protection and the Minister for Education and Skills, prior to this on 28th January 2013 . See <https://www.welfare.ie/en/pressoffice/pdf/pr280114.pdf>

of part-time work is spread over five days a week. These people are finding it difficult to meet the cost of living while staying in part-time employment.

Feedback from services suggests that many underemployed people and households are now relying on a combination of temporary part-time work and social welfare payments to survive. For some people using CISs and CIPS, whose Jobseekers Benefit claim has exhausted and they do not qualify to reapply, it can be difficult and in some instances financially impossible to stay in part-time employment.

3.3 Disincentives for people transitioning from welfare to work

The main disincentives to employment that have been identified by CIB delivery partners are:

- The Working Hours Rule
- The withdrawal of Rent Supplement
- The negative financial impact of cross cutting policies
- In-work costs of travel and childcare¹³

3.3.1 The Working Hours Rule

The 3-day rule for JB/JA eligibility is amongst the most frequently reported policy issue from CISs and CIPS and is described by services as an anomaly that leaves some low-waged part-time workers without income support (particularly where they do not qualify for FIS), while others on similar hours of work and wages are eligible for income support (because the pattern of their working hours is concentrated over three days or less).

There is a basic anomaly in a social protection system that on the one hand defines an essential standard of living for a person at a certain amount (taking for example, €188 per week for a single person over 25; €342.60 if they have an IQA¹⁴ and IQC) - but on the other hand, does not provide social welfare income should that person earn less through part-time work carried out over more than 3 days each week. This leaves a cohort of people at increased risk of falling into a poverty trap. The Vincentian Partnership MESL (Minimum Essential Standards of Living) demonstrates the difficulties already faced by low income families in affording socially acceptable standards of living, even when taking different social welfare income scenarios into consideration. (2013:2)

Example Cases: Jobseekers Payment

Client works over 3 days at the moment and receives JB for the other 2 days. Her employer now wants her to work the same hours over 5 mornings. She will not be able to do this as, together with her husband's income, it will mean that she is just over the income guidelines for FIS. Because of this required change in her working hours their household income will be reduced by €60 approx.

¹³ It should be noted that the recent ESRI report "Welfare Targeting and Work Incentives" found that work pays more than welfare for close to 6 out of 7 unemployed people -even when in-work costs like childcare and travel to work are taken into account. It finds that among those people in employment or unemployed facing a situation where work pays less than welfare, more than 7 out of 10 choose work rather than welfare.

¹⁴ If your spouse's, civil partner or cohabitant is dependent on you or is on a low income you may be able to claim an increase in your payment for him or her. This increase is called an Increase for a Qualified Adult (IQA). If your adult dependant is earning €100 or less you will get the maximum IQA. If he or she is earning between €100 and €310 you will get a reduced rate of IQA. If your adult dependant is earning more than €310 you will not get an increase in your Jobseeker's Benefit for your adult dependant.

Caller has been claiming JA for six months and has recently taken up part-time minimum wage employment. The contract is for 20 hours per week over five afternoons at €8.65 per hour. He was not aware of the three-day JA rule and had thought he would be able to receive partial JA payment on taking up the job. His total income is €173 per week – less than the €188 JA payment. While he can apply for a SWA top-up, he will still be living on less income than if he was in receipt of JA.

Previous CIB Submissions have referred to the structural complexities of the social protection system and difficulties in responding to new (and often precarious) working situations, which require considered and flexible working age supports to incentivise work. It is recognised at government level that a changing labour market has resulted in a move away from the more traditional work patterns that have resulted nationally in a number of persons employed for less than a full week.

3.3.2 The Withdrawal of Rent Supplement (RS)

The withdrawal of Rent Supplement for anyone working in excess of 30 hours per week is a disincentive to gaining ‘full time’ work. Feedback from our service delivery partners suggests that there should be a greater emphasis on tapered disregards¹⁵ in relation to the receipt of secondary benefits - such as RS - on take up of employment, activation programmes or training.

Example Case: Withdrawal of Rent Supplement

The Caller is on Jobseekers Allowance (JA) of €402.20. He has been offered a job, 40 hours, at minimum wage, gross €346. He currently gets €590 JA+ Rent Supplement (RS). If he takes up employment, even with Family Income Supplement (FIS) he will be on less than €568. The loss of RS is a disincentive for him to return to work^{*16}

3.3.3 The Financial Impact of Cross Cutting Policies

Coupled with the issue of Rent Supplement, feedback from services highlight instances where **cross cutting** eligibility criteria (e.g. for payments such as FIS, qualified adult and child increases and RS) once applied, can leave families with little extra support regardless of their income levels. For example, a family where one adult is working part-time may lose Rent Supplement because of the 29 hour limitation but gain FIS. However, the amount they will then spend on rent may negate the financial benefit of FIS and call into question the overall benefit of taking up employment.

¹⁵ A similar rule was introduced in 1996¹⁵ and had its origin in a recommendation by the Expert Working Group on the Integration of the Tax and Social Welfare Systems. The Group highlighted the fact that one of the disincentives to taking up employment was the immediate loss of Qualified Child Increases (QCIs). The Group also made the point that while QCIs were lost immediately, FIS did not come into payment for a number of weeks, due to the timescale required to produce evidence of earnings. In order to address this problem the Social Welfare Act, 1996 provided for the retention of the QCIs for a period of 13 weeks.

¹⁶ The forthcoming Housing Assistance Payment will address this issue.

A greater emphasis needs to be placed on maintaining a basic standard of income for working individuals and families so that the interaction of social welfare benefits is not financially prohibitive. This might mean that in the future, secondary benefits are related to actual income rather than employment status (as is currently the case with eligibility for FIS and JA *for example*) and tapered accordingly to ensure a positive financial impact of social protection policy on the take up of employment and training initiatives.

A report on ***Social Transfers and Poverty Alleviation in Ireland***¹⁷ published jointly by the ESRI and the Department of Social Protection examines the impact of social transfers in alleviating income poverty in Ireland. The findings show the increasing poverty reduction impact of social transfers, including pensions, which reduced the at-risk-of-poverty rate by 53% in 2004, rising to 71% by 2011

This is an important policy issue which is being considered by the Advisory Group on Tax and Social Welfare¹⁸ Social policy feedback from CISs and CIPS suggests that this be made a priority in Budget 2015 and that a balance needs to be struck between incentivising training and educational opportunities and the retention of income supports which will ease the transition from welfare to activation. For many CIS and CIPS clients who have children, the loss of secondary benefits, makes the balance between income *in* and *outgoings* when participating in training and activation initiatives unsustainable.

Example Cases: Cross Cutting Policies

A married man with four children receives €432 per week on Jobseeker Allowance and €64 per week Rent Supplement, totalling €496 per week. He has been offered employment at €8.65 per hour. Therefore his net wages will be €327.72. He now has the option to apply for Family Income Supplement. He will then receive €298 on Family Income Supplement. His total income will then be €625.72.

Therefore on paper his income has increased by €129.72. [However] Rent supplement will now cease* and he will have to pay the whole €104 rent per week; he was paying €40. This would mean that his income will increase by €65.72 per week. If travel to work is factored in, then his increase will decrease again. *(The new Housing Assistance Payment is intended to resolve this issue as those on low income in full time work will not be precluded from receiving rent assistance).

A Caller is self-employed full time and takes home a minimum wage of €337/week. He has a spouse working part time, earning €108/week and they have two children. He cannot get Rent Supplement because of the 29hr limitation, even though they would pass the means test to pay the minimum contribution. Caller can't get FIS because he is self-employed (but may qualify for JA).

¹⁷ Watson, D, and Maître, B (2013) *Social Transfers and Poverty Alleviation in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004 - 2011*, ESRI and Department of Social Protection.

