

Contents

1. Introduction
2. Impact of Inflation on Low Income Groups
3. Adequacy of Social Welfare Payments and NMW
4. Aims and Objectives
5. Data
6. Main Findings from RED C Research
7. Summary of Main Findings and Conclusion
8. Recommendations

Introduction (1/2)

- In March 2021, SVP published data on the [financial impact of the Covid-19 pandemic](#) on people in Ireland which was collected by RED C Research. The results showed that people struggling financially prior to the Covid-19 crisis were more likely to have lost income, report an increase in household expenditure on basics and experience more adverse financial impacts than those who were living comfortably prior to the pandemic.
- This data showed that those who were experiencing the most adverse financial impacts at the time were many of the groups that were more vulnerable to poverty prior to the pandemic including low-income families with children, lone parents, renters, and people with disabilities.
- The results provided further evidence that the impacts of coronavirus have been felt unevenly across the country and have exacerbated existing inequalities.
- The purpose of this short report is to gather up-to-date information on the financial situation of people in Ireland in light of the socioeconomic fallout of the pandemic and the recent spike in inflation.

Introduction (2/2)

- Since this data was collected in January 2021, Ireland had entered and exited two lockdowns and has seen the successful roll out of the Covid-19 vaccination programme. As of January 2022, the economy is fully reopened, and people are returning to work. The Central Bank (2022) predict continued strong growth in output and employment. The economy is forecast to grow by 7.1% and unemployment is set to fall to 5.8% in 2022.
- At the same time inflation is at a 20 year high, driven largely by disruption to global supply chains, surging demand and the rise in wholesale energy prices. There is still a high level of unpredictability, but the period of rapid inflation is expected to last until the end of 2022 before it moderates somewhat (Central Bank, 2022).
- It is well established that low-income households face higher than average rates of inflation during times when the cost of essentials such as food and energy are rising at a faster rate than headline inflation. For the households already in poverty and choosing between essentials, the impact of this inflationary cycle will be particularly detrimental if sufficient supports are not provided.

Impact of inflation on low-income households

- Data from the Central Bank illustrates that the rate of inflation experienced by those in the lowest income group is 5.4% compared to 4.6% for those in the highest income group, driven primarily by inflation in energy prices (Makhlouf, 2021).
- Research from the ESRI shows that low-income households (bottom quintile) spend 48.2% of their total household expenditure on essentials, compared to 33.1% of those in highest income group (Coffey et. al. 2020). Private renters also spend more of their disposable income on essentials compared to owner occupiers.
- Analysis by the Vincentian Partnership for Social Justice (VPSJ) from October 2021 shows that headline annual CPI rate for 2021 is 2.4%, the cost of a Minimum Essential Standard of Living (MESL) for social welfare dependent households rose by 3.2%. This is because the MESL household expenditure budget is more concentrated on basics such as food, electricity and home heating than that of the average household.

Adequacy of social welfare payments & NMW

- Analysis from the Parliamentary Budget Office shows that flat increases in social welfare payments like in Budget 2022, do not systematically account for price (or wage) inflation in a consistent manner. For example, Jobseekers Benefit increased in nominal terms by 10.1% between 2011-2022 but in real terms just by 2.3%.
- As well as not keeping pace with inflation, most working age payments are set at a level that is below what is required to meet a minimum standard of living (VPSJ, 2021). The deepest levels of inadequacy are found in households headed by a single adult and households with teenagers. The Vincentian Partnership for Social Justice Budget 2022 impact briefing based on forecast inflation data as of October 2021, showed that the €5 increase in core adult social welfare rates is not enough to keep pace with the forecast change in minimum expenditure needs. As a result, their analysis suggests an increase in the incidence of income inadequacy in 2022.
- In relation to minimum wage employment, the VPSJ estimated a Dublin based single adult would need to work 60 hours of NMW employment per week to afford a socially acceptable minimum standard of living in the coming year.

Aims and Objectives

The purpose of this short report is to provide an update with RED C data collected in January 2022 on the ongoing financial impact of the Covid-19 pandemic and collect additional information on the impact of the rise in the cost of living, in particular regarding energy. It has two main objectives:

1. Examine the nature and extent of financial difficulties associated with the Covid-19 pandemic and rising cost of living, in particular energy.
2. Identify the groups most at risk of financial strain and difficulties and make recommendations on how to mitigate the impact of the rising cost of living on those most acutely impacted.

