



Society of St. Vincent de Paul

NATIONAL ECONOMIC PLAN

Submission to the Department of Enterprise, Trade and Employment

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SVP SOCIAL JUSTICE AND POLICY TEAM

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Introduction

The Society of St Vincent de Paul welcome the opportunity to make a submission on the National Economic Plan. SVP is the largest charity of social concern in Ireland and the primary aim is to provide direct assistance to low income households. Informed by the experiences of our members and the people we assist; we work towards addressing the root causes of poverty and inequality through our policy and advocacy work. It is from this perspective that we make this submission to the Department of Enterprise, Trade and Employment.

Context

SVP do not underestimate the challenges facing the economy and society from the ongoing Covid-19 crisis. As well as the tragic loss of life, the socioeconomic consequences of the COVID-19 public health emergency are extensive but are not being experienced equally. The concentration of job losses in the tourism, hospitality, food, and retail sectors means that the impact has disproportionately fallen on groups that are least able to endure a financial hit, as a higher proportion of minimum wage and low paid workers are located in these sectors.¹ Those in the mostly severely affected sectors of the economy are more likely to be in private rented accommodation, have more debt and less savings. The longer it takes for these sectors to recover and unless safeguards are put in place, the more likely people will be pushed further into hardship.² This will include struggling with the day to day cost of living, cutting back on essentials and facing higher household debts.

Added to this is that a no deal Brexit has the potential to increase the cost of living for all households in Ireland, with the greatest impact on low income households.³ Low income households could face an increase in their annual costs of more than €600 due to Brexit alone.⁴

The National Economic Plan must deliver a fair and inclusive recovery, and to achieve that the environment, society and the economy should be given the equal priority. As well as investment in public childcare, housing, education, and a just transition, we need to make sure the correct mechanisms are put in place to support incomes by benchmarking social welfare payments against the cost of Minimum Essential Standard of Living, delivering workers with a liveable income and providing tailored employment supports for those impacted by job losses. In this submission we outline our key priorities the National Economic Plan which include:

1. Supporting incomes and addressing poverty and inequality
2. Building inclusive labour markets and supporting parental employment
3. Investing in quality public services that support the well-being of people, society and the economy
4. Prioritising a just transition to a low carbon economy ensuring no one is left behind
5. Embedding poverty proofing in economic policy.

¹ Redmond and McGuinness (2020) Who can work from home in Ireland?

<https://www.esri.ie/system/files/publications/SUSTAT87.pdf>

² Coates, Corcoran, Corin and Brosú (2020) The Initial Impacts of the COVID-19 Pandemic on Ireland's Labour Market

³ M Lawless and E Morgenroth (2018) *ESRI Special Article: Brexit and Irish Consumers*. Dublin: ESRI

⁴ Ibid

1. Supporting incomes and addressing poverty and inequality

Achieving a living wage for workers

Many workers who have already been struggling on low pay are in the sectors who have been hit hardest by the pandemic, with widespread closures in tourism, hospitality and food services, and retail.⁵ The retail, accommodation and food sectors employ half of the minimum wage workers in the country, and we now know that those who were already on a low income, younger workers, and migrant workers have fared the worst, and people who have lost their job are more likely to be young, low-skilled, female and part-time than the rest of the population.⁶ As it becomes clear that the economy isn't going to immediately return to where it was pre-pandemic and that some industries will remain changed for a long time, we need to make sure that these groups are protected from being pulled into poverty by adequate social security and well-designed support when a return to work is possible.

We have also seen that many jobs that are poorly paid have been recognised as essential services, with employees turning up to work to keep our communities going and receiving the thanks and gratitude of us all. Unfortunately, the way our current economy values some of these workers has led to many not taking home enough to make ends meet, and we need to ask ourselves what wages and working conditions essential workers – and all workers – should expect as a minimum standard. Everyone deserves at least a Living Wage for their hours at work – no one should come home from a shift and still struggle to pay their rent and worry about affording their weekly food shop. We therefore welcome the commitment by Government to move towards a living wage for workers and to establish a commission to examine the same.

