Combat Poverty Agency
working for a poverty-free Ireland

Policy Submission

Advice to Government
Budget 2009

September 2008

Combat Poverty

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1. Introduction

Combat Poverty makes its submission on Budget 2009 in accordance with its statutory remit to advise government on all aspects of public policy pertaining to poverty. The submission is a key component of the tax/welfare work programme of Combat Poverty and also reflects other aspects of the agency's work on health inequalities, educational disadvantage and the development of sustainable communities. The submission is framed around the Government policy objectives on poverty, as set out in the National Action Plan for Social Inclusion 2007-2016 and related policy statements. In particular, it contributes to the EU policy objective of making a decisive impact on poverty by 2010, the Government's policy target of reducing consistent poverty to between 2 and 4 per cent by 2012 and eliminating consistent poverty by 2016.

The central message of the submission is that Budget 2009 should continue to focus on tackling poverty in this period of economic downturn and tightened public finances. It is acknowledged that the Government may have less scope to implement improvements in welfare provision and social services. Consequently, our proposals prioritise vulnerable lifecycle groups (welfare dependants, children, single older people, lone parents), as well as key education, health and housing policies. Also, we recommend innovative measures to address cross-cutting issues across the lifecycle. Finally, Combat Poverty supports the option of increasing tax revenues to fund the implementation of these policy proposals.

2. Context

The latest poverty data (2006) show that 17 per cent of the population (equivalent to 721,000 persons) are 'at-risk-of-poverty' using a threshold of 60 per cent of median income (estimated to be €220 per week in 2008 values[1]). A smaller figure of 6.9 percent of the population (293,000 persons) is in 'consistent poverty' (at risk of poverty and experiencing enforced deprivation of basic necessities[2]). The figures for children (0-18 years) in poverty are 22.4 per cent 'at risk of poverty' and 10.8 per cent in consistent poverty (282,000 and 69,000 children).[3] Meanwhile, research by the Vincentian Partnership for Social Justice shows that only 15 out of a sample of 27 low-income

[1] CSO calculations based on Consumer Price Index.
[2] The 'at-risk-of-poverty' measure is a key EU indicator of poverty. 'Consistent poverty' is the preferred Irish Government poverty measurement.
[3] Source: Combat Poverty Agency analysis of EU Survey of Income and Living Conditions (EU-SILC)

household types are able to afford minimum essential budgets.[4] The remaining 12 households experience significant budget shortfalls and are vulnerable to indebtedness in order to make ends meet.

In 2008, welfare payments increased 6.5 per cent, while child payments increased by between 3.75 and 11 per cent. This compares with a forecast inflation rate of 4.5 per cent and wage growth of 4 per cent for the year.[5] However, a number of adverse economic trends are impacting negatively on the living standards of low-income groups. The first is the high price inflation in basic consumer goods, such as food and fuel. These items consume a higher share of resources in low-income households than in better off households. Thus, the bottom two income deciles spend between 30 and 35 per cent of net household income on food while the average expenditure is 17 per cent. The current (August, 2008) annual inflation rate for food is 6.4 per cent. This reflects a continuous upward trend in food prices over the past year.

With regard to fuel poverty, low-income cohorts spend between 9 and 13 per cent of their incomes on domestic fuel and heating, compared to an average household expenditure of 3.5 per cent.[6] Energy [7] prices have increased by 11.5 per cent in the year to August, due to increases in the price of oil and higher electricity and gas charges.

Both these essential household expenditures are significantly above the general inflation rate of 4.3 per cent. Consequently, Combat Poverty estimates that the actual inflation rate for low-income households in 2008 was between 6.3 and 7.3 per cent, which is roughly in line with the average welfare increases in Budget 2008.[8] Looking forward, higher food prices are expected to continue in the coming decade as a result of higher food demands.[9] With further increases announced in electricity and gas prices, it is likely that energy inflation will continue, at least in the short-term.