¹⁸ The Advisory Group is currently undertaking its final module of work on the issue of the interaction of the tax and social welfare systems to determine how the social welfare system can best achieve its goals of supporting persons through periods of involuntary unemployment while incentivising work and dis-incentivising welfare dependency. See <https://www.welfare.ie/en/Pages/Advisory-Group-on-Tax-and-Social-Welfare-First-Report-Child-and-Family-Income-Support.aspx>

After paying €161wk (€700/month) in rent the family are worse off financially than if they were not working and on social welfare. They have €284 left after paying rent. If they were not working and relying on social welfare, they would have €332.80 a week after paying their minimum contribution for RS.

3.3.4 In-work costs of Travel and Childcare

There has been some evidence from CISs and CIPS during 2013 and highlighted again during 2014 that clients are not in a position to increase part-time hours or take up work opportunities on the minimum wage because they cannot afford to do so. A small cohort of individuals and families presenting to CISs and CIPS each year would be financially better off giving up part-time employment and relying on welfare support to live.

A recent ESRI report¹⁹ however found that work pays more than welfare for close to 6 out of 7 unemployed people -even when in-work costs like childcare and travel to work are taken into account. The ESRI²⁰ estimated travel costs at €15-25 per week as a basis for analysis of the combined impact of travel to work costs and childcare costs, which it estimated at €94-€135 for a child aged under five years. While childcare costs are being acknowledged to some extent through the Community Childcare Subvention and the Early Childhood Care and Education Scheme, this continues to be a disincentive for a cohort of families presenting to CISs.

3.4 The Hidden Unemployed

An emerging issue highlighted by service delivery partners is the number of **hidden** unemployed people who are not entitled to access job activation initiatives or other benefits of social protection without being on a social welfare payment. In the main, these include: those that have exhausted Jobseeker's Benefit entitlement and do not qualify for means tested JA; previously self-employed not eligible for JA²¹; and Qualified Adults who do not get a JS payment and/ or do not have jobseeker credits in their own right.

Services have reported a rising number of people who exhaust their Jobseekers Benefit but are not entitled to JA because of household income through a partner's earnings.

Feedback from CIS and CIPS recommend that, at times of involuntary unemployment qualified adults and people who previously 'stayed at home' caring for dependent children should be provided with supports and access to activation measures. It is suggested that these non income support based activation and training schemes also be extended to self-employed people. Under the current social insurance system in Ireland, self-employed people are not covered against labour-related risks of unemployment and incapacity for work. The fact that self-employment is likely to be a key component of job creation in the foreseeable future raises

¹⁹ *Welfare Targeting and Work Incentives*, ESRI, Budget Perspectives 2015 Paper 3, June 2014

²⁰ See Callan, T (Ed.) 2012 **Budget Perspectives 2013**. *ESRI Research Series, No. (28)*. **Chapter 3: Work Incentives: New Evidence for Ireland** presents results based on the ESRI tax-benefit model, SWITCH, which provide an up-to-date representative picture of Replacement Rates in Ireland.

²¹ Self-employed people pay Class S PRSI. Class S PRSI only covers you for certain social welfare payments. It does **not** cover you for Jobseeker's Benefit.

important questions about the need to extend insurance cover for contingencies of unemployment, underemployment and in particular illness/disability. In this regard, social insurance contributions and protection for self-employed people should be reviewed.

CIB recommend that Budget 2015 be the avenue through which a number of solutions that encourage self-employment be introduced. The third Report of the TSWAG²² recommended - in the context of extending social insurance for the self-employed – that the methodology for assessing means for Jobseeker’s Allowance could be simplified, with a view towards ensuring the principle of equity in assessment of incomes of households in similar income circumstances is observed in a consistent manner, while bearing in mind technical factors in and differences between assessing employed and self-employed incomes.

The recommendations of the Advisory Group in relation to this and to extending social insurance cover for the self-employed people in cases of long term illness/disability are favoured. CIB also welcomes the provision in the Social Welfare and Pensions Bill 2014, which extends social insurance to cover spouses or civil partners of the self-employed.

3.5 Disability and Illness

Disability and Illness queries represented 11% of social welfare queries to services during 2013 and covered a range of disability related benefits and allowances, including information and advice on both payment refusals and the appeals processes, as well as those to do with Domiciliary Care Allowance (DCA). The refusal of applications for **Disability and Illness** related payments has been the subject of policy feedback since Budget 2013. The perception is that some people’s applications appear to be turned down without good reason and without a medical assessment. This usually means that they have to endure a lengthy wait for an appeal to be processed. This can lead to hardship and stress and to loss of vital secondary benefits.

Feedback from CIB Service delivery partners included not just initial processing delays, but also delays in forwarding documentation to the independent Appeals Office, thus hampering the progress of the appeal, and delays in processing back-payments following successful appeals.

The Ombudsman has noted that decisions to discontinue DCA, in particular following review, were placing stress on families who had come to rely on the payment to meet the additional costs of daily living²³. A key point made by the Ombudsman was that members of the public need to be told why they were being denied benefits and, in cases which involved a medical opinion, decisions needed to be evidence-based²⁴. *Indicative cases below.*

²² DSP, 2013. Third Report: Extending Social Insurance for the Self-Employed. <https://www.welfare.ie/en/Pages/Third-Report-Extending-Social-Insurance-Coverage-for-the-Self-Employed.aspx> Extending

²³ The Final Report of the Review Group on Domiciliary Care Allowance, 2012, set up by the Government, outlined peoples concerns 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 service providers including CIB informed this Report. See <http://www.welfare.ie/en/Pages/Domiciliary-Care-Allowance-Review.aspx>

²⁴ See <http://www.ombudsman.gov.ie/en/Publications/Investigation-Reports/Health-Service-Executive/Report-re-Refusal-of-Applications-for-Domiciliary-Care-Allowance/Background.html>

Invalidity pension appeal being processed. A number of medical professions have provided documents to show that the person cannot work for at least 18 months. Claim was turned down by the medical assessor. Reason given was that the caller is not unfit for work permanently. In the operational guidelines, it states that the criteria will be met if it is evident that an applicant can't work for at least 12 months

A carer of a 16 year old, with an acquired brain injury, applied for DA once her son turned 16. She was in receipt of DCA. A medical review form was sent to her. The doctor confirmed that there was an indefinite full-time care need and work would not be possible. DA was not granted. Medical assessments by DSP medical assessors should be carried out in cases where evidence suggests a possible entitlement to DA before appeals are undertaken. Was told that she would have to appeal it and there was an 8 month delay on processing appeals currently. The caller seemed in no doubt that her son is never going to be able to work and said that medical evidence and report provided stated this also. She is anxious about how the family will cope with the financial loss of the DCA until appeal is processed.

3.6 Welfare, Labour Market Integration & The Underemployed

Solutions & Recommendations

- There is a need to consider an hours based system for jobseekers payments rather than the number of days worked in order to better respond to the numbers of atypical working scenarios that have emerged in recent years
- Review the role of secondary benefits and amend to allow tapered disregards in relation to the receipt of secondary benefits on take up of employment, activation programmes or training
- Consider a re-introduction of a back to work allowance scheme which allows for the retention of secondary benefits on a phased basis.
- Carry out an analysis of the cross cutting financial impact of various social welfare benefits (e.g. JA, IQA/C, RS, and FIS) on actual take home pay after the take up of part-time and full-time employment, taking into account an up-to-date representative picture of both replacement rates and in-work costs (travel to work and childcare costs).
- Notwithstanding the proposed introduction of the new Housing Assistance Payment - and the drive to restore rent supplement to its original purpose as a short term income support - its role as a secondary benefit in dis/incentivising labour market participation needs further analysis and revision so as to augment social protection policy rather than retract from it.
- Extend Class S benefits for the self-employed to include Invalidity Benefit and Partial Capacity Benefit so that they are provided with social insurance cover in situations where they are permanently incapable of work because of long term illness. (This illness may or may not be occupational illness).