Data

- SVP commissioned RED C to collect data on financial strain using their Online Omnibus Service in January 2021 and repeated this in January 2022 with a set of new questions on financial worries for the next six months, and specific questions on the impact of rising energy prices.
- RED C interviewed a random sample of 1036 adults aged 18+ online between 21nd and 27th January 2022.
- Interviews were conducted with people across the country and the results weighted to the profile of all adults. Panellists were chosen at random to complete the survey with quotas set and weights allocated on age, gender, class, region, education level & working status to ensure a nationally representative sample.

Limitations

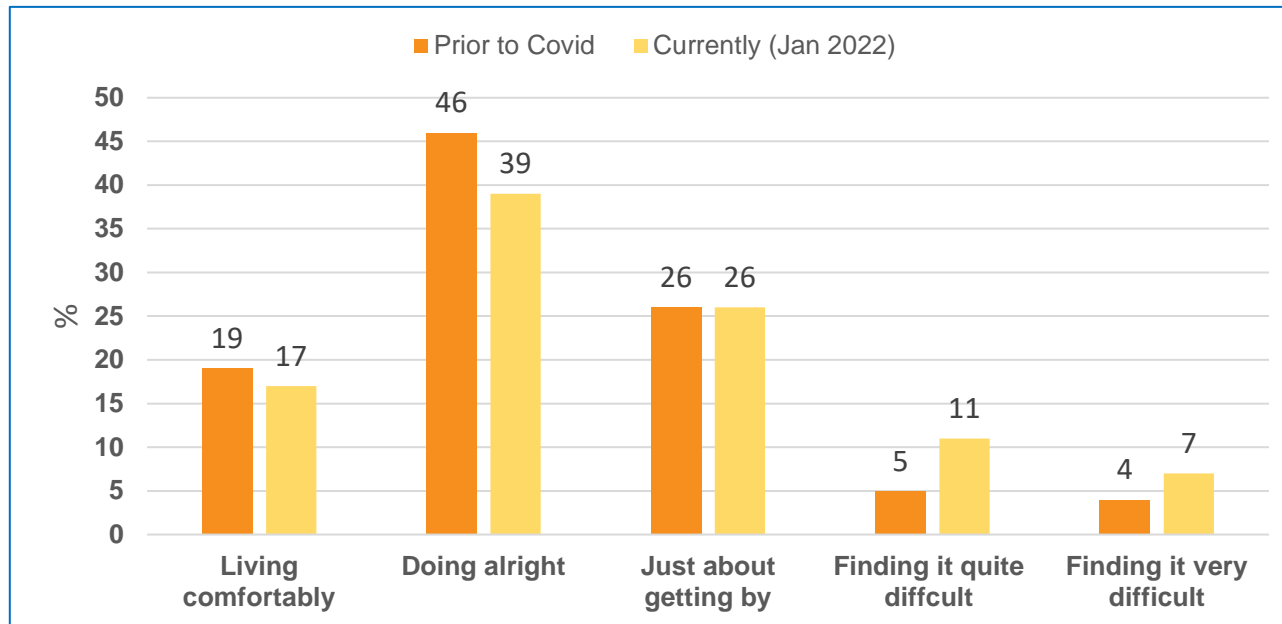
- Income is not captured in the interviews due to issues of underreporting. As this is an important factor when examining financial strain, SVP asked RED C to include a measure of how a person was managing financially prior to Covid-19 and currently as a proxy measure of income (living comfortably, doing alright, just about getting by, finding it quite difficult, finding it very difficult).
- The nature of the online survey may mean groups who are most marginalised and who do not have access to technology may be underrepresented in the sample. This may also lead to an underestimate of levels of financial strain experienced among the total population.

Main findings

What is the financial impact of Covid-19 pandemic and rising cost of living?