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[4] See www.budgeting.ie
[5] Alan Barrett et al (2008), *Quarterly Economic Commentary*, Dublin: Economic and Social Research Institute
[6] Central Statistics Office (2007), *Household Budget Survey 2004-2005 final results*, Dublin: Stationery Office
[7] Electricity, gas, other domestic and transport fuels
[8] This is calculated as follows: food and energy is contributing 1.94 per cent point to the overall inflation rate, with other items accounting for 2.46 per cent points; low income households spend between 2 and 2.5 times the share of the average household income on food and fuel. Thus, 1.94 x 2 = 3.88 + 2.46 = 6.34 per cent inflation for low-income groups (lower estimate), while1.94 x 2.5 = 4.85 + 2.46 = 7.31 per cent inflation for low-income groups (higher estimate).
[9] Alan Barrett et al (2008), *ibid*

The rise in unemployment will increase the number of households vulnerable to poverty. People who are unemployed are up to 10 times more likely to be living in poverty than those in employment. While the Live Register is not designed to measure unemployment, it does provide an indication of trends in the labour market. In the year to August 2008, the number of people on the Live Register (August, 2008) increased by 73,200 to 235,100. Based on these figures, the estimated unemployment rate now stands at 6.1 per cent and is forecast to increase to 7 per cent in 2009.[10]

At the macro-level, it is clear that the Irish economy has come to the end of a prolonged period of growth, with many commentators forecasting a contraction in economic activity. However, the fundamentals of the economy remain positive and economic growth is expected to return in 2009, albeit at a reduced rate (around 2 per cent).[11] This economic decline is impacting on the exchequer finances. Tax returns for the first 8 months of 2008 show a shortfall of €2.8 billion below what was forecast in Budget 2008, which could rise to €5 billion by the end of the year.[12] The Government has introduced a package of measures to reduce public expenditure in line with the fall in revenue.

3. Policy approach to Budget 2009

The key policy objective for Budget 2009 should be to protect the living standards of those at-risk-of-poverty. As well as targeted improvements in welfare benefits and social services, there are three other policy issues which Combat Poverty wishes to highlight. In relation to the labour market, it is critical that policy seeks to minimise the duration for which people are unemployed, as long-term inactivity will diminish work skills and make re-employment more difficult. Also, long-term welfare dependence will extend the time spent in income poverty and increase the likelihood of deprivation. It is proposed therefore that state education, training and employment programmes are targeted at the recently unemployed who are likely to face greatest difficulties in returning to work.

Secondly, it is important to ensure that frontline expenditure in social provision is protected from any general expenditure reductions in 2009. The government has acknowledged this issue in the cost-saving measures introduced in 2008. It is however likely that bigger reductions in government expenditure may be required in 2009. Again, it would be

[10] Op cit
[11] Ibid
[12] *Irish Times*, 3 September 2008

important that expenditure on welfare payments and key social services is protected. At the same time, better management of existing resources should be encouraged.

Thirdly, there is scope for raising additional revenue to address that shortfall in the public finances. In recent years, the Government has increasingly relied on indirect taxes to fund public services. Research by Combat Poverty has indicated that indirect taxes have a disproportionate impact on low-income groups.[13] We would advise that these taxes should not be further increased and that they be reduced on items essential to low-income families. Our preferred option would be to reduce the many discretionary tax reliefs that support property investment and private expenditure.[14] We would also argue that there is scope to increase tax rates on higher earners, at least on a temporary basis.

4. Policy issues for Budget 2009

Combat Poverty has identified six policy issues for Budget 2009. These issues are in line with the policy framework for tackling poverty outlined in the *National Action Plan for Social Inclusion 2007-2016*, *Towards 2016* and the *Agreed Programme for Government*. They reflect a balance between income supports, service provision and innovative measures; they incorporate the lifecycle approach; and they contribute to policy coordination and effective delivery. The six budgetary issues are:

1. Indexation of welfare payments and child income support
2. Additional measures for vulnerable stages over the lifecycle
3. Supporting education costs for low-income families
4. Access to primary healthcare services
5. Provision of social and affordable housing
6. Innovative measures for sustainable and inclusive communities.

Each of these policy issues is presented below and are summarised in Table 1. The cost of each proposal is provided where possible from official departmental sources.