- Increase the rate of compulsory contributions for Class S PRSI so that self-employed people meet the level of contributions needed to provide access to Invalidity Pension. TSWAG recently found that an increase of 1.5% was financially achievable.
- Extend non income support based activation and training schemes to self-employed people, and the other hidden unemployed (qualified adults and people who previously 'stayed at home' caring for dependent children) and who have not made the required PRSI contributions in order to support them through periods of involuntary unemployment.
- Extend job seeker supports through SOLAS and Intreo to Job seekers not currently on the live register.
- Broaden the remit of the Part-time Job Incentive Scheme (which is restricted to long-term unemployed) to include those on the OPF and those in hidden unemployment.

4. Meeting the Cost of Living

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 measures taken since then to address the public finance deficit (e.g. reductions in the amounts payable under the Rent Supplement Scheme, changes to OPF payments, increases in social security contributions, pay reductions, and the introduction of the Local Property Tax).²⁵

People need to be able to afford a basic standard of living. An analysis of the recent SILC²⁶ data and borne out in the evidence from CISs and CIPS - is that at a basic level people at all strata of society are finding it difficult to do so. Lone parents, people not at work as a consequence of long term illness or disability, and unemployed people have been hit the hardest. The impact of cutbacks are particularly hard hitting for social welfare recipients when combined with the gradual erosion of the real value of social welfare payments to the persons standard of living.

Social welfare recipients are not the only group finding it hard to make ends meet. There has been a decline in the average disposable income in 2012 (€399.69) from a peak of €471.65 in 2007, while average weekly tax and social insurance contributions have increased year on year since 2009 and stood at €118.91 in

²⁵ 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 *Work Incentives: New Evidence for Ireland-Budget Perspectives 2013* in T. Callan (ed.). 2012. *Budget Perspectives 2013*. ESRI: Dublin.

²⁶ The **Survey on Income and Living Conditions (SILC)** in Ireland is a household survey covering a broad range of issues in relation to income and living conditions. It is the official source of data on household and individual income and also provides a number of key national poverty indicators, such as the at risk of poverty rate, the consistent poverty rate and rates of enforced deprivation. This report presents the results for 2012 and comparable data for previous years. See http://www.cso.ie/en/media/csoie/releasespublications/documents/silc/2012/silc_2012.pdf

2012.²⁷ 13% of people reported have not been able to heat their homes adequately during the past year. Many of the Older and Retired People queries (10% of all queries) dealt with by CISs in 2013 related to extra social welfare benefits, such as Household Benefits and Fuel Allowance.

Services describe the frustration experienced by individuals and families trying to access income supports at a time when budgetary changes have impacted negatively on household income. The majority of the queries to CISs relate to core income support payments and related secondary benefits. For many people using these services, the most recent tranche of budgetary cut backs, such as a reduction in their Rent Allowance, the loss of the Fuel Allowance or increased taxes and charges have resulted in considerable financial hardship.

Difficulties with fuel prices are widespread, with the most vulnerable households forced to make choices between the basics for living (food, fuel, shelter) and take up an activation scheme, participation in an education programme or accepting a job offer at the minimum wage. Feedback from CISs, CIPS and MABS suggest that there are a number of areas of social protection policy that need priority attention to relieve the difficulties experienced by people trying to attain a minimum standard of living.

Case Examples: Hard Choices

Hardship is being caused by Fuel Allowance rules being too restrictive for this Caller to benefit. He was on JA for 2 years but part of this included a period of VTOS. He now cannot get fuel allowance as the period of VTOS does not count towards this. He feels that he is being penalised for taking up a training opportunity.

Caller is a married man with 2 children and recently started a CE scheme, Caller is now paying approx 16 euro PRSI weekly, and is only getting 2 euros more from working on his CE scheme. FIS do not recognise a CE scheme as employment but CE schemes are recognised as work for PRSI purposes.

4.1 Supporting Families

Currently the Family Income Supplement plays a vital role in that it preserves the incentive to take up or remain in employment for families where the employee might only be marginally better off than if s/he were claiming other social welfare payments²⁸. For many callers to CISs and CIPS, the level of FIS entitlement allocated, even after the deduction of PRSI, provides a valuable support and an incentive to stay in employment.

The main issue with Family Income Supplement identified by CIB delivery partners is a concern with a core eligibility restriction: the requirement to be working a minimum of 38-hours per fortnight to qualify for the payment. Services have found that the working hours rule impacts on families that need some flexibility in relation to the

²⁷ SILC data 2012 outlines that while there has been a decline in the average disposable income average weekly tax and social insurance contributions have increased every year since 2009 (€104.36)

²⁸ To qualify for payment of FIS, a person must be engaged in full-time insurable employment which is expected to last for at least 3 months and be working for a minimum of 38 hours per fortnight or 19 hours per week. Furthermore, the average family income must be below a specified amount which varies according to the number of qualified children in the family.

hours worked each fortnight and /or any seasonal adjustment of working hours within a tax year.

Other issues adversely affecting families and children include non-payment of IQCs for separated parents on jobseeker's payments and the cost of childcare in Ireland compared to other jurisdictions in Europe.

Example Case: Supporting Families

A caller's 19 year old is living at home. He cannot get JA because he is in full time education (in school). The Child Benefit has been cut even though the 19yr old is still dependant on the family income to live. The Caller finds it a financial strain meeting the cost of education as well as providing for living expenses of their son.

Example Case: Family Income Supplement

Self-employed caller with a wife and three children has suffered a loss of income. His current income is €360 per week. JA will pay him approximately €42 per week, with his earnings assessed (means-tested) on a euro for euro basis (i.e. no disregard). Were he an employee, his JA would be €222 due to the disregard applied. As a self-employed person, he is ineligible for FIS (which would be worth €205 per week to him were he an employee and not claiming JA).

4.2 Meeting the Cost of Living

Solutions & Recommendations

- Increase social welfare rates in line with inflation. Failure to do so is equal to an annual reduction of welfare benefits. Core welfare rates have remained static since the economic crisis.
- Maintain current levels of income support for children in low income households through Qualified Child Increases, Child Benefit and Family Income Supplement (FIS).
- Extend Child Benefit for 18-22 year olds in full time education, in line with other DSP payments.
- Extend the entitlement to fuel allowance (based on a means test) to people on JA and JB for a specific short term period, to ease the financial transition to employment and independent living.
- Revise the income thresholds for FIS keeping in mind minimum essential standards of living and the current numbers of families with children at risk of poverty.
- There is need for a reformed FIS payment which will be a) cognisant of other cross cutting payments to families and b) situations where people may require the amount of FIS received to be reassessed within the 52 week period.

- Introduce an SWA scheme that will replicate the FIS payment amount for applicants that are waiting for their payments to be processed and experiencing delays.

- Revise the Non-eligibility for Family Income Supplement for those working less than 19 hours a week, in order to meet the support needs of low-income *working families* who are not eligible for other income support. To this end, consideration might be given to the introduction of tapers and income disregards in relation to the receipt of FIS.

- Introduce a child care scheme that assists working parents with child care costs on a graduated basis. Rather than introducing this as a separate scheme with related administrative overheads, this could be an automatic income tax credit for families inside the tax net.

- Extend FIS to self-employed people on low incomes in order to incentivise self-employment in the economy as a long-term strategy to increase employment and reduce the Social Welfare spend.

- Extend FIS received by welfare recipients of OFP, Deserted Wife's Benefit, Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension²⁹ to people participating in employment activation programmes, such as the CE Scheme, the Rural Social Scheme, the Tus Scheme and JobBridge as an initiative to maintain labour market participation and motivate those in transition to seek out further employment on completion of the schemes.