Financial Situation now Compared to Before the Covid-19 Pandemic

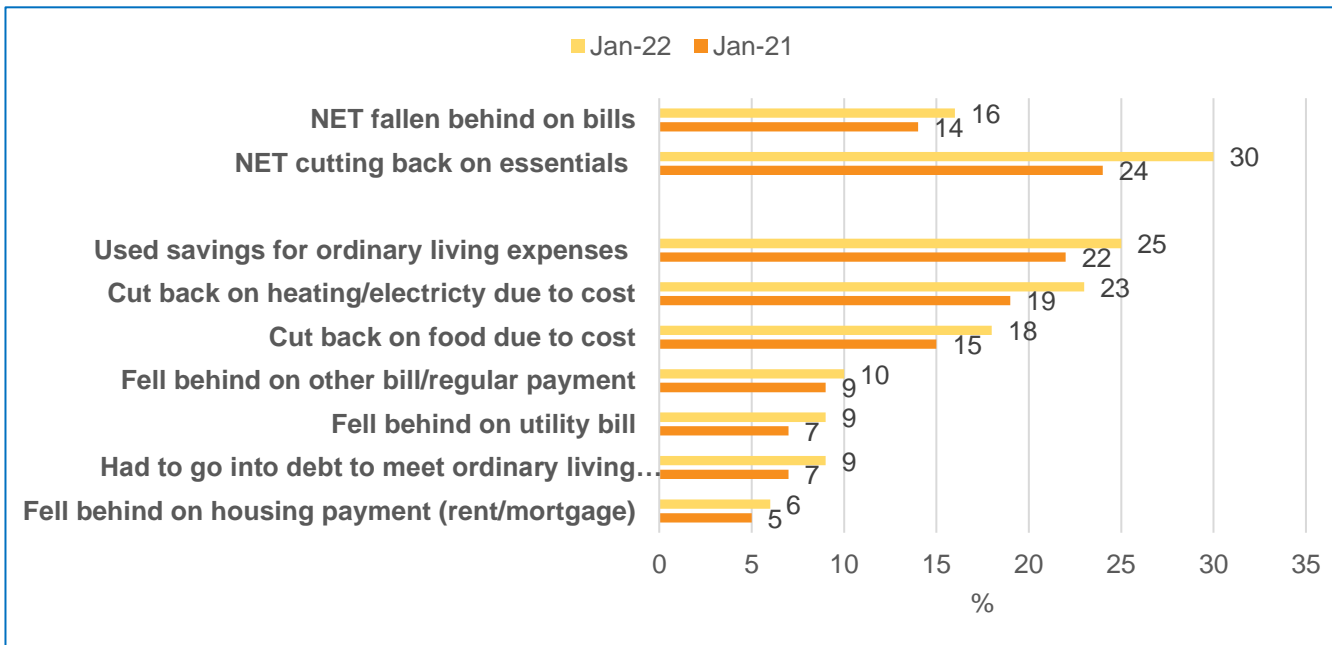


When thinking about their situation prior to the Covid-19 pandemic, 9% of people stated they were finding it difficult to manage financially, this rises to 18% when asked about their current financial situation (Jan 2022).

Q. Before the Covid-19 outbreak began, how would you say your household was managing financially? (N=1030)

Q. Thinking about your current situation, how would you say your household is managing financially? (N=1034)

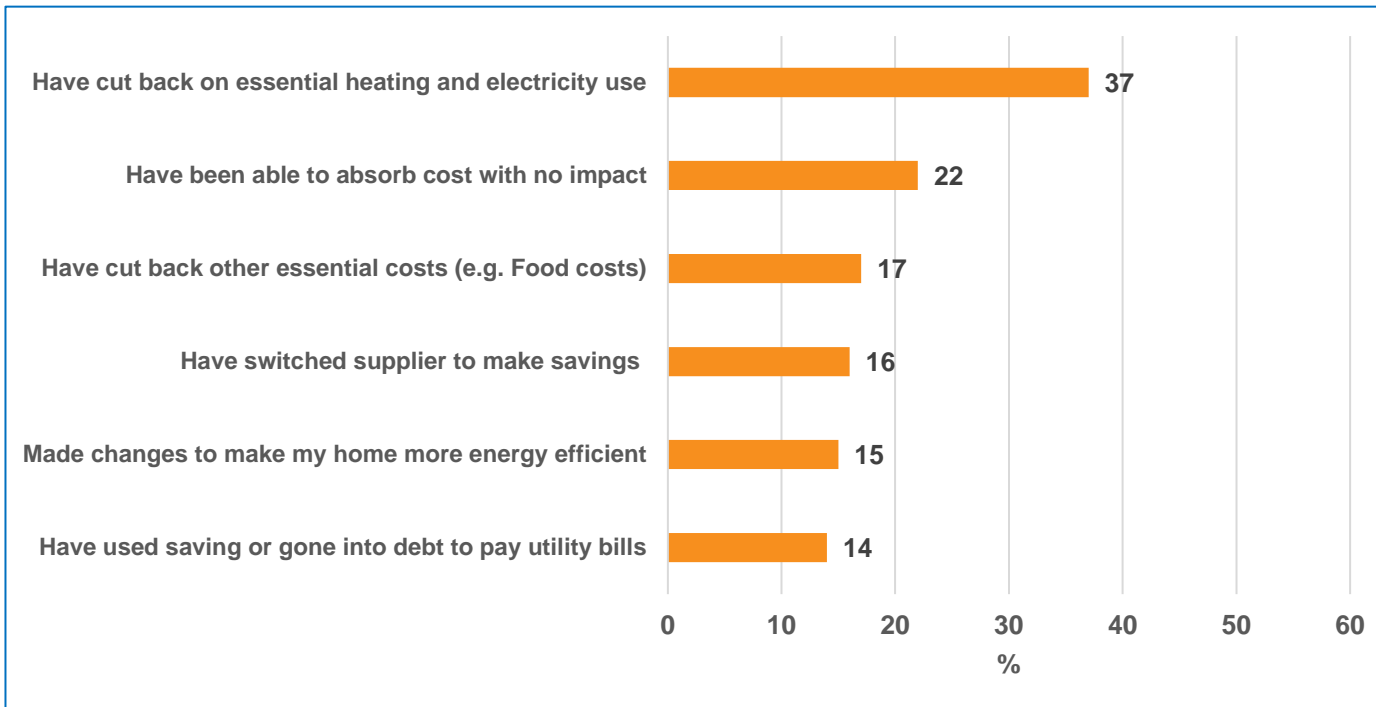
Experience of financial strain due to Covid-19 pandemic