We are recommending that a living wage should be calculated based on the cost of Minimum Essential Standard of Living (MESL) as derived by the Vincentian Partnership for Social Justice and the Living Wage Technical Group. The MESL is a consensus-based calculation of an adequate standard of living for 90 per cent of household types in Ireland. The MESL is used to calculate a Minimum Income Standard, from which an hourly Living Wage is calculated based on the needs of a single adult. This Living Wage rate provides for a basic but decent standard of living, built on a social consensus of the resources people need to live in Ireland today. It allows for individuals to take part in everyday life and to purchase the goods and services they need to be an active member of society. For 2020-21 the Living Wage is €12.30, 22 per cent higher than the NMW.

The Living Wage is calculated at a rate that means when a single adult works full time, they will be able to achieve a MESL. The simplicity of this calculation is a strength: it responds to a societal expectation that work should offer employees dignity and security.

Work should first and foremost offer workers the chance to make ends meet and have an adequate standard of living: in order to do this they must be paid at a rate that reflects the actual costs of living in Ireland today.

⁵ Coates, Corcoran, Corin and Broscú (2020) The Initial Impacts of the COVID-19 Pandemic on Ireland's Labour Market

⁶ ibid

Supporting unemployed people to access opportunities by providing an adequate income

The pandemic has caused a significant increase in unemployment and a large portion of this may turn into long-term unemployment. As well as tailored employment supports, affordable childcare and accessible education and training, Government must be to ensure those outside of the labour market have adequate social welfare supports.

The Pandemic Unemployment Payment has been set at €350 per week, an upfront recognition that the rate of Jobseekers Allowance (maximum personal rate of €203) and other primary benefits is currently insufficient. At SVP we already knew that payment levels this low leave people struggling to get by and have been calling on the government to set welfare rates that allow people to afford a Minimum Essential Standard of Living (MESL).⁷ Last year, a single adult needed at minimum of €245 per week to live at an acceptable dignified standard and participate in Irish society. Benchmarking social welfare against the costs of an MESL would allow people to make ends meet and bring thousands of individuals and families out of hardship.

The individual costs of living on an inadequate income and long-term unemployment are wide-ranging, and the experience of ongoing disadvantage takes a physical, psychological, and social toll on the lives of too many children and adults and the effects can be long-lasting. Social protection is not an insignificant percentage of the Government's social spending. Still, it has a high return on investment, while the cost of non-investing has enormous long-term costs for society and the economy. In research published earlier this year, it is estimated that dealing with the consequences of poverty costs the state €4.5 billion every year. This is spending that could be avoided if poverty was prevented in the first place through sufficient investment in protecting the incomes of the least well off. This logic was apparent when the Government set the rate of the PUP initially at €350. Prioritising a long-term investment in tackling poverty will not only improve the lives of the least well off but it will lead to a freeing up government resources to focus on other public policy priorities.

SVP strongly believe that people who receive social welfare should have the means to remain integrated and participate in society. Even where social welfare payments help address very basic needs, they can contribute to locking people in a cycle of dependency without adequate means to access opportunities or to fully participate in society. Adequate social welfare helps people reconnect to the world of work and allows people to live in dignity. A Just recovery must begin with investing in those who are furthest behind. Everyone should be guaranteed an adequate income to participate fully in society, whether they are in work or not.

2. Building inclusive labour markets and supporting parental employment

As the group most at risk of poverty in Ireland today, lone parents are the largest group assisted by SVP. One parent families are disproportionately impacted by many social issues and unfortunately the consequences of COVID-19 are no different. The higher propensity for lone parents to be employed in low paid work means that the impact of COVID19 related job losses has disproportionately fallen on these families and even a very short absence from paid employment or a temporary loss of income can have a detrimental impact on these household's financial circumstances. However, as the economy reopens, we are concerned that gaps in supports still remain and many lone parents will be put at risk of long-term unemployment if schools and childcare services are unable to fully reopen or if parents have to leave work to care for their children if they are required to self-isolate or are ill due

⁷ www.budgeting.ie

to COVID-19. At this critical juncture, every effort should be made to ensure parents have an adequate income while out of paid work and that their links to the labour market are maintained.

Prior to the pandemic it was estimated that 64 per cent of one parent families are in work, balancing employment and family life.⁸ However, when lone parents do work, they are more than five times as likely to be in in-work poverty than households with two adults. Evidence from DEASP suggests that the increase in in-work poverty among lone parents is due to employment gains being concentrated in low-income jobs as it has been accompanied by a doubling of families receiving the Working Family Payment⁹.