5. Housing, Homelessness and Rent Supplement

The current national focus on housing issues is also reflected in the queries to CISs and CIPS.³⁰ In 2013, services dealt with over 58,000 housing queries from all areas of the country and a further 20,000 Rent Supplement related issues. 38% of housing enquiries last year related to local authority and social housing and a further 22% or 13,000 to private rented accommodation.

The precarious position of Rent Supplement tenants in some areas as a result of the fluid nature of the private rented sector is highlighted regularly in queries to CISs and CIPS. Assisting people with unsustainable mortgage debt is a significant aspect of

²⁹ You cannot get FIS if you are on one of the following schemes or social welfare payments: [Community Employment Scheme](#), [Rural Social Scheme](#), [the TÚS scheme](#) or [JobBridge](#); [Jobseeker's Benefit](#), [Jobseeker's Allowance](#) or Farm Assist; [State Pension \(Transition\)](#) or [Pre-Retirement Allowance](#). Your spouse, civil partner or cohabitant can claim FIS while you are getting one of these payments. However an Increase for a Qualified Adult (IQA) will no longer be paid and your social welfare payment will be assessed as income for their FIS payment. Any Increase for a Qualified Child will be affected. Similarly if your spouse, civil partner or cohabitant is getting one of these payments, you can qualify for FIS but an IQA will no longer be paid for you.

³⁰ CIB also provides the website www.keepingyourhome.ie as a public information resource and until recently the Mortgage Arrears Information Helpline which provided assistance to people in difficulties with mortgages or rent and had over 11,000 callers in the past 18 months. CIB also supports Threshold the housing advice agency to provide a specialist housing advice back up service to information givers in CISs.

the work of MABS. The current policy emphasis on accommodating people with disabilities to live independently in the community raises important questions about how this is to be achieved and some of the work of NAS involves helping people to assert their right to independent living and to find accommodation accordingly.

Feedback from service delivery partners in the main relates to people who were unable to find accommodation in the private sector within the maximum rent limits provided, those finding it difficult to access local authority and social housing supports and in some instances those who were at risk of homelessness. Some of the examples provided by services describe complex situations where people are living on the margins of society.

While there is no right to housing in Ireland, the Housing Act 1988 provides that each local authority has responsibility for providing for the accommodation needs of people who are homeless. Feedback from CISs and CIPS illustrates the lack of social housing options available and that each local authority is maintaining large waiting lists for social housing.

The 2011 assessment of housing need³¹ showed that over 98,000 households were in need of social housing in 2011 and 2,348 (or 2.4%) of these households were in need of housing due to homelessness. The largest category of need by far was those unable to meet the cost of accommodation – accounting for about two-thirds (66.8%) of households, with the next biggest category of need, medical and compassion reasons, accounting for one-tenth of households (9.7%) and this was followed by those involuntary sharing (8.7%). Older persons and homeless households respectively account for just over 2% of need, while Traveller families, unfit accommodation and people with a disability each accounted for less than 2% of the country's net housing need.

Example Case: Social Housing

Single man made an application for social housing eight years ago and although regularly contacts the council to ascertain information in relation to the status of his application, he has never been offered any social housing. He was informed by staff in the council that as there is a shortage of one bedroom units which are suitable to his needs it could be a considerable time before they would be in a position to offer him any accommodation.

The correlation between homelessness and mental health difficulties is well documented and also borne out in the experience of callers to CISs and CIPS. A small number of people that come to CIB services sleep rough, a number are staying in emergency accommodation or with friends. In addition to those who are welfare dependent and recently obliged to change accommodation, this includes: people being released from hospital without suitable housing support; people who are at risk because they are experiencing mental health difficulties and; separating couples with children; and people, usually women and children experiencing domestic violence.

³¹ Every three years, in accordance with Section 9 of the Housing Act 1988, housing authorities are required to undertake an assessment of housing need in their functional areas. See <http://www.environ.ie/en/Publications/StatisticsandRegularPublications/HousingStatistics/FileDownload,27864,en.pdf>

Example Case: Mental Health

A young person with a history of psychiatric problems has just been discharged from the mental health unit of Hospital without adequate housing provision. He was discharged when the staff were aware that he was essentially homeless. He does not have a social worker and is due to report to the doctor on 1st May, i.e. in 2 weeks' time. He was advised by the hospital to present as homeless to the local authority. We are concerned that such a young vulnerable person could be discharged into the community without their having been provision made for his housing needs.

Due to the current lack of housing options for people with low income (ESRI, 2014; Focus Ireland, 2012), the over reliance on the private rental sector as a viable social housing option and the lack of sufficient social housing stock means that the state is continually vulnerable to rising rents in the private rental sector.

While CIB welcomes the introduction of the new Housing Assistance Payment (HAP) and the strategy to return rent supplement to its original purpose as a short term housing support, this must be balanced by a complimentary strategy to protect and provide long term social housing stock which will offer affordable housing for lower income families who cannot access suitable housing from their own resources. The reliance on Rent Supplement within the rental sector needs a solution that includes, but is not solely reliant on a revision (upwards) of rent limits in budget 2015 in line with the national increase in rents.

Example Case: Social Housing Needs

Caller and his wife and son are homeless in Sligo. They've been homeless for more than 6 months and now qualify for rent supplement; however they can't get together the money for a deposit. When they requested help from the local authority they were told that Sligo Co "is broke". The homeless facilities in Sligo aren't set up for families so every week they have to spend all their social welfare on a hostel, leaving them caught in a vicious circle of not being able to save up the deposit. They're claiming the family rate of JA, but every time they go to a homeless shelter all they are faced with is the suggestion that they split up because single people can be accommodated. They would be financially better off if they were dishonest about being together - they could stay in homeless accommodation and save up their deposit, plus they would get a higher rate of SW. They're surviving on SVP food vouchers.

5.1 Rent Supplement

The extent and purpose of the Rent Supplement scheme has changed radically since its original introduction as a short term 'safety net' measure. This has resulted in the private rented sector becoming a form of social housing for many groups. The length of time people remain on Rent Supplement is a clear indicator that it has become a core element in social housing provision. However, it has remained to date part of the social welfare system as distinct from being integrated into the broader social housing provision system administered by the Department of the Environment and Local Authorities. This is a matter which is recognised in the proposed new Housing Assistance Payment which will transfer responsibility to local authorities. This also needs to be dealt with in the proposed Social Housing Strategy to ensure as far as possible all social housing supports are fully integrated.

The purpose of Rent Supplement is to provide short term income support to assist with the accommodation costs of eligible people living in private rented accommodation who are unable to meet the cost of housing from their own resources. To qualify for Rent Supplement a person must in the first instance be assessed for eligibility for social housing support by the local housing authority in the area where claim is made (and the person intends to reside). Of the 48,374 Supplementary Welfare Scheme queries dealt with by CISs in 2013, 46% (22,341) were specifically in relation to Rent Supplement. During Q4, 2013 for example, Rent Supplement was the biggest single issue within social welfare feedback from services, representing 17% of all social welfare feedback from CISs and CIPS. It was the second biggest single issue to be reported on, after Local Property Tax. There were 7,262 Rent Supplement information and advice queries to CISs from January – March 2014 alone.

The most reported policy issue during 2013/14 in relation to Rent Supplement has been the new rent limits³² and the impact of the introduction of the revised limits on the lives of often vulnerable people who are already finding it difficult to meet the financial and social challenges faced by reduced incomes and underemployment.