In January 2022, 16% of people stated they had fallen behind on their bills due to the Covid-19 pandemic compared to 14% in 2021. Almost 30% were cutting back on essentials (heating or food) compared to a 24% of people in January 2021.

Q. The Covid-19 pandemic has led to financial strain on some of the people in Ireland and around the world. Since the Covid-19 outbreak began, which of the following financial impacts, if any, has it had on you or your household? (Multiple choice – respondents could select more than one option as outlined in the graph above and could also choose “none of the above”.) (N= 1026 in 2021 & 1036 in 2022) *Note different samples

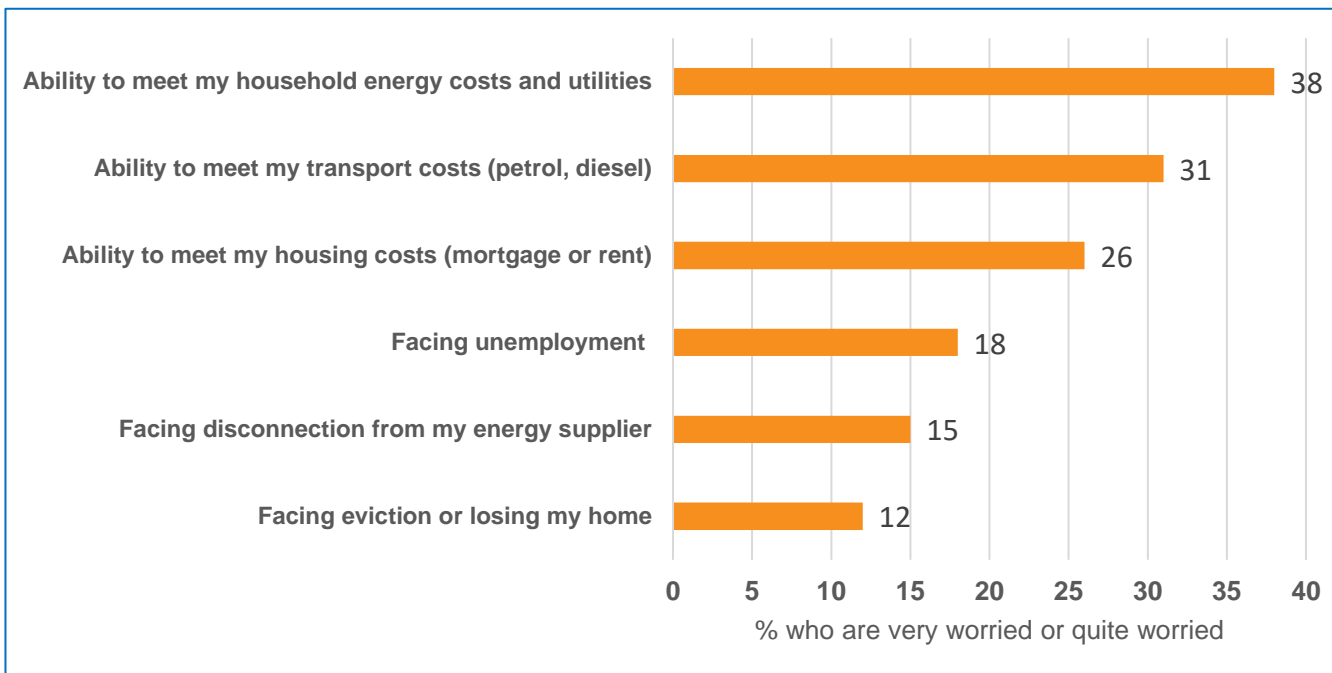
Impact of energy price increases



37% of people have cut back on essential heating and electricity use and 17% have cut back on other essentials such as food due to recent energy price increases.