Between 2012 and 2018, employment rates for lone parents increased by 17 per cent. Simultaneously, the in-work poverty rate for lone parents more than doubled, jumping from 9 percent in 2012 to 21 per cent in 2018.¹⁰ Despite recent increases in employment, Ireland still compares poorly to other European countries, with the lowest employment rate for lone among EU 15 peer countries.¹¹

While enabling lone parents to access work is an important policy objective, the changes to eligibility for the One Parent Family Payment introduced in 2015 have taken place in the context of extremely high childcare costs and a dearth of decent flexible and part-time employment. This has pushed parents – and 99 per cent of people on the OFP are mothers¹² – into an unsuitable labour market, often leaving them trapped between poorly paid inflexible work and inflexible social welfare. The reforms failed to recognise the additional practical and financial challenges of parenting alone. The decision to abolish the features of the One Parent Family Payment which support lone parents to take up part-time employment was widely criticised. It is SVP's experience that this has made it more difficult for lone parents with low earnings potential and high levels of caring responsibilities to access employment, education or training, and reduced the income of those already in employment.

In addition to investing in childcare services, employment policy can recognise parental responsibility by building in the right to leave and flexibility. Finland recently announced that their generous parental leave allowance would be split equally by parents of any gender, and that single parents would be entitled to the total amount of leave for two parents¹³. In Ireland however, parent's and parental leave is allocated per adult, so a single parent doesn't receive additional time. By effectively offering the total entitlement per child rather than per parent, Finland's policy recognises that a child does not require half the amount of care and flexibility because they are parented by one adult.

The OECD have found that professional and managers have greater access to working time flexibility compared to clerical staff, sales workers and employees in other occupations including cleaners, food preparation assistances, etc.¹⁴ The right to request flexible working applies to all employees in

⁸ Eurostat: LFS [lfst_hhindws]

⁹ SVP (2019) 'Working, Parenting, Struggling' Available at <https://www.svp.ie/news-media/publications/social-justice-publications/working,-parenting-and-struggling-full-report.aspx>

¹⁰ Eurostat: EU-SILC [ilc_iw02]

¹¹ Source: Eurostat EU-SILC survey [lfst_hheredty]

¹² CSO (2016) 'Women and Men in Ireland 2016' Available at:

<https://www.cso.ie/en/releasesandpublications/ep/p-wamii/womenandmeninireland2016/socialcohesionandlifestyles/>

¹³ New York Times (2019) 'Finland Plans to Give All New Parents the Same Leave.' Available at:

<https://www.nytimes.com/2020/02/06/world/europe/finland-parental-leave-equality.html>

¹⁴ OECD (2016) 'Be flexible! Background brief on how workplace flexibility can help European employees to balance work and family.' Available at: <https://www.oecd.org/els/family/Be-Flexible-Backgrounder-Workplace-Flexibility.pdf>

Belgium, France, German, New Zealand and the UK¹⁵. For workers in New Zealand and the UK this includes a comprehensive definition of flexibility including scheduling and place of work.

Overall, given the high rates of unemployment and underemployment among lone parents, it is important to integrate the needs of lone parents and their children into the Government's economic and labour market recovery plan, ensuring that employers and Government prioritise maintaining lone parents' attachment to the labour market. They must be supported to access good quality work that is suitable for their family situations and provided with services such as childcare and housing that is accessible and affordable.

We believe that improving the labour market for lone parents will also improve the labour market for everyone. We need a labour market that is based on recognising the rights and needs of workers and supporting them to have a long term and sustainable attachment to employment. Through the outcomes for lone parents discussed in previous paragraphs, we can see that there are aspects of our current approach to employment and the labour market that are not working well enough. This requires a recognition that access to employment relies on the strength of services such as childcare and social protection, as well as regulations within the labour market itself. With the right policy choices this situation can be improved. As we recover from the pandemic making these changes should be a priority for the National Economic Plan.

3. Investing in quality public services that support the well-being of people, society and the economy

A key goal of the National Economic Plan should be to support economic and social recovery through investment in Ireland's social infrastructure. Increasing investment in infrastructural projects such as the retrofit of social housing, the development of a rural public transport networks and a programme of building social housing would create employment, stimulate economic activity, assist in meeting climate change targets, and most importantly help tackle poverty, homelessness and tackle existing inequalities.