A detailed analysis of each issue is available upon request from Combat Poverty.

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[13] Alan Barrett and Caeman Wall (2006), *The distributional impact of Ireland's indirect tax system*, Dublin: Combat Poverty Agency

[14] *Promoting equity in Ireland's tax system*, Dublin: Combat Poverty Agency (2006)

Issue 1 Indexation of welfare payments

Welfare payments are the key policy instrument for influencing the living standards of those in poverty. The Government policy commitment is to maintain the relative value of the minimum welfare payment at least at €185.80 in 2007 values. This commitment does not specify the benchmark by which the relative value of the payment is to be assessed. The two conventional benchmarks are the consumer price index and gross average industrial earnings. Price inflation for 2009 is forecast to be between 3 and 3.5 per cent and wages are expected to increase by 3.5 per cent.

There are objective reasons why a more generous level of increase should be used to benchmark welfare payments for 2009. This arises from the disproportionate contribution of higher food and fuel costs to overall inflation, which impact most on low-income groups.[15] Combat Poverty estimates that a figure of 5 to 5.8 per cent would be a more accurate measure of inflation for low-income households in 2009.[16] An increase of 5.8 per cent on welfare payments would be the equivalent of an additional €12 in the minimum welfare rate and €14 per week in the pension rate, with pro-rata increases in the qualified adult allowance of €8 and €9.30 and in the qualified child allowance of €1.40 per week. This would ensure that the living standards of those on social welfare are maintained in relation to the cost of food and fuel. These increases would also contribute to reducing the level of poverty and ensure that more households achieve minimum essential budgets. In contrast, smaller increases in welfare rates would contribute to an increase in the number of people 'at risk of poverty' and in consistent poverty. The cost of the proposed increases would be €780 million in total. The family income supplement should also be adjusted in line with these increases.

With regard to child income support, Combat Poverty recommends an increase of 4.2 per cent, the equivalent of €7 per month (€84 per annum) in child benefit.[17] In addition, Combat Poverty proposes a change in how this indexation is implemented. Recent

[15] For a discussion on the issues pertaining to the calculation of price increases for low-income households, see Eithne Murphy and Eoghan Garvey (2004), *A consumer price index for low-income households in Ireland (1989-2001)*, Combat Poverty Agency Working Paper 04/03, available at www.combatpoverty.ie

[16] Food and fuel account for between 100 and 150 per cent more of the share of household income in poorer households compared to average household income. We assume that food and energy will contribute 44 per cent to total price inflation in 2009, as in 2008. Therefore, our revised inflation figure for low-income groups is calculated as follows: 3.5 pre cent by a factor of 1.44 and 1.66. This gives a revised inflation figure of between 5 and 5.8 percent.

[17] We chose 4.2 per cent as the mid point between estimated average inflation of 3.5 per cent and our estimate of inflation for low-income groups of 5 per cent. This is a reasonable compromise as child benefit is a universal payment and not just a payment for low-income households.

research shows that 98 per cent of parents find back-to-school time 'expensive' and families spend an average of €376 at this time. [18] So to take account of this peak in costs for families with children attending either primary and secondary education in July and August, rather than applying a uniform monthly increase (€7) in child benefit, it is recommended that the annual increase is aggregated and paid in August as a lump sum of €84. This would be the equivalent of a 50 per cent additional payment for this month and would provide all beneficiaries with an income of €250 per child in August. This is an example of tailored universalism, as proposed in the *Developmental Welfare State*.[19]

Proposals:

- Increase welfare payments by €12 to €14 per week, with pro-rata increases in the qualified adult allowance (€8 to €9.30) and qualified child allowance (€1.40) (cost: €780 million)
- Increase child benefit by €84 (+ 50 per cent) in August (equivalent to an annual increase of 4.2 per cent) (cost: €105.5 million).

Issue 2: Additional measures for vulnerable stages over the lifecycle

The National Action Plan for Social Inclusion recognises that some stages in the lifecycle require additional supports to meet specific needs. We highlight in particular the income needs of older children, single older people and lone parents.