Q. This winter, electricity and gas prices have increased. What impact, if any, has this had on your household?
(n=1036)

Financial worries for the next six months



Almost 40% of people are very worried or quite worried about their ability to meet their household energy costs while a quarter are worried about their ability to meet their housing costs (rent or mortgage).

Q. Thinking six months ahead, how worried are you, if at all, about any of the following. Answer options: Very worried, Quite Worried, Not Very Worried, Not Worried at All, Not application (N= 1036)

Sub-group analysis

Which groups are most at risk of negative financial impacts due to the Covid-19 pandemic and rising cost of living?



Gender and Age

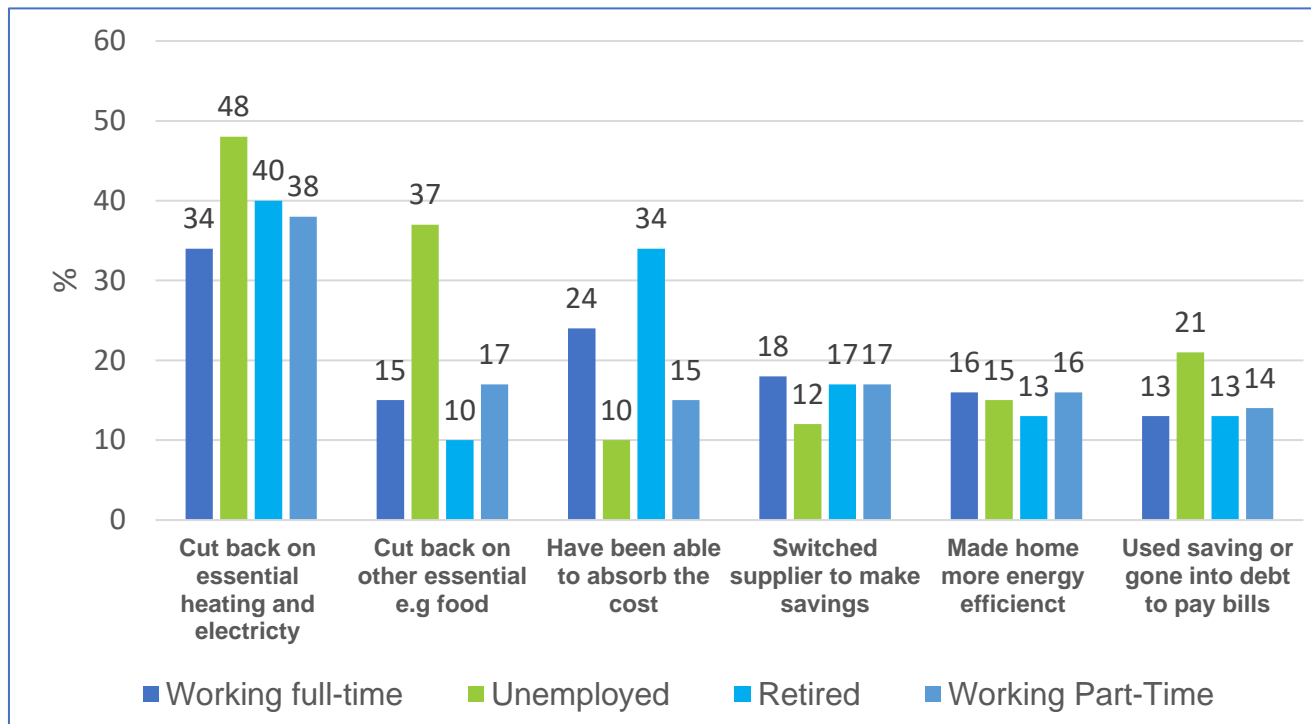
- The same proportion of women (18%) and men (18%) reported that they were currently finding it difficult to manage financially. There were no differences between men and women in regard to worries about their financial situation for the next six months nor in terms of the impact of energy price increases.
- A higher proportion of people aged 18-54 reported that they were worried about their ability to meet their housing costs in the six months ahead (32%), compared to those aged 18-24 and those over 55.

* Throughout this section all reported differences in the indicators of financial strain between groups are statistically significant at either the 95% or 99% level.