Social and affordable housing

In the European Council 2020 Country Specific Recommendations to Ireland states that the Irish Government should increase the provision of social and affordable housing.¹⁶ There is now an opportunity to make a real improvement in the quality of life in Ireland amidst this crisis. Housing is a fundamental need, on which so many other needs depend, such as health, safety, and privacy.

Rebuilding Ireland was designed in 2016 to accelerate housing supply in response to the rising numbers of people experiencing homelessness and insecure housing. Under Pillar 2 'Accelerate Social Housing', 47,000 social housing units are to be delivered by 2021, this estimate was revised upwards to 50,000. However, the majority of housing to be provided under the plan is to come from private sector supply. The Government aims to provide 83,760 social housing homes via the Housing Assistance Payment (HAP) between 2016 and 2021 as part of the Rebuilding Ireland targets. In the

¹⁵ Ibid.

¹⁶ https://ec.europa.eu/info/sites/info/files/2020-european-semester-csr-comm-recommendation-ireland_en.pdf

same time period only 33,617 homes will be built, 6,830 will be bought and 10,036 will be leased by the local authorities or the voluntary housing.¹⁷

HAP is a much more expensive form of social housing provision than direct build social housing. This will require state expenditure of approximately €1bn per annum to private landlords. In contrast, an equivalent investment in direct building by local authorities and housing associations would provide approximately 55,000 social housing units over a ten- year period and 165,000 units over a thirty - year period.¹⁸ For example, the financing of a direct build social housing unit in Dublin through state borrowing would cost approximately €800 per month. In contrast, the monthly payment for a HAP unit in Dublin is €1,244. This means financing a HAP unit in Dublin is €5,328 more expensive to the state per annum than a new build unit. Over a thirty-year period, this equates to a HAP unit being €159,840 more expensive with no state asset to show for this money.¹⁹

Land in public ownership is a significant resource available to the State as 1,900 hectares of state-owned land has been identified as suited to housing - 1,700 hectares owned by Local Authorities and the Housing Agency and 200 hectares in the ownership of other state and semi-state bodies. This has the potential to provide at least 50,000 homes and is not all the state-owned land available.¹¹ This is also more cost effective as Department of Housing Figures shows the average cost of these acquisitions was €350,000- €400,000 per unit and nearly double the cost of the social housing units developed directly by the council. The main difference in costs relates to the cost of land.

There is no 'one size fits all' solution to the housing and homeless crisis, however, part of the solution should be developing a cost rental model, which, encouragingly is outlined in the framework document. The cost rent is calculated to take account of the cost of land, finance, construction, and management of the dwellings and importantly is not tied to the market which is profit driven. Also, linking cost-rents to affordability is important to ensure tenants are only paying what they can afford. With a cost-rent model tenants would have security of tenure and long term sustainability. Cost-Rental requires careful consideration by the next Government, this is in the context that research from NESC shows that around one-quarter to one-third of the population will not find satisfactory housing through the market alone. Also, a recent ESRI presentation showed that those in the most affected sectors for job losses due to Covid-19 measures are more likely to rent. In light of our new economic reality other mechanisms to fund cost-rental as is used in many other European countries needs to be explored.

Whilst it is still unclear how the construction sector will be impacted by Covid-19, capital expenditure should not be cut. Increased efforts to build social housing, thus reducing the need to find accommodation in the private sector which is both expensive for the exchequer and is not the solution for households on low incomes should be the overall objective of the incoming Government.

Childcare

The availability of good quality affordable childcare is key to ensuring that parents, in particular lone parents, can get back to work post Covid-19. It is now well established that the introduction of a

¹⁷ "Accelerate Social Housing", Rebuilding Ireland, Department of Housing, Planning and Local Government <http://rebuildingireland.ie/accelerate-social-housing/>

¹⁸ Hearne, R. 2018 <https://www.tasc.ie/blog/2018/06/14/no-ordinary-housing-crisis/>