Predominantly feedback received from services in relation to Rent Supplement concern the difficulties people are facing in obtaining (and retaining) accommodation for their family size within the new limits. Many service users report that they are finding the rent limits unrealistic for the size of accommodation they need, and the amount of rent too low for their geographical area. Some report having to break lease agreements - with a resultant loss of deposits and/or advance rental payments - in order to move out of their homes and into accommodation that complies with the new lower rent limit.

Example Case: Rent Limits too Low

Female client with partner and three children came to centre - her landlord has asked them to leave their house as he has someone who is willing to pay a higher rent and who is not in receipt of rent supplement. Explained to the tenant her options and landlord obligations. Client had gone to local council and had looked around the area for accommodation. Her rent limit for this area is €625 for her family circumstances. It is impossible to find property in Wicklow Town for this limit and Wicklow County Council is not offering any options to homeless families as the homeless hostel is full and they say they have no properties available.

Feedback from service users point to real difficulties faced by people in sourcing suitable accommodation for their family type³³. These difficulties are augmented by the fact that demand in the private rented sector has grown substantially in recent years with the result that Rent Supplement claimants who are welfare dependant are

29 Significantly revised monthly rent limits were introduced in Budget 2012 and subsequently amended early 2013 (effective from 17th June). The June 2013 review saw rent limits in some areas (notably Dublin and Galway) increased in line with market values for rented accommodation, while many (generally rural) areas saw further decreases. Some areas retained the Jan 2012 limits.

³³ The criteria for determining rent limits are divided by location and family type: **single person in shared accommodation, couple in shared accommodation - and so on to - couple with 3 children or one-parent with 3 children**. See rent limits at http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/supplementary_welfare_schemes/rent_supplement.html

competing for suitable housing in a busy rental market. The contribution to be made by the tenant has also increased from €24 to €30 in 2012.³⁴

Feedback to CIB on the matter suggests that the combination of this growth, the gradual lowering of the maximum RS limits (with the exception of increases in certain urban areas) and the increase in tenant contribution (from the primary social welfare payment or from part-time employment income) has 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).

Service users report difficulty in negotiating rent with landlords in instances where the rent limits are set at a figure less than the average rental cost of suitable accommodation for the individual/ family in that area. Service users across the country, both urban and rural, also report some landlords do not want to accept rent supplement applications or require a top up payment to supplement the rent limits set by the scheme. In addition, services have indicated that people who are housed in the private rented sector and who rely on Rent Supplement payments may sometimes be forced to live in accommodation at the lower end of the market which is sometimes of poor quality.

5.1.1 Revising the Maximum Rent Limits

The DSP currently funds approximately one third of the private rented sector. As this is a sizable portion of the rental market, the need for rent limits to be kept under review is acknowledged to ensure it continues to reflect current market conditions. However, there is some evidence from services to suggest that average rents nationwide are now significantly higher than they were at the time of the last review (June 2013). A further review is now being undertaken by the Department.

The Private Residential Tenancies Board (PRTB)³⁵ rent index to Q4 2013, showed that on an annual basis, nationally, rents during 2013 were 3.3% higher than in quarter 4 of 2012³⁶.

The PRTB rent index suggests that much of the increase that has occurred since the beginning of 2012 took place in 2013 with rents 3.4% higher in Quarter 4 when compared to the first quarter of the year. Rents rose in all city centres, with Cork & Galway cities experiencing a 6% rise, Limerick 5% and Waterford 1%. The strongest growth took place in the Dublin market, with apartments up by 10.5% between Quarter 1 and Quarter 4, 2013, while house rents in Dublin rose by 6.6% over the same period. (Daft, 2014)

This is supported by the latest **Quarterly Rental Report by Daft.ie**³⁷ which also indicates significant changes in the rental market: outside of the cities, rents rose by

³⁴ Increased from €13 to €18 –effective in January 2009, from €18 to €24 –effective in May 2009 and from €24 to €30 –effective in 2014 . See Rent Limits Review Report, 2011 <http://www.welfare.ie/en/downloads/rentreview2011.pdf>

³⁵ The PRTB publishes the most accurate and authoritative rent report on the private accommodation sector in Ireland. It is compiled by the ESRI and based on the PRTB's own register of tenancies. The index reveals the actual rents being paid for rented properties where the landlord has registered the property as rental.

³⁶ See <http://www.prtb.ie/landlords/rent-index> Nationally rents peaked in the fourth quarter of 2007 before declining by 26 % to their trough in the first quarter of 2012.

³⁷ See <http://c0.dmstatic.com/557/report/Daft-Rental-Report-Q1-2014.pdf>

an average of 4%, whilst the number of properties available for rent is now under 4,000 - down from 11,000 two years ago. The latest Quarterly Rental Report by Daft.ie suggests that the average rent nationwide is now 9% higher than it was at the same quarter last year³⁸. *Daft.ie* now suggests that the average rent nationwide is €888.

Taking two examples from the current rent limits to test the availability of rent within these limits, people might well experience difficulty in securing suitable accommodation:

- **Example 1** - A Couple (or one-parent family) with 3 children living in Co. Clare would be under the current rent limits to qualify for rent accommodation that costs up to €500 a month. The PRTB Average Monthly Rent database indicated that a couple can expect to pay over €500 on average in Ennis, Co. Clare for suitable accommodation for their family type.
- **Example 2** - The same couple (or one-parent family) can expect to pay €890 for a 2 bedroom apartment and over €1,000 for a 3 bedroom apartment to accommodate their family type in Swords, Co. Dublin. The rent limits for this family in this part of Dublin is €950³⁹

This rise in the cost of rent is a significant development in the context of HAP and the strategic policy direction to return rent supplement to its original purpose of a short term income support.

5.2 Other Issues

Feedback from service users also points to situations where the policy surrounding rent supplement makes it difficult for people to avail of the supplementary welfare support as intended. This includes the application of a blanket approach to the application of the maximum limits (e.g. the assumption that all family groups have similar needs or that all single people regardless of age or other circumstance can be facilitated under the same rent limits).

In some cases Rent Supplement can be paid at the discretion of the DSP staff administering the scheme where the rent is over the relevant limit. This usually applies when someone has special housing needs (for example, a disabled person in specially adapted accommodation). CIB welcomes the recent protocol put in place by the Department with the Dublin local authorities and voluntary organisations so that families on rent supplement who are at risk of losing their accommodation can have the rent limits reviewed on a case by case basis. The protocol 'recognises that prospective tenants, including those seeking to access rent supplement, particularly in urban areas, are finding it increasingly difficult to secure appropriate accommodation due to the reduced availability of rental properties'. This protocol is part of the homelessness prevention campaign in the Dublin region. CIB is a party to

³⁸ Rents also rose in every county outside of Connacht and Ulster, with the highest annual increase of 14% occurring in Dublin city centre. However, it should be noted that the pool from which this average is arrived may be substantially larger than the pool of private rental accommodations on the PTRB database, which has a record of *registered landlords only*.

³⁹ Swords is under the Fingal Local Authority Area when determining rent limits.

this initiative which also involves Dublin based CISs as part of an awareness raising campaign.

The application of more widespread discretionary measures are required where an RS applicant can reasonably demonstrate that there is not suitable accommodation in their local area within the current rent limits provided; and also in acknowledgment that some people (e.g. people with disabilities and people with mental health difficulties) may need additional discretionary support in order to find suitable accommodation in the community.