Work status

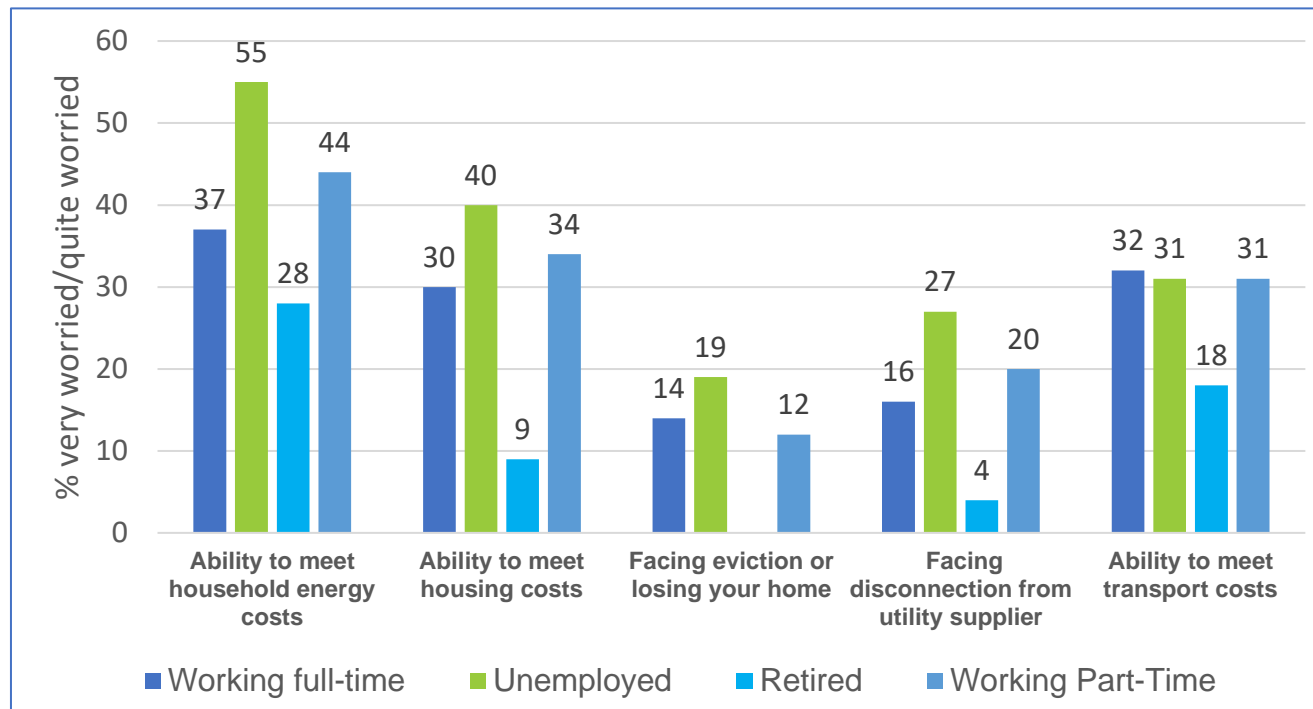
- Almost half of unemployed people (48%) had cut back on essential gas and electricity usage due to recent energy price increases and 16% of unemployed people with children are behind on their utility bills.
- 37% of unemployed people had cut back on other essentials such as food due to rising costs, this compares to 15% of people working full-time and 10% of retired people.
- In terms of financial worries for the next six months, unemployed people and those working part-time were more likely to say they were very worried or quite worried about their ability to pay their household energy costs compared to retired people.
- 40% of unemployed people were worried about meeting their housing costs and 19% were worried about facing eviction in the next 6 months.

Impact of energy price increases by work status



37% of unemployed people have cut back on other essentials such as food to meet rising energy costs & 48% have cut back on essential heating and electricity