Older children in welfare-dependant families

One of the goals for children in the National Action Plan for Social Inclusion is that:

> *Every child should grow up in a family with access to sufficient resources, supports and services, to nurture and care for the child, and foster the child's development and full and equal participation in society.* (p30)

Child income support has increased significantly in the last decade in line with the target of 33-35 per cent of the personal welfare rate. At the same time, there is now a major inequity between payments for younger children (up to 44 per cent of the adult rate) and for older children (between 15 and 34 per cent of the adult rate). It is evident that there are inadequacies in relation to provision for older children as reflected in:

[18] www.schooldays.ie
[19] National Economic and Social Council (2005), *Developmental Welfare State*, Dublin: NESC

- The additional direct costs associated with older children, ranging from food, to clothing to social activities.[20]
- The higher at-risk-of-poverty rate for older children (12-18 years) is 1.5 times that of younger children (0-5 years).[21]

Despite the evidence about the additional financial needs of older children, only one instrument of child income support – the clothing and footwear allowance - provides additional support for older children.[22] By contrast, there is an age-related support for children aged 0 to 6 years, the early childcare supplement. This inequality in the structure of child income support impacts most on low-income families.

Combat Poverty believes that the appropriate mechanism to provide additional income support for older children is the qualified child allowance, which is targeted at the poorest children. It is proposed that a top-up equivalent to 20 per cent of the standard rate be provided for older children.[23] In cash terms, this would be in the region of an additional €5 per week, which would imply a rate of approximately €30 per week for children aged 12 years and older.[24] The cost of this payment would be €39 million.

Older people living alone

The goal for older people in the National Action Plan for Social Inclusion is that they 'would have access to an income which is sufficient to sustain an acceptable standard of living' (p48). The financial position of older people has improved considerably in recent years, due to large increases in the State pension. However, one category - pensioners living alone – has not improved to the same extent as pensioners in general. The at-risk-of-poverty rate for pensioners living alone is double that of pensioners living with others, while they are up to three times more likely to be in consistent poverty compared to other

[20] This is shown in the original Combat Poverty study on the cost of a child carried out in 1992, which showed that older children cost between 30 and 80 per cent more than younger children. (Carney et al, 1994). This is also apparent in the Vincentian Partnership for Social Justice research on minimum essential budgets, which found that household types containing older children have income shortfalls of between €44 and €123 per week, compared to surpluses for similar household types with younger children (www.budgeting.ie). These studies exclude indirect costs, such as childcare.

[21] Combat Poverty's in-house analysis of EU-SILC shows that the at-risk-of-poverty rate for children aged 12-18 years is 25.5 per cent, compared to 22.9 per cent for children aged 6-11 and 16.8 per cent for children aged 0-5. The rate of consistent poverty for older and younger children is roughly identical at between 10 and 12 per cent.

[22] This has two rates of payment: €305 for children aged 12 years and older and €200 for children aged 2 to11 years. This is the equivalent of a 50 per cent top-up for older children. Child benefit provides a higher payment for the third and additional children in a family.

[23] A 20 per cent differential is suggested as a higher figure might exacerbate poverty traps.

[24] This would bring the total child income package for older children to c 37 per cent of the adult rate.

pensioners.[25] In addition, the Vincentian Partnership for Social Justice minimum essential budgets research shows a significant shortfall ranging from €32 to €42 per week for lone pensioner households, compared to a discretionary income for older couples. The main reasons for this discrepancy are the economies of scale where two people live together and the recent large increases in the qualified adult allowance under the State pension.

The living alone allowance already exists as a mechanism within the social welfare system to support people living on their own. It is received by 166,000 people (not all of whom are older people).[26] The objective of the payment is to compensate for the additional individual living costs of living alone compared to a couple or a family. The value of the allowance is €7.70 per week, which has remained unchanged since 1996. Combat Poverty proposes that this allowance be substantially increased, to €15 per week, at a cost of €20 million. This would be the equivalent of a 7 per cent supplement for a recipient of the State pension.