¹⁹ Reynolds, M. (2017) Cited in An absence of rights: Homeless families and social housing marketisation in Ireland, Hearne, R., Murphy M., Administration, vol 66, no.2 (2018), pp.9-31 doi: 10.2478/admin 2018-0016 DeGruyter Open

universal, public childcare system in Ireland will enhance child and family well-being by mitigating the damaging impacts of poverty on children by promoting parental access to employment.²⁰

Despite strong international evidence showing how beneficial quality care is, early years care and education, childcare and after school care is very expensive, poorly resourced and is of variable quality in Ireland. The lack of childcare and after school places limits opportunities for children and makes it harder for parents entering the labour market. In Ireland, despite the relatively high fees, the wages of workers in the childcare industry remain low. The average hourly rate for Early Years Educators (Assistants) is €11.44 which is below the living wage of €12.30 per hour.²¹

We therefore welcome the Programme for Government Commitment for the introduction a long-term sustainable funding model for childcare providers that "promotes quality, better outcomes for children and makes a career in childcare more attractive". Building a universal public system of childcare that delivers affordability for parents, good quality environments for children to thrive and decent pay and conditions for staff will have significant benefits for children, parents, childcare professionals and the economy. Implementing the EU Child Guarantee of free early years care and education for children from disadvantaged backgrounds will also be an important mechanism in tackling child poverty. This is not only the right thing to do it also makes good economic sense.

Education and training for those furthest from the labour market

Ensuring that low income households are able to access education and training opportunities is vital for their own personal achievements and to ensure our society and economy can adapt and remain resilient after Covid-19. The main barriers and constraints faced by households SVP support who wish to access education and training courses relate to finance, transport, availability of provision, and their knowledge and awareness of the options available to them. The 2016 and 2017 National Learner Forum reports also state this is a recurring issue that needs to be addressed.²²

A report published by SOLAS in 2017 highlighted that for many prospective learners, there was much confusion and lack of awareness for learners around costs, grants and entitlements. For example, due to the complexity of the social welfare system, prospective learners had encountered perceived economic barriers to taking up a FET course. Hidden costs, confusion surrounding entitlements and a lack of eligibility for grants/welfare supplements prevented some individuals from doing courses.²³ SVP members have stated that Level 3 and Level 4 courses are in the vast majority of cases relatively inexpensive or free if on social welfare, however, the hidden costs involved can be a barrier for a person to continue in their chosen course.

Current statistics show there are 445,800 people (aged 25-64) who have less than a QQI Level 4 qualification.²⁴ These include 233,300 people who are employed (52%) and 24,900 who are unemployed (6%). There are a further 187,600 (42%) adults who are inactive and have less than a QQI

²⁰Heery (2020) Public provision of early childhood education: an overview of the international evidence. https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-16_l-rs-note-public-provision-of-early-childhood-education-an-overview-of-the-international-evidence_en.pdf

²¹ <https://www.gov.ie/en/press-release/675a67-minister-zappone-publishes-new-data-on-the-cost-of-early-learning-an/>

²² https://www.aontas.com/33869-AONTAS%20NALF%20Policy%20Report_August_2019.pdf
https://www.aontas.com/48390-AONTAS%20NALF%20Policy%20Report_August_2019.pdf

²³ ibid

²⁴ SOLAS Skills and Labour Market Research Unit (SLMRU) analysis of CSO (Labour Force Survey data)

Level 4 qualification.²⁵ Recent research shows that one in six Irish adults (521,550 people) find reading and understanding everyday texts difficult: for example, reading a leaflet, bus timetable or medicine instructions (CSO, PIAAC 2012). One in four (754,000 people) has difficulties in real world maths, from basic addition and subtraction to calculating averages. These people are at the lowest level of a 5 level scale.

Currently adults can receive between 2- and 6-hours adult literacy tuition per week. There are a small number of longer programmes delivered under Intensive Tuition in Adult Basic Education (ITABE) and some through the Back to Education Initiative (BTEI) in the Education and Training Boards (ETBs). There is no financial support or incentive to return to education for QQI levels 1, 2 or 3, for example tax relief. There is no fulltime childcare or elder care provision or transport costs. As a result, post Covid there will continue to be a significant number of people not participating fully in society as a result of persistent barriers to educational and training opportunities. There should be priority given to those adults with a qualification less than QQI Level 4 to avail of relevant learning programmes with ETBs. This would include intensive and flexible options; appropriate supports as required (income, transport, child and elder care), work placement where appropriate and progression opportunities.