Financial worries for the next six months by work status

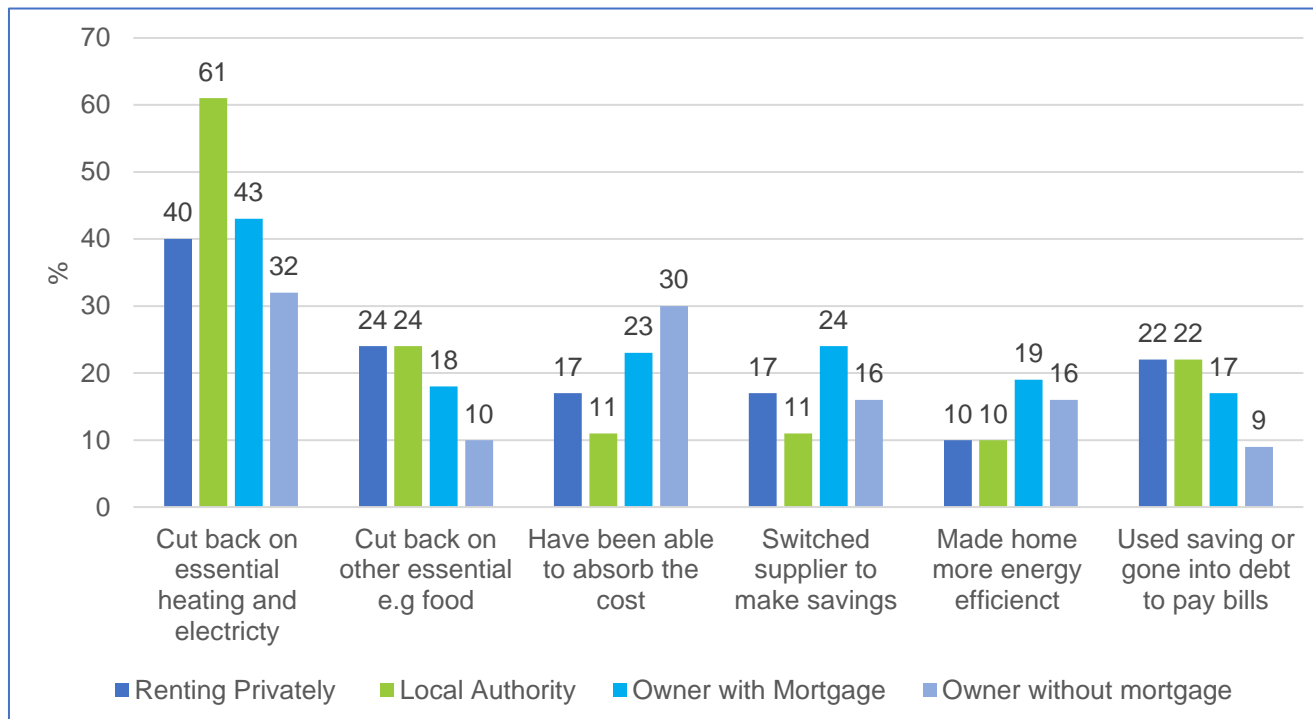


40% of unemployed people and 32% of those working full-time are worried about their ability to meet their housing costs (rent or mortgage) in the next six months

Tenure type

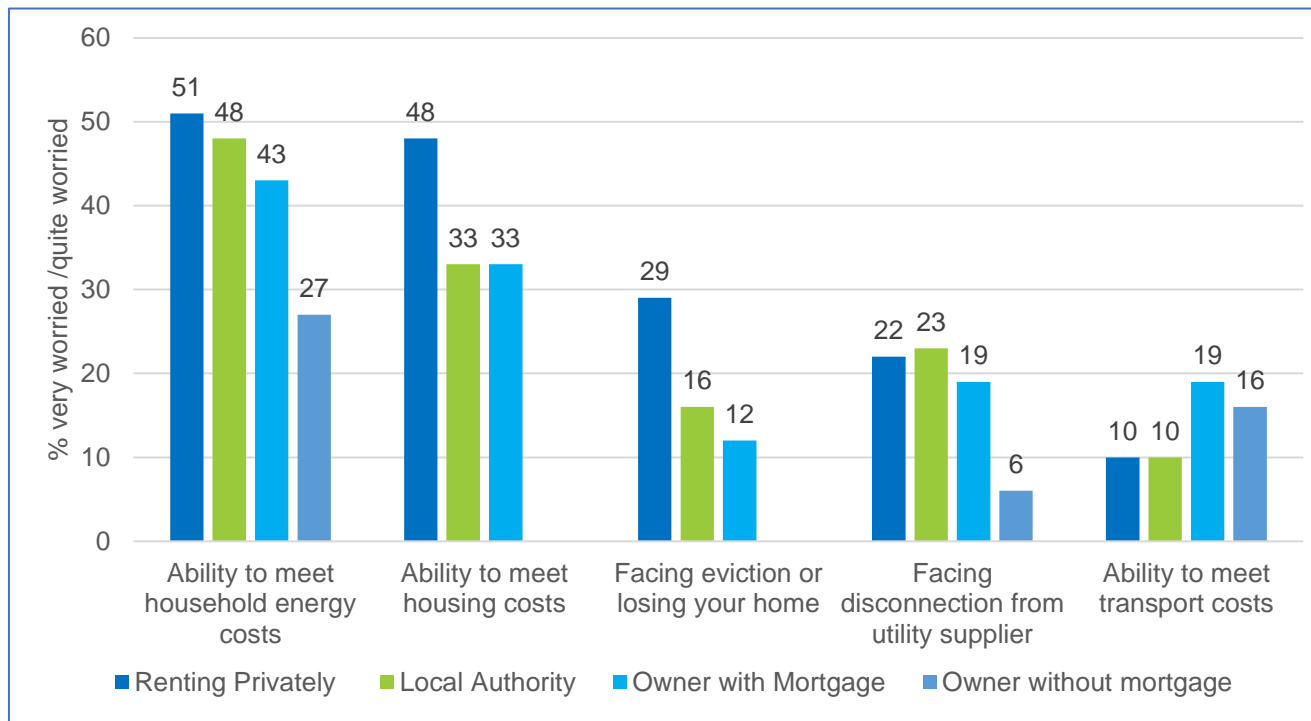
- A quarter of renters reported falling behind on their bills and 9% were behind on their rent payments and 8% of mortgage holders had fallen behind on their payments. These figures remain unchanged since January 2021.
- Renters in local authority housing were more likely to be cutting back on essential energy use due recent energy prices increases (61%) compared to those in the private rented sector (40%) and owner occupiers (41%).
- Almost half of renters in private accommodation are very worried or quite worried about the ability to meet their housing costs and 29% are worried about facing eviction in the next six months.