Lone parents not in employment

The final lifecycle group with a high poverty risk is lone parent families. The relevant policy objective in the National Action Plan for Social Inclusion is that every person of working age on welfare 'should have access to quality work and learning opportunities, encouraging a greater degree of self-reliance and self-sufficiency' (p40). The 2006 poverty data reveal the stark situation facing lone parent households: 40 per cent are at-risk-of-poverty and 33 per cent are in consistent poverty. In early 2007, the Government published a comprehensive policy strategy for improving the position of lone parents, based on greater access to employment opportunities and reform of the one parent family payment. Since then, aspects of the reforms have been piloted in a few areas. It is important now that the full package of reforms is introduced as soon as is possible.

Issue 3: Supporting educational costs for low-income families

School participation costs were identified in the National Anti-Poverty Strategy as posing a potential barrier to participating in education for low-income children. In recent years, it would appear that these costs have increased, with an average cost of €1,232 per annum

[25] The at-risk-of-poverty rate for pensioners living on their own is 19.2 per cent compared to 10.7 per cent for pensioners living with others. The consistent poverty rates are 4 per cent and 1.1 per cent respectively. Source: Combat Poverty Agency in-house analysis of EU SILC.
[26] The allowance is also received by people in receipt of certain disability payments.

for primary school children and €2,123 per annum for secondary school children. [27] A further consideration is that many children from low-income families are also at risk of educational disadvantage. There are two main forms of support to meet educational costs: a means-tested welfare payment (the clothing and footwear scheme) and two in-school benefits (also means-tested) - the schools books scheme and school food scheme. Improving these supports and linking them with existing measures to tackle educational disadvantage through the DEIS scheme [28] can bring added value.

Combat Poverty has a number of points regarding the clothing and footwear scheme. First, the numbers availing of the scheme (195,000 in 2008) is 85,000 less than might be expected based on the number of children who are 'at-risk-of-poverty' (280,000) and the number of children in receipt of the means-tested qualified child allowance (also 280,000).[29] Second, a supplementary allowance could be paid later in the school year to assist with recurring school costs. A third point concerns the separate application procedure for the clothing and footwear scheme. Two means-tested income supports for children already exist - the qualified child allowances for welfare-dependant families and the family income supplement (FIS). In this context, it seems administratively cumbersome to operate a third means-tested scheme. It is also possible that take-up of the scheme is low because of the separate application process, which is administered by a different Government agency, the Health Service Executive.

Combat Poverty recommends the following options for improving the clothing and footwear scheme:

- Provide the clothing and footwear allowance to an additional 85,000 children by widening the eligibility criteria (cost €22 million)
- Increase the level of support provided under the scheme by making a second half-payment (€100/€158) in January/February to those who qualified for the scheme in the previous August/September (cost: €24 million)
- Integrate the administration of the scheme with existing means-tested child payments.

[27] www.schooldays.ie
[28] The DEIS Action Plan is the government's integrated, strategic approach to addressing the educational needs of school children from disadvantaged communities.
[29] Combat Poverty Agency analysis of EU SILC and Department of Social and Family Affairs.

With regard to the two in-school support schemes - the school food scheme and the school books scheme - Combat Poverty is currently researching the school books scheme. From the fieldwork, it is clear that the level of resources provided under this scheme is not sufficient to meet the needs of low-income children, especially those who are experiencing educational disadvantage. The scheme provides a second-level capitation grant of €66 in DEIS schools (20 per cent more than in non-DEIS schools). This rate still leaves families having to pay a top-up of between €50 and €100 per child in order to meet minimum requirements. It would be preferable that the level of subvention covers the actual cost of school books and related materials.

Under the school food scheme, subvention levels are linked to the cost of individual food items. However, the adequacy of the support provided is not determined by the recommended daily dietary allowance for children, which is the critical issue in assessing the level of provision.

The administration of these two schemes could be better integrated with the DEIS programme in designated schools. There are strong arguments for the adoption of a whole school approach, which would mean that all children attending DEIS schools could benefit. A whole-school approach is also a more cost-effective manner if a rental scheme (for school books) or a school canteen (for food) is used to deliver these benefits. Also, streamlining the two schemes into the overall budget for schools would minimise the administrative burden on schools, unlike the present, where they have to apply different eligibility criteria, follow different application procedures and deal with multiple funding bodies.