5.3 Housing, Homelessness and Rent Supplement

Solutions & Recommendations

- Expedite the proposed roll out of the HAP, which will go some way in responding to the housing crisis, particularly for individuals and families where levels of income are reduced and applicants are likely to rely on this housing support in the long-term.
- Increase the levels of funding available for social housing and related supports services.
- Revise current levels of contribution by the tenant until such time as the HAP and other social housing measures have been put in place to support those on lower incomes who are reliant on RS as a form of social housing - and - to alleviate the difficulties people have in meeting the cost of this contribution, given that social welfare rates have not increased at the same time as RS tenant contributions have increased.
- Revise the rent limits in a more timely manner in line with up to date rental indices to ensure that affordable options are available for individuals and families in need of short term support.
- Revise the existing housing strategy to address the urgent need for higher quantity of and quality social housing.⁴⁰In this regard, the recent NESC report, 'Social Housing at the Crossroads' suggests new approaches to social housing that ensure housing provision is no longer developer-led and which reduce the state's current exposure to rising rents in the private rental sector (2014)
- Introduce additional discretionary measures that will accommodate those who can reasonably demonstrate that there is no suitable accommodation in their local area

³⁷ The Government has committed in the recent *Statement of Government Priorities* to 'a vibrant, sustainable public housing sector which will provide quality, secure, accommodation to those whose needs are not addressed in the private market and will create vital infrastructure to contribute to the social and economic wellbeing of the country. The Government will publish a Social Housing Strategy in 2014 that will provide a range of solutions to social housing provision and a new vision of public housing provision that provides both for those households who cannot afford to house themselves, but also assists those who struggle to afford housing in the private market'.

within the current rent limits provided and consider the wider application of the RS protocol agreed for the Dublin area for consideration on a case by case basis.

- Given the difficulties expressed by clients of services about direct negotiation with landlords about rent and the shortfall between the current rent limits and expectation on the part of landlords of the rent, consideration should be given to putting in place a system of direct negotiation between the DSP and landlords where RS is awarded on a similar basis to that envisaged for HAP which will introduce direct payment to landlords.
- Introduce an incentivised scheme that will encourage landlords to have their properties certified as legally compliant by a qualified professional, as a measure to address standards in private rented accommodation and to address the current shortfall in the capacity of the local authorities to inspect all properties.
- Maintain the current level of disregards in relation to means testing for Rent Supplement, namely in relation to Pensioners, Carer's Allowance, rehabilitative earnings, the assessment of property and savings and other additional incomes - and allow a claimant work and qualify for the supplement (as is proposed through HAP).

6. Health – Medical Cards

The issue of access to Medical Cards has become a feature of Health queries to CISs and CIPS with entitlement to a Medical Card the main concern for a significant number of people. In 2013, there were 77,415 Health queries in total, representing 8% of queries. Problems relating to Medical Card eligibility and applications accounted for over two-thirds (68%). Health-related queries comprised 4% of calls to CIPS⁴¹. In 2013, 7% of policy feedback to CIB were health related and 80% of all health-related SPRs concerned a Medical Card.

Issues relating to medical cards identified by services refer primarily to administrative issues, including those associated with the withdrawal of medical cards following review, delays in processing medical card applications, reported means-testing errors, and reported mislaying of clients' documentation. A central theme in the issues identified by CIB service delivery partner services in the queries year on year continues to be the anxiety associated with not getting or losing a Medical Card or having a Full Medical Card reduced to a GP Visit Card.

Feedback from CIB Service Delivery partners focused on a number of areas of key concerns:

- The withdrawal of medical cards from people following reviews carried out during 2013 and 2014, particularly discretionary medical cards for people with

⁴¹ These numbers reflect the trends over a number of years. For example, in 2008, medical cards accounted for 61% of health-related queries which comprised 7% of all CIS queries. CISs and CIPS also identify queries with a social policy dimension in the form of Social Policy records (SPRs).

disabilities and severe medical conditions, was experienced by both those who lost out as unfair;

- The Review of Medical Cards that occurred during 2013 and 2014 and awaiting the outcomes was identified as causing anxiety for many people, particularly older persons;
- People having to pay for medical attention and medication while waiting for the outcome of appeal against withdrawal of Medical Card or for an application to be processed where they are above the standard income guidelines;
- Lengthy delays waiting for a decision on a Medical Card application
- Difficulty in providing income-related documentation required (e.g., self-employed people)
- Documents submitted to the Primary Care Reimbursement Service going missing and having to be resubmitted.
- Review letters being generic in nature and not including clear information on income guidelines (e.g., for over-70s; for people with disabilities or other vulnerable groups.)

Example Cases: Medical Cards

Medical card applicant has been waiting for four months for application to be processed. Child has hurt foot and they suspect a break but claim that they cannot afford to go to the doctor for a GP-referral to the A&E, which will cost €100 without a referral. Based on the information given, the caller is eligible for the card. (CIPS)

The CIB welcomes the recent restoration of Discretionary Medical Cards and introduction in June 2014 of an administrative mechanism whereby discretionary medical cards will be returned to those who lost them as part of the review process carried out in recent years.⁴²

The recent establishment of an Expert Panel to examine how medical needs should be taken into account in the context of medical card eligibility is a hugely challenging task. While the CIB is not in a position to make detailed comment on the types and nature of conditions to be included and how these are to be prioritised under a new policy and legislative framework for the provision of medical cards, we believe that, as far as possible, the assessment criteria should be such as to enable decisions on applications made in the first instance to be thorough, transparent and easily understandable in order to minimise the need for appeals which by their very nature

⁴² It was stated initially that discretionary medical cards would only be returned to people who during their review provided the information and documentation required to assess their eligibility and have had a serious medical condition which required their case to be referred to a medical officer as a part of the review – this was subsequently rescinded.

can be stressful. Feedback from CIB delivery partner services regularly refers to the stress and anxiety associated with appeals, particularly where these are long drawn out as is frequently the case.

6.1 Medical Card

Solutions & Recommendations

- The new Medical Card System should include a focus on medical conditions as one of the basis for determining need and in order to take a citizen-centred approach to health care; clearly, entitlement based on income grounds will continue to be a requirement to meet the needs of those on low income;
- Assessment criteria for the new Medical Card must be established in the context of a realistic Cost of Living for People, particularly people with disabilities and reviewed on a regular basis in relation to different social welfare incomes and contexts.
- The growing focus in disability services on a person-centred approach based on individual needs assessment is a very important one which should be replicated in a new policy framework to introduce a needs-based Medical Card system;
- The application system must have a proactive dimension to ensure that people who for reasons of disability or other may have difficulty in engaging with the process do not lose out on a service.
- The right of people with severe medical conditions and/or disabilities to have access to all available treatments, therapies and social care services irrespective of their financial means is a core component of social inclusion and the hallmark of a citizen and person-centred healthcare system;
- Assessment criteria for any new Medical Card system to be introduced must be transparent, consistent and easily understood by people making an application, while allowing for a degree of flexibility in order that peoples real life circumstances can be facilitated for through the new system.

7. Debt Issues identified by MABS

7.1 Customer Profile

The demographic profile of the MABS client base has remained relatively stable over the years. MABS clients are mostly social welfare recipients, the majority are female, aged between 26 and 40 and 60% have children. Just over half of all MABS clients reside in either private rented or rented local authority accommodation, however over the last five years, we have seen an increase in the number of MABS clients with mortgages which is now at 48% compared with 22% in Q1 2006.

At the end of 2013, 42% of all debts owed by MABS clients were owed to banks or financial institutions – of these, 29% were personal loans, 31% credit card debts, 21% mortgage debts, 6% overdrafts and 5% hire purchase agreements.

The MABS Helpline, which offers assistance to callers Monday to Friday 9am to 8pm, took over 23,000 calls in 2013.

The number of mortgaged clients has grown and is continuing to grow as a percentage of the total caseload and in 2013 amounted to almost 48% 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, 45% for 2012 and 48% for 2013). (Please note that not all mortgaged clients present with a mortgage difficulty but the mortgage is a consideration in such cases as there may be debts secured on the home etc.)

7.2 Minimum Wage/Living Wage⁴³

The MABS statistics show that 37% of clients approaching the service are in receipt of income other than welfare. Many of these clients would be in employment and some on the minimum wage.