4. Prioritising a just transition to a low carbon economy ensuring no one is left behind

Preventing climate breakdown – and adapting to changes that may now be inevitable – will require many areas of our lives to change. As an economy, we must decarbonise production and the world of work. As individuals and communities, we will also see changes in our consumption habits, the way we travel, the way we heat our homes.

At SVP we are committed to making sure that these changes lead to better lives for those on low incomes and people in poverty. This societal transition must be just and equitable, benefitting the most vulnerable and sharing the rewards of a thriving economy with those who need it most.

Affordable public transport is fundamental in the transition to sustainability. As part of a just transition, this must include a public transport network that allows those in poverty living rurally to benefit from the change to sustainability. Currently, using a car is often the only way of navigating work and family responsibilities for rural households, meaning that car use is unavoidable: as carbon taxes increase this becomes increasingly unaffordable, and yet there is often no practical alternative. For those on low incomes who are unable to invest in car upgrades, an improved rural public transport network can increase access to work and services, while contributing to a more energy efficient transport system

It is estimated that energy poverty (measured as spending 10 per cent or more of a household's disposable income on energy) affects one in six households in Ireland, with the rate for lone parents reaching 31 per cent.

The commitment to retrofit 500,000 homes to B2 BER rating by 2030 in the Programme for Government, including the commitment that €5 billion raised from carbon taxation will go towards retrofitting in the Midlands and on social and low-income tenancies, is welcome. It is also positive that

²⁵ ibid

there will be increased delivery targets for energy suppliers under the Energy Efficiency Obligation Scheme, including for households in energy poverty.

We would like to see reducing energy poverty as a key pillar and explicit objective within the National Retrofitting Plan to ensure that the most vulnerable are not left behind. Strategies and mechanisms to increase uptake must be explicitly designed for the requirements and circumstances of low-income people including those who cannot access credit and should include 100% grant funding for those who need it. There are needs to be a plan for the private rented sector that overcomes the split incentive that leaves many tenants paying the price for poorly insulated homes. For tenants at risk of poverty, this situation has real implications on their standard of living, both in terms of finances but also on their physical and mental health. To ensure the private rented sector is included in the significant commitment to retrofit 500,000 homes, we recommend introducing minimum BER standards on a staggered basis to reach BER grade C by 2030.

This significant spend on retrofitting by Government should be used to build the long-term assets and prosperity of communities. The Government should learn from national and international best practice to retain the benefits of investment locally through progressive procurement policies that prioritise local firms that pay a Living Wage and invest in their workforce.

Carbon taxation revenue should be used for the short and long term alleviation of energy poverty through direct financial assistance to offset the immediate increase in outgoings, and long term energy efficiency improvements that lift people out of energy poverty and create savings for Government further down the line. The principle that the poorest should be protected within the transition to sustainability must be upheld.

5. Embedding poverty proofing in economic policy

Poverty proofing or Poverty Impact Assessment is the process by which government departments, local authorities and State agencies assess policies and programmes at design, implementation and review stages in relation to the likely impact that they will have, or have had, on poverty. Under the Roadmap for Social Inclusion 2020-2025 there is a commitment to retain this process as important part of the regulatory impact assessment process. Importantly, the assessment of impacts of policies on poverty should form an inherent part of the policy making process, rather than an exercise which takes place after a policy has been adopted.

Since its introduction over 20 years ago, poverty proofing has been weak and poorly implemented. The Social Impact Assessment produced by the Department of Social Protection pre- and post-budget is important. However, it is still very difficult to assess the impact that increased Government spending on public services and broader economic policy has on different groups. All Government Departments need to produce an assessment of measures which relate to their own areas so that we can see the impact of all policy and budgetary decisions.

Economic policies affect existing distributive relational and institutional structures and as such have poverty and social outcomes. Fiscal policies, taxation, inflation and labour market policies effect people in poverty in different ways and policies will not be sustainable if they are not equitable. Without mainstreaming of poverty reduction into economic policy, our best efforts are likely to be blunted.

In conclusion, we need to build back better by creating new local economics based on the idea that an economy is developed in a way in which local people and communities benefit, social outcomes are secured and wealth is fairly distributed.