Combat Poverty recommends the following changes to the school books and school food schemes in DEIS schools:

- Provide a level of subvention that is based on a comprehensive assessment of needs (eg all school-related materials; a hot lunch)
- Deliver the schemes on a whole school basis, with provision for the necessary infrastructure (eg rental scheme, school canteen)
- Administer the schemes as part of the overall school budget.

Issue 4: Access to primary healthcare services

People who are poor experience poorer health and die younger than those who are better off. A range of social factors, including poverty, influences the health of individuals. People who do not have adequate income, education or decent housing, and have limited access to quality health services, will have worse health than wealthier people. The National Action Plan for Social Inclusion notes that access to quality health services is a prerequisite for participation in society. The main policy instrument for providing access to primary healthcare services for low-income groups is the medical card, which provides free access to GP services and free provision of prescription drugs. Ensuring comprehensive entitlement to a medical card for low-income groups is therefore a key policy objective.

Combat Poverty research has found that a substantial number of low-income people do not have a medical card. It is estimated that 220,000 people (30.4 per cent) who are at-risk-of-poverty and 64,000 people (21.7 per cent) in consistent poverty do not have a medical card.[30] Our analysis also found that 44,500 children at-risk-of-poverty do not have a medical card, while 15,000 children in consistent poverty do not have a medical card. This high level of non-take-up, even among the very poorest households, indicates a weakness in the design and/or administration of the medical card scheme.

The current income eligibility limits for the medical card (these date from October, 2005) are €184 for a single person and €266.50 for a couple or lone parent with dependent child. There is an allowance of between €38 and €41 for each child under the age of 16 years. These thresholds are considerably below the threshold for income poverty (€220 approx. for a single person in 2008 values) and are also less than the lowest welfare payment (€197.80).[31] Furthermore, the child thresholds are the equivalent of 20 per cent of the adult figure. This is considerably less than the minimum income support target for children of 33 - 35 per cent of the adult welfare rate. There is some evidence that the take-up of medical cards varies by region and even locality, which suggests differences in the administration of the scheme by local officials in the Health Services Executive. Other problems identified are the lack of information regarding the scheme, difficulties registering with a doctor, the complex assessment procedures associated with the scheme and literacy problems among potential applicants.[32] The findings of Combat Poverty's

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[30] Combat Poverty Agency analysis of the 2006 EU-SILC
[31] People whose only income is a means-tested welfare payment are deemed eligible for a medical card.
[32] Combat Poverty Agency study

analysis have been presented to the interdepartmental group on medical card eligibility, to inform its work.

Combat Poverty proposes that an additional 220,000 low-income persons, including 44,500 low-income children, be provided with medical cards. This can be achieved by:

- Increasing eligibility limits to the equivalent of the higher welfare payment (currently €223 per week for the state pension), plus an earnings disregard of a further 20 per cent of this figure (€46 per week). The eligibility limits for a couple or lone parent would be €372 per week and €78 for each additional child.
- Making the application procedure more transparent and uniform.
- Increasing the income thresholds for the doctor-only card in line with those for the medical card.

In addition to greater medical card coverage, Combat Poverty proposes the adoption of a community development approach to tackling health inequalities.[33] Community development is an important tool for empowering disadvantaged communities to improve their quality of life. Over the past five years, Combat Poverty has supported a demonstration programme using a community development approach to tackling health inequalities, the *Building Healthy Communities* Programme. This programme was supported by the Department of Health and Children and the Health Service Executive, as part of the development of primary healthcare services. Based on the successful outcomes of this programme, it is proposed that a funding of €1 million per annum is introduced in the HSE for community health projects which target disadvantaged communities and groups