In principle the minimum wage was originally intended to set an income baseline that would provide employees with an adequate income. Earnings which are below that baseline means that employees having to go without what would be regarded as essential for living. The present minimum wage in Ireland set in 2007 is €8.56 per hour.

In July 2014 the Living Wage Technical Group, established by the Vincentian Partnership for Justice, published their research into a Living Wage for the Republic of Ireland. They have calculated that for Ireland the Living Wage should now be €11.45 or €483.60 per week (Gross). This shows that those on a minimum wage have a shortfall of €2.80 per hour so resulting in an income inadequate to meet the cost of essentials for everyday living.

MABS urges that this shortfall receive attention so that those in full time employment and on a minimum wage will have a wage sufficient for everyday living needs.

⁴³ See www.livingwage.ie and www.misc.ie

7.3 Availability of Credit

MABS has identified that personal debt and lack of access to credit are issues of growing concern. Many Irish people experience 'financial exclusion' and basic bank accounts have not as yet been made available in Ireland. In September 2013 CIB out of concerns in relation to access to credit for the MABS client group, prepared a paper for the Minister for Social Protection⁴⁴. That paper gave an overview of the issues pertaining to the availability of small scale lending which is needed by a growing cohort of citizens, as well as outlining a micro credit model.

Research showing that many people have insufficient income to cover the essentials suggests that small-scale debt is part of many households' day-to-day financial management. Many lower income households have very little capacity to absorb unexpected one-off costs. Families and social networks are an informal source of credit but for many these sources have been exhausted. The ESRI in 2011 identified a rising trend in Irish Households going into debt to meet ordinary living expenses.⁴⁵

A large proportion of Ireland's population are dependent on social transfers for their main income, and Ireland has a significant percentage of 'low work intensity' households, households at risk of poverty and households experiencing consistent poverty. Mortgage debt is obviously a major cause of personal debt in Ireland. Utility bills are also identified as a particular area for concern.

Money lenders and credit unions are a mainstay for providing small scale loans. Crucially however, over recent years, credit unions' ability to make small scale loans accessible is diminishing, due to increased regulation and a change in the credit union ethos. Borrowers turn to money lenders (legal and illegal) and other forms of high cost credit (catalogue) etc. when conventional credit is no longer available⁴⁶.

Increasing debt default has had a negative effect on a consumer's credit history, which in turn precludes them from accessing mainstream credit facilities. In considering loan applications, lenders must be cognisant of the changed economic circumstances in Ireland to provide appropriate alternative facilities to consumers. "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"⁴⁷.

Research carried out in 2005 by Sharon Collard and Elaine Kempson⁴⁸ identified sources of credit available to low-income households as comprising of small, short-term cash loans (e.g. licensed and unlicensed moneylenders) and loans tied to the purchase of goods (e.g. pawnbrokers, mail order catalogues). These sources offer loans at often exorbitant interest rates and, in some cases, with far more serious consequences.

⁴⁴ CIB Paper on Personal Micro Credit 2013

⁴⁵ Financial Exclusion and Over-indebtedness in Irish Households, ESRI 2011

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

⁴⁷ Joseph Rowntree Foundation Study entitled "Is a non-for-profit home credit business feasible" March 2009 Ch. 2.

⁴⁸ Affordable Credit, The way forward, University of Bristol, 2005

These findings were put in an Irish context by Caroline Corr in her work on behalf of the Combat Poverty Agency in 2006⁴⁹ who identified the main sources of credit for low income households as credit unions, banks (albeit a small percentage), informal networks (e.g. family/friends) and sub-prime lenders (e.g. moneylenders). As outlined above, due to the restriction on credit availability, credit unions and mainstream banking facilities are scarcely available to the low-income demographic, leaving them with little alternatives but to turn to high interest credit in cases of need.

“Social lending is different to other forms of lending in that it is generally local, personal, simple and transparent. Perhaps as a result, loss rates on such loans have been shown to be lower than the commercial sector which indicates that the risk factor perceived in lending to low income families is much overstated - further it indicates the viability of social lending.”⁵⁰

With 14.7%⁵¹ of the population at risk of poverty, and in the absence of a basic protected income, some measure must be introduced to ensure that those in the lowest income deciles are facilitated in as far as possible to access some level of suitable affordable credit to enable them to enjoy such participation in Irish society. These very real issues cited as far back as 2006 remain current and yet more critical in 2014 and require immediate attention.

7.4 Financial Inclusion

The availability of access to basic financial services and products is very important in efforts to assist people out of poverty and financial exclusion. As well as the provision of micro credit MABS is of the view, in the absence of a basic payment account available to all citizens, that the following issues are among those presently increasing financial exclusion and in need of consideration.

7.4.1 Credit History

In order to assist individuals and the economy generally, a mechanism needs to be found to “rehabilitate” the credit histories of those consumers who are unable to maintain their debt repayment commitments in full because of the change in their economic circumstances.

While it is essential that factual and accurate records are held, it may be necessary to consider augmenting categorizations to reflect the changed economic environment.

An arrangement similar to that introduced for MABS participants in the “MABS/IBF Debt Settlement Pilot”⁵², whereby a special entry was introduced to the Irish Credit Bureau (ICB) records to indicate compliance with the agreements, should be considered.

Given the fact that a new comprehensive credit register is to be introduced, care should be taken to give recognition to citizens who are in financial

⁴⁹ Financial Exclusion in Ireland: An Exploratory Study and Policy Review, Combat Poverty Agency, 2006

⁵¹ The Survey on Income and Living Conditions (SILC)2011

⁵² Debt Settlement Pilot MABS/IBF 1999-2001

difficulty as a result of a systems failure rather than mis- management on their part.

7.4.2 Closing of Bank Accounts

For a person's full participation in society it is generally accepted that access to financial services has become more important if not essential over the last decade or so. *"Access to financial services has become a necessary condition for participating in economic life"*⁵³. Lack of access to financial services has serious socio/economic consequences e.g. lack of a bank account, access to credit, goods and services cost more etc. *"Those who experience financial exclusion can find money management and bill payment more time-consuming and costly and they can face difficulties accessing affordable credit and accumulating assets (e.g. savings, insurance). Financially excluded individuals are also at risk of over indebtedness"*⁵⁴.

Since the mid 1980's there has been a major increase in the availability of credit as well as other financial services and products to consumers. The vast majority of the population now have a bank account into which wages, welfare payments etc. are paid. Access to basic banking services and products are now vitally important to the citizen.

It would have serious social effects, in our view, if some providers in the banking industry continue a policy of closing the accounts of customers who are experiencing repayment difficulties, who already possess an adverse credit rating, and consequently have little or no possibility of opening a transactional account with another provider.

Given the Government's interest in the issue of access to financial services and the prevention of financial exclusion we consider it appropriate to raise this issue and to ascertain if this practice is in keeping with the ethos of the Financial Inclusion Strategy⁵⁵

7.4.3 Hidden Costs associated with Bill Payment

MABS continues to encourage both clients and the public at large to establish reliable systems at home for the paying of regular bills, in order to ensure that adequate control and oversight is maintained, and also to avoid arrears accumulating with the negative consequences which follow. For those without access to a bank account, many over-the-counter payment services now carry an additional fee; whilst such fees may appear to be nominal, they do considerably erode the amount of income available to a family and mitigate against responsible household management. For those on a low income who have retained their bank accounts, the fees and charges associated with payments from their accounts are proving a barrier to people in keeping their payments up to date. These costs are ones which exacerbate an already difficult situation for those on low incomes and require examination.

