



Supplementary Budget, 7th April 2009

The End Child Poverty Coalition has identified key priorities designed to protect children against an increase in poverty in the context of the upcoming Supplementary Budget. The Coalition has focused in particular on income supports for families and on assistance with housing costs.

Poor children do not exist in isolation; they grow up in poor households, with poor parents. Protecting children against poverty means ensuring that household income is sufficient for the family.

Falling prices don't justify welfare cuts

Some argue that an overall fall in prices justifies a cut in social welfare rates, but closer examination reveals that the costs facing those on lower incomes are not all falling¹, for example:

- ➔ Mortgage costs fell by 26%, but local authority rents increased by 10%;
- ➔ The price of home heating oil fell by 30%, but there were significant increases in electricity (17%) and natural gas (20%);
- ➔ The price of cars (6%), petrol (12%) and diesel (17%) all fell, but bus fares increased by 13%;
- ➔ Childcare costs increased by 6%;
- ➔ The cost of preschool, primary (8%) and secondary (7%) education increased;
- ➔ Doctor's fees increased by 5%, dental fees by 3% and hospital services by 9%.

Welfare cuts would force an increase in poverty

In addition, data monitoring poverty trends has shown a pattern of falling consistent poverty² driven by a reduction in deprivation – while welfare rates remain below the 'at-risk-of-poverty' threshold, those on the lowest incomes have greater ability to afford the things that so many take for granted as basic necessities.

However cutting welfare rates now would mean families could no longer afford these basics e.g. putting a decent meal on the table, being able to keep the home warm enough etc. It would mean that the poorest families would be made to shoulder a disproportionate share of the burden of fiscal adjustment – many of whom have already suffered as a result of rising unemployment.

Income supports for families

Basic social welfare payments

The value of basic social welfare payments should be maintained. Any attempt to reduce basic social welfare rates would result in an increase in deprivation – families would not be able to afford basic necessities.

Child income support

There are a range of social welfare payments provided for children, some universally available, and others targeted at the poorest families. It is the former which have benefited from the most significant increases during the boom years e.g. Child Benefit, and the introduction of a new universal payment, the Early Childcare Supplement. Payments restricted to poorer families – Child Dependent Allowances, Family Income Supplement, Back to School Clothing and Footwear Allowance – have in contrast been relatively minimal.

Media speculation has indicated that there may be cuts in the universal payments in the Supplementary Budget, as there were in the October 2008 budget. The ECPC stresses that such cuts impact disproportionately on poorer families: these payments represent a larger part of the family budget in low income households, and cutting them would increase child poverty.

- ➔ It is imperative that the combined child income support package for low income families is maintained at current levels.
- ➔ Funding for childcare would be more efficiently deployed in the provision of low-cost, quality early childhood care and education places, rather than the payment of cash subsidies.

Family Income Supplement (FIS)

FIS has the potential to play an extremely valuable role in supporting employment in the current context – many workers are facing reductions in hours, and FIS could help to soften the blow on the incomes of the lowest paid workers.

However, many of the most vulnerable workers are seeing their working hours reduced below the minimum threshold of 19 hours a week. Workers employed with atypical work patterns are unlikely to be able to qualify for unemployment payments. In these instances, earned income can fall below the minimum social welfare rates, and lack of flexibility in the social welfare system could exacerbate the unemployment crisis by failing to support people in work with reduced hours.

- ➔ Introduce a temporary and/or targeted reduction in the number of hours required to qualify for FIS.

Housing and accommodation

For families facing significant income falls, meeting accommodation costs can represent a significant challenge, and yet this is one of the most fundamental needs we have.

Families who apply to the SWA Rent / Mortgage Interest Supplement scheme for support may find that aspects of the scheme severely restrict possible benefits, and create employment disincentives, compromising families' ability to protect their homes.

Losing the family home has a catastrophic impact on family and child well being, and the financial cost to the state of allowing people to become homeless would be considerably greater than any additional expenditure on this scheme. Accordingly, the ECPC recommends changes to this scheme, which could be implemented on a temporary basis.

However, a depressed economy also presents opportunities – we can provide additional social housing at a much lower cost now than during the boom years, and provide much needed employment at the same time.

- ➔ Suspend the rule that bars households, in which a member is working for 30 or more hours a week, from eligibility to the supplement; assess entitlement on the basis of mean alone;
- ➔ Retain maximum rent thresholds at their current level;
- ➔ Make maximum use of the potential of the Rental Accommodation Scheme to provide accommodation by extending eligibility to families who are in receipt of Rent Supplement for less than 18 months
- ➔ Take advantage of lower land, material and labour costs to increase the stock of social housing

The **End Child Poverty Coalition** is a partnership of seven national non-governmental organisations: Barnardos, the Children's Rights Alliance, Focus Ireland, the National Youth Council of Ireland, OPEN (One Parent Exchange & Network), Pavee Point, and the Society of St. Vincent de Paul.

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¹ CSO (March, 2009) *Consumer Price Index, February 2009*

² Consistent poverty means a person or household whose income is below the poverty line and who cannot afford to buy items that are designated as necessities. It is the official poverty measurement used by the Irish government.