Issue 5: Provision of social and affordable housing

The core objective of housing policy is to enable every household to have an affordable dwelling of good quality, suited to its needs, in a good environment and, as far as possible, at the tenure of its choice.[34] There is a large unmet demand for social and affordable housing, estimated at 44,000 people in the 2005 assessment of housing need. The slow-down in the property market presents an opportunity for the Government to increase provision of social and affordable housing in a cost-effective manner, while also providing an economic boost to the construction sector and the wider economy. There are now

[33] Clare Farrell et al (2008), *Tackling health inequalities. An all-Ireland approach to social determinants.* Dublin: Institute for Public Health and Combat Poverty Agency.
[34] *National Action Plan for Social Inclusion*, p62

approximately 40,000 units nationally, including approximately 10,000 in Dublin, that are in a partial or near completed state.[35] Prices of these homes, along with second-hand homes, have dropped as a result and commentators are expecting further decreases. Meanwhile, layoffs in the building and related sectors are a significant contributor to the recent sharp rise in unemployment and reduction in revenue to the exchequer.

Combat Poverty proposes that the Government should pursue the following options:

- support shared purchase of housing units for high quality RAS accommodation in conjunction with housing associations and other investors. This can also be used to facilitate the transfer of more Rent Supplement tenants into higher-quality RAS properties, for which there are existing funds
- explore the direct purchase of a small number of properties from developers where demand exists and where it can be reasonably guaranteed that this will not increase the Government's risk exposure. These units can both increase and diversify the stock of housing for social housing need, either under the RAS scheme or for owner-occupation
- develop a national scheme to remove barriers for elderly owner-occupiers to downsize. This could include the abolition of stamp duty for all purchasers of new homes/apartments who are over a specified age limit; provide grants for legal and associated fees; and provide grants for furnishing new homes.

Issue 6: Innovative measures for sustainable and inclusive communities

The *National Action Plan for Social Inclusion* seeks to build sustainable and inclusive communities and identifies the need for innovative measures to support disadvantaged communities in urban and rural areas. In line with this approach, Combat Poverty has identified a number of challenges facing urban and rural communities in accessing quality services, including services provided by the private sector. These pertain to food prices, fuel costs and energy-efficiency and access to financial services. They arise from the vulnerable status of low-income consumers in the market economy and result in higher living costs for these families.

<u>Food Poverty</u>: As noted previously, food costs are increasing by 7 per cent. Rising food costs are compounded by the difficulties facing low-income communities in accessing low-cost food outlets. There is some evidence that low-income households pay more for food

[35] Communication from government official.

than better-off households because of price differences between grocery stores and difficulties in accessing low-cost outlets. Access to low-cost grocery outlets is central to the Government policy response to rising food prices, with the National Consumer Agency encouraging consumers to ‘shop around’ for the cheapest prices and to divide up grocery shopping between different retailers. This option is problematic in areas where the choice of shopping outlets is restricted by local availability and lack of access to private transport and inadequate public transport services to disadvantaged communities. There is a need, therefore, for innovative ways to ensure low-income communities have greater access to cheaper grocery outlets. Combat Poverty recommends the following innovative market reforms:

- Introduction of a system of community-supported agriculture, where local food produce is provided at a reduced cost to low-income households, through intermediaries, such as food-cooperatives or directly to people’s homes.
- Provision of transport services to access low-cost grocery retailers in disadvantaged rural and urban communities, using the Rural Transport Initiative, where available, together with other low cost public and private transport services.

Fuel poverty (defined as the inability to afford adequate warmth in a home) is a growing problem with rising fuel costs. It is estimated that almost a fifth of Irish households spend more than 10 per cent of household expenditure on fuel. Meanwhile, 6 per cent of people went without heating at some stage in the last year, while 4 per cent were unable to afford to keep their home adequately heated. Tackling fuel poverty requires a multi-dimensional response, with the provision of additional financial resources only one part of the solution. The inability of low-income households to produce and consume energy in an efficient manner, because of out-dated heating systems or poor housing insulation, is a structural issue. The main policy initiative on energy efficiency is the Warmer Homes Scheme, administered by Sustainable Energy Ireland in certain parts of the country.   Combat Poverty is currently evaluating the impact of this scheme in terms of heating efficiency and energy costs. Pending the outcome of this report, Combat Poverty proposes the following:

- Improve the fuel allowance scheme, including an increase in payment, changes in eligibility criteria to avoid poverty traps and inclusion of all welfare categories.
- Include all recipients of the fuel allowance in the Warmer Homes Scheme
- Support the establishment of a co-operative purchasing scheme for home heating oil for recipients of the fuel allowance, with the option of direct payment to suppliers

- Provide smart electricity and gas meters in households in receipt of the fuel allowance and exempt standing charges for electricity or gas
- Adopt national energy efficiency standards for all social rented housing, whether provided by local authorities, housing associations, through the rental assistance scheme or the SWA rent supplement.

A final area whereby low-income communities face higher costs is for financial services. Financial services are a modern, cost-efficient and effective way to manage personal finances. They are also relevant to low-income households in providing an efficient and secure means for receiving social transfers from the State (which include up to five different payments: weekly welfare payment; child benefit; early child supplement; clothing and footwear allowance; and family income supplement). However, major barriers exist for low income groups in accessing and using a current account. To address this problem, Combat Poverty proposes the introduction of a scheme for low-cost basic bank accounts, which would provide low-income consumers with access to essential banking services at minimal cost. Government tax policy can support this type of account by exempting cards associated with such basic accounts from stamp duty (€10 per card). The Government can also promote the take-up of these new accounts by requiring service providers to make available such facilities for the electronic transfer of welfare payments.

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Table 1: Summary of proposals for Budget 2009

Issue	*Proposals*	*Cost (€m)*	*Department/Agency*
Indexation of social welfare payments and child benefit	• Increase basic personal welfare rates by €12 per week and by €14 per week for the state pension, with pro-rata increases for qualified adults and children • Provide additional 50% child benefit payment (€84) in August	780 105.5	Dept of Social and Family Affairs
Additional measures for vulnerable stages over the lifecycle	• Increase the qualified child allowance by €5 children aged 12 + • Increase the living alone allowance by €7.30 per week • Introduce reforms of one parent family payment	39 60	Dept of Social and Family Affairs
Supporting educational costs for low-income families	• Increase take-up of the clothing and footwear allowance by 85,000 • Give an additional half payment to recipients of the clothing and footwear scheme in February (€100 for under 2-11 years and €158 for 12-22 years) • Link the rate of subvention to a comprehensive assessment of needs (eg all school-related materials; a hot lunch) • Deliver the schemes on a whole school basis, with provision for the necessary infrastructure (eg rental scheme, school canteen) • Administer schemes as part of overall school budget	22 24	Dept of Social and Family Affairs Dept of Education and Science & Dept of Social and Family Affairs
Access to primary healthcare services	• Increase income thresholds for medical card to the equivalent of the higher welfare payment (currently €223 per week for the State pension), plus an earnings disregard of a further 20 per cent of this figure (€46 per week). The eligibility limits for a couple or lone parent would be €372 per week and €78 for each additional child. • Make application procedure transparent and uniform. • Increase in the income thresholds for the doctor only card on pro-rata basis with those proposed for the medical card • Establish national programme of community development health projects	Costings not available 1	Dept of Health & Children and Health Services Executive
Provision of social and affordable housing	• Support shared purchase of housing units for high quality RAS accommodation in conjunction with housing associations and other investors; • Explore the direct purchase of a small number of properties; • Develop a scheme to facilitate elderly owner-occupiers wishing to downsize.	Costings not available	Department of the Environment and Local Government
Innovative measures for sustainable and inclusive communities (i.e. measures to reduce living costs for low income groups)	• Introduce a scheme of community-supported agriculture • Improve access to low-cost grocery outlets • Include all recipients of the fuel allowance in the Warmer Homes Scheme • Establish a local central purchasing system for home heating oil • Introduce new basic bank accounts for low-income consumers and actively promote these through the welfare system	Costings not available	Dept of Health & HSE Dept of Agriculture Local authorities Sustainable Energy Ireland Local authorities Dept of Finance, Financial Regulator & financial institutions