⁵³ European Commission – MEMO/08/344

⁵⁴ Financial Exclusion in Ireland Combat Poverty Agency 2006.(2.8)

⁵⁵ MABS Submission on the Closing of Bank Accounts 2008

7.4.4 Maintaining the Post Office Network

Geographical access to banking facilities, in MABS view, is important at present for a large cohort of citizens. In rural Ireland there may be no bank presence except in the nearest town which can be some distance away. In the Combat Poverty Study on Financial Exclusion in Ireland “two of the urban focus groups took place in housing estates on the edge of large cities; both these locations were not served by banks, although one had an ATM facility in a local shop”⁵⁶.

A key feature of universal banking in the UK is the fact that all banks offering a basic bank account are required to have an agency agreement with the UK Post Office, allowing account-holders to carry out transactional banking at their local post offices.⁵⁷

Russell, Maitre and Donnelly⁵⁸ further refer to geographical concerns in the access of financial services in the UK, noting both the rural / urban divide in the provision of services and also physical exclusion due to restricted mobility, lack of access to private transport or public transport services. While it is noted that in-depth research in to this area has not been carried out in Ireland, based on the infrastructure of this country, as well as on anecdotal evidence from MABS money advice staff, it is likely that the same issues arise here.

An Post has a wide geographical spread in both rural and urban areas, and with over a thousand outlets nationwide, it has in place a network that has a presence in most communities⁵⁹. It is therefore well situated to serve the needs of the consumers particularly those who are financially excluded. **We therefore request that continued efforts be made to make the post office network economically viable and to have basic banking facilities available through that extensive network.**

8. Debt Resolution

8.1 Provision of Free Legal and Financial Advice and Advocacy

Given the seriousness consequences for people in mortgage arrears whose mortgages are deemed unsustainable by their creditors, it is imperative that they have adequate timely financial and legal advice on the offers presented, as well as on the other solutions that may be available if the evaluation of their position was from an independent source.

The majority of borrowers presenting to MABS with mortgage difficulties do not have the means to access ongoing legal and/or financial advice to enter into and sustain a negotiation process with a lender. A large cohort of such clients currently presenting to MABS are those who have been offered an alternative repayment arrangement by their lender. In general, these clients have been informed by their lender that their mortgage is unsustainable, and asked to choose either to voluntarily sell their family home, to surrender it to the bank for sale, to trade down, or else face legal proceedings for repossession.

⁵⁶ Financial Exclusion in Ireland 4.4 – Corr 2006

⁵⁷ Financial Exclusion in Ireland 7.3.2 – Corr 2006

⁵⁸ Financial Exclusion and Over-indebtedness in Irish Households, 2011, p.31

⁵⁹ Serves 1.7 million customers every week - 1,170 Post Offices and 180 postal agents and over 2,500-strong PostPoint payment channel at retail outlets nationwide - www.anpost.ie

The power imbalance that now exists between creditor and debtor needs to be rebalanced by providing free legal and financial advice and advocacy to mortgage borrowers in danger of losing their homes.

MABS therefore asks that urgent consideration be given to the following proposals:

1. The provision of a free, end-to-end legal advice and court representation scheme for those who have either been given a new mortgage contract (such as a split mortgage) by their lender, or those whose mortgages have been deemed unsustainable and are now facing voluntary sale, voluntary surrender or repossession
2. Provision of a free, end-to-end financial adviser service for those engaging with their lenders and trying to agree a suitable ARA with them
3. Putting the Code of Conduct on Mortgage Arrears on a statutory footing so that breaches of it can form part of a defence to repossession proceedings in court and that it can be regulated more efficiently and clearly.
4. To make it obligatory on lenders to share the documentation of their decision-making process as to why they have deemed one solution rather than another to be the most appropriate for any particular borrower so that the borrower is fully informed and can take appropriate advice and action.
5. Making the mortgage to rent scheme more attractive to lenders, since currently lenders have first refusal on this scheme
6. To devise an agreed framework for the definition of unsustainability.

8.2 MABS experience of the Debt Relief Notice

MABS is the Approved Intermediary for processing of the Debt Relief Notice (DRN). A Debt Relief Notice is an insolvency arrangement which is designed for those who have low levels of indebtedness, low levels of income and no assets. The first DRN was granted by the Circuit Court in Dublin on the 21st of January 2014. To date a number of debtors' situations have been assessed by the Approved Intermediary Services within the MABS organisation.

In MABS experience the largest obstacle for debtors in seeking to obtain a DRN is in relation to the eligibility criteria.

The issues creating the most difficulty are as follows:

- The Qualifying Debts must be €20,000 or less. In MABS view this figure is too low for many debtors who have no income and no assets. Many debtors are presenting with debts in excess of €20,000. (The current average recorded debt for new clients presenting to MABS is €30,500). Given our experience to date, a figure in or about €30,000 to €35,000 would grant more debtors the ability to avail of a DRN. The difficulty for many debtors presenting is that the only options available are either a Debt Settlement Arrangement (DSA),

which for many on low incomes or on a social welfare payment is not a viable option as they do not have the resources to pay into such an arrangement. The only other alternative for them is bankruptcy, which again with associated fees etc., is not necessarily a viable option.

- In the recent past many creditors, in particular credit unions, have encouraged debtors to restructure their loans on a joint basis with their respective partners/spouses. As a result many debtors present with joint loans where the figure owed exceeds €20,000. MABS submits that consideration be given to allowing for a 'joint' DRN. In such a case both parties should have the benefit of the individual ceiling (currently at €20,000) which would mean that a joint application should enjoy the benefit of €40,000.
- If a debtor has made a preference payment to one creditor above another and the effect of that payment was to substantially reduce their ability to pay other creditors, they are precluded from applying for a DRN for a period of two years. There are no exceptions for the essential debts/payments such as electricity, heat, food, rent etc. It is MABS view that the 2 year period is excessive and a lesser period of 6 months should be considered as appropriate. Also, we submit, that there should be an exception for payments to the aforementioned core services debtors.
- For many debtors the retention of a car valued under €2,000 does not pose any great difficulties however for others it has an impact on their ability to earn a livelihood. Many tradespersons have a need to have access to a particular mode of transport. Currently within the legislation there is no exception for vehicles which have a sole business use. MABS is of the view that consideration should be given to rectify this.

9. Psycho-Social Impact of the Financial Crisis

Mental Health Guidelines for People in Debt

While MABS does not retain information on clients' mental health, due to data protection obligations, MABS are acutely aware of an increase in clients suffering from financial stress related mental health issues seeking the support of MABS Services. Our staff witness this suffering and stress on a weekly basis. The Samaritans' Impact Report (November 2010 to October 2011) reported five main issues arising on their Helpline as follows (p.16 – emphasis added):

- Depression and mental health issues
- Relationship problems, *often exacerbated by financial difficulties*
- *Anxiety about the future*
- Loneliness

While it may be the case that all four issues may be caused and affected by financial difficulties, it is clear that two of the top three most certainly are.

The finding, in our recent report on MABS Clients and Mortgage Arrears, in relation to stress and mental health associated with mortgage repayment difficulty is supported by the Mental Health Commission's 2011 Report, *The Human Cost, An*

overview of the evidence on economic adversity and mental health and recommendations for action (2011), which referenced actions taken in the UK to address debt-related mental health issues (e.g. the Good Practice Mental Health Guidelines produced by the Money Advice Liaison Group; the Debt and Mental Health Evidence Form, approved by the UK Information Commissioner's Office) and made a series of recommendations, some of which explicitly reference the use of MABS resources.

MABS made a workshop presentation at the Irish College of General Practitioners (ICGP) Summer School (2012) which focused on issues of mental health. Most GPs in attendance at the MABS workshop expressed concern at the increase in debt-related mental health issues arising in their patients and indicated that they too would welcome a national response to dealing with this growing problem.

The introduction of robust Mental Health Guidelines, such as those introduced in the UK, would be of significant benefit to the MABS client group and others.