

Roadmap for Social Inclusion: Mid-Term Review

The Vincetian MESL Research Centre at SVP welcomes the opportunity to contribute to the Mid-Term Review of the Roadmap for Social Inclusion.

The discourse in the Roadmap for Social Inclusion¹ clearly acknowledges the multi-faceted and complex nature of poverty and social exclusion. It rightly sees a crucial role for services and measures to reduce living costs in meeting the challenge of reducing poverty and social exclusion. However, the Roadmap's definition of Social Inclusion first recognises that 'access to sufficient income' is crucial:

Social Inclusion is achieved when people have access to sufficient income, resources and services to enable them to play an active part in their communities and participate in activities that are considered the norm for people in society generally.
(Government of Ireland, 2020: 11)

While the Roadmap retains the goal of reducing consistent poverty to 2% or less, the case is made that it is necessary to look beyond this predominantly income based measure, to also set measures in relation to the other multi-faceted aspects of social exclusion and poverty.

While this is welcome, it is also important to recognise that progress towards ensuring a minimally adequate income will be fundamental to ensuring progress towards a truly inclusive society. In this context, the commitments to benchmarking social welfare rates, retaining focus on child poverty, and reviewing income thresholds for supports are vital aspects of the Roadmap. Observations on these three areas are discussed further below.

Benchmarking

Commitments 22 – 25

The Roadmap details the case for the benchmarking of State Pension rates, to provide a mechanism to maintain the real value of current rates in line with changes in earnings and average living costs. The Roadmap also gives a commitment to consider the extension of benchmarking to other welfare payments.

The exact nature of a benchmarking mechanism, choice of index(es), system of measuring adequacy, etc., may be open to debate. However, the commitment to consider benchmarking to ensure the real value of all core welfare supports is at least maintained is important, made all the more-so in the context of the current extreme inflation levels.

The Roadmap's definition of social exclusion makes explicit reference to 'sufficient income' a cornerstone of inclusion, and as such an adequate social welfare system is a key pillar of poverty prevention. The European Pillar of Social Rights similarly recognises the importance of an adequate income to enable a life with dignity, either from employment (through ensuring adequate minimum wage rates) or adequate support from social protection schemes, while also recognising the important role of services.

The Roadmap commitment to benchmarking needs to be paired with a long-term commitment to the progressive realisation of adequacy within the social welfare system – ensuring that social welfare supports are maintained at a level that provides an income which is above the 'at risk of poverty' threshold, and enables a life with dignity by benchmarking to the cost of a Minimum Essential Standard of Living (MESL).

Maintaining supports then requires indexation, while maintaining supports relative to changes in earnings is important in regards to income equality it does not automatically follow that purchasing power and living standards are maintained. As such, it is important to also index to the change in living costs. This is recognised in the proposed approach for benchmarking State Pension rates.

However, living costs for low-income households and the cost of an acceptable minimum standard of living (MESL) change at a different rate than average measures such as CPI or HICP. The composition of the MESL basket is different from the average consumption basket used to measure inflation. Basics such as food and household energy make up a larger share of the minimum basket, comprising almost double the weight given in the CPI basket (29.4% and 16.1% respectively).ⁱⁱ

These differences underlie the previous MESL findings, standard average inflation measures do not adequately measure the change in living costs for households on social welfare and low incomes. A minimum basket of goods and services is significantly more vulnerable to changes in food, energy, and transport costs in particular.

CSOⁱⁱⁱ analysis of CPI trends supports the findings of the MESL. In the twelve months to March 2022, households in the lower income deciles, single adult and one parent households, and rural households have experienced higher rates of inflation, than the average CPI rate. Conversely, below average inflation was experienced by households in the upper four income deciles. ESRI analysis has also found that low income households are amongst those “experiencing substantially higher levels of inflation” (ESRI, 2022: 57)^{iv}, this was also found to be the case during the ‘great recession’.^v

It is the view of the Vincentian MESL Research Centre that a benchmark and index based on the actual cost of an agreed basket of goods and services required for an acceptable standard of living would be preferable. This would also align with the preference given in the recent EU adequate minimum wage directive – with adequacy assessed by reference to the real price of a basket of goods and services necessary for a decent standard of living^{vi}.

At a minimum consideration should be given to indexation to the price changes experienced by low-income households, as opposed to average measures of price inflation.

Child poverty

The Roadmap makes important commitments around child poverty, and pledge to continuing the higher rate payment in relation to older children (aged 12 and over).

Government commits to continue to take account of the higher rates of poverty among children in low income and lone parent households in setting welfare rates within the annual budget process.

(Government of Ireland, 2020: 35)

This policy of prioritising child related payments and in differentiating payments based on age will continue and will help ensure that current rates of child poverty are reduced.

(Government of Ireland, 2020: 50)

While this is welcome, it is concerning that the Roadmap does not explicitly acknowledge that income inadequacy and child poverty can only be fully addressed when the minimum needs of the entire household are considered. Commitment to progress towards adequacy of both working-age adult and child rates of income support is required to ensure that goals for poverty reduction, and child poverty in particular, can be achieved.

Reviewing income thresholds for in-work family income supports, every two years

The commitment to review thresholds is welcome. The range of secondary supports and in-work social welfare play a vital role working as part of the wider set of essential social services (e.g. housing, childcare, health) to support people towards an adequate income which enables a life with dignity.

Supports such as Working Family Payment, One-Parent Family Payment, Jobseekers Transitional, etc. operating in conjunction with an appropriate earnings floor, can enable income adequacy for many households with children when in lower paid employment. It is essential that the real value of such supports is maintained in line with both changes in minimum living costs and earnings.

Following from the first review of thresholds, consideration could now be given to extending the range of supports reviewed. Additionally, consideration should be given to establishing a mechanism to ensure that thresholds and rates are adjusted in line with any policy action which may impact the rate of payment received e.g. change to minimum wage, adjustments to personal taxation, etc. Furthermore, consideration could also be given to indexing thresholds, adjusting in line with changes in median earnings and/or living costs, aligning with the benchmarking and indexation of core rates.

Given the important role of services, and measures to reduce living costs, consideration should also be given to applying the review to the thresholds which determine eligibility and degree of support in other areas. This could include, for example, Medical Card eligibility thresholds, National Childcare Scheme, differential rent calculations, etc. Thereby, ensuring that access to both services and income supports are not undermined due to gradual changes in income over time.

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- ⁱ Government of Ireland (2020). *Roadmap for Social Inclusion 2020 – 2025*. [www.gov.ie/pdf/?file=https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf](https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf)
 - ⁱⁱ 2022 MESL Annual Update, available at: www.budgeting.ie/publications/mesl-2022/
 - ⁱⁱⁱ CSO (2022) *Estimated Inflation by Household Characteristics March 2022*. <https://www.cso.ie/en/releasesandpublications/ffrp/frp-eihc/estimatedinflationbyhouseholdcharacteristicsmarch2022/>
 - ^{iv} ESRI (2022). *Quarterly Economic Commentary, Spring 2022*. <https://doi.org/10.26504/qec2022spr>
 - ^v Callan, T. & Colgan, B. (2015). ESRI Research Note: The Distributional Impact of Inflation: 2003-2014. www.esri.ie/publications/the-distributional-impact-of-inflation-2003-2014
 - ^{vi} European Parliament legislative resolution of 14 September 2022 on the proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union (COM(2020)0682 – C9-0337/2020 – 2020/0310(COD)) [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316_EN.html#:~:text=\(28\)%C2%A0%C2%A0Minimum%20wages,of%20minimum%20wages](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0316_EN.html#:~:text=(28)%C2%A0%C2%A0Minimum%20wages,of%20minimum%20wages)