Impact of energy price increases by tenure type



A quarter of renters in both private accommodation and local authority housing have cut back on essentials like food in response to rising energy prices

Financial worries for the next six months by tenure type

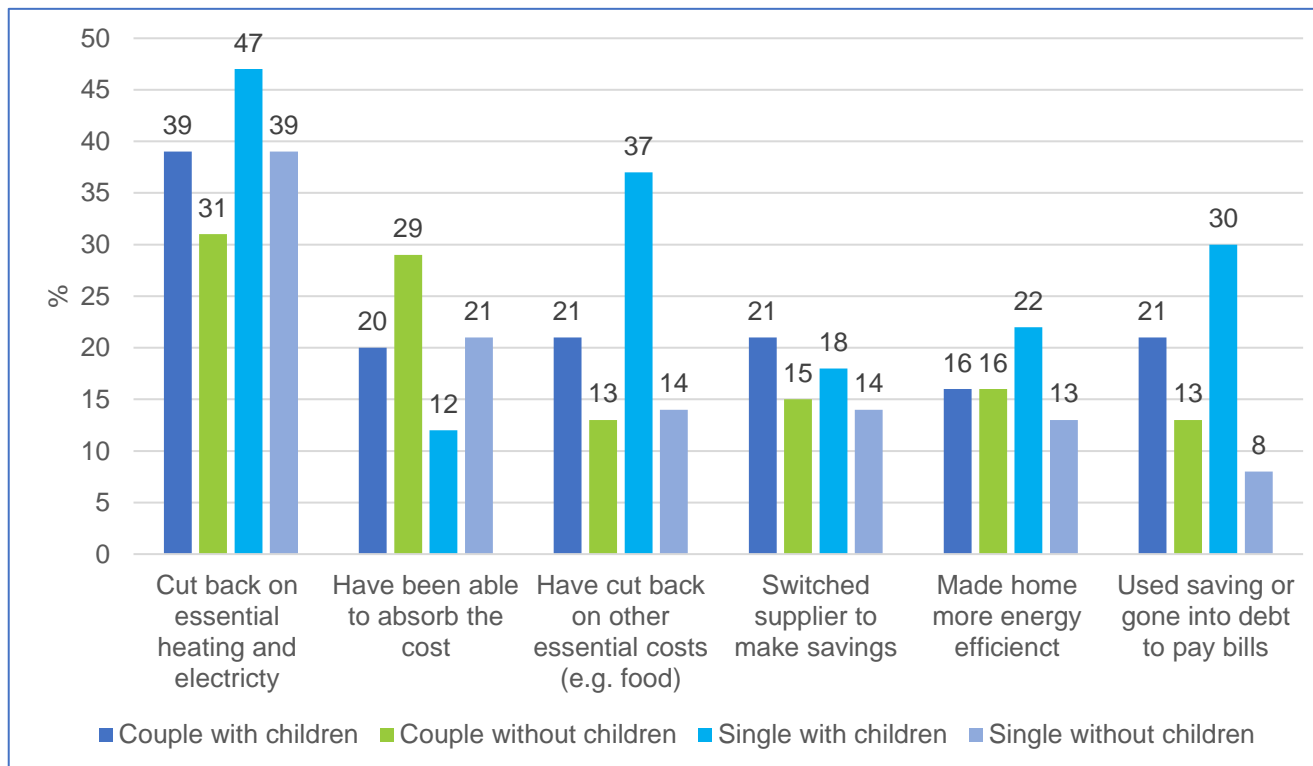


Over half of private renters are worried about their ability to meet their rental costs in the next six months and 29% are worried about facing eviction.

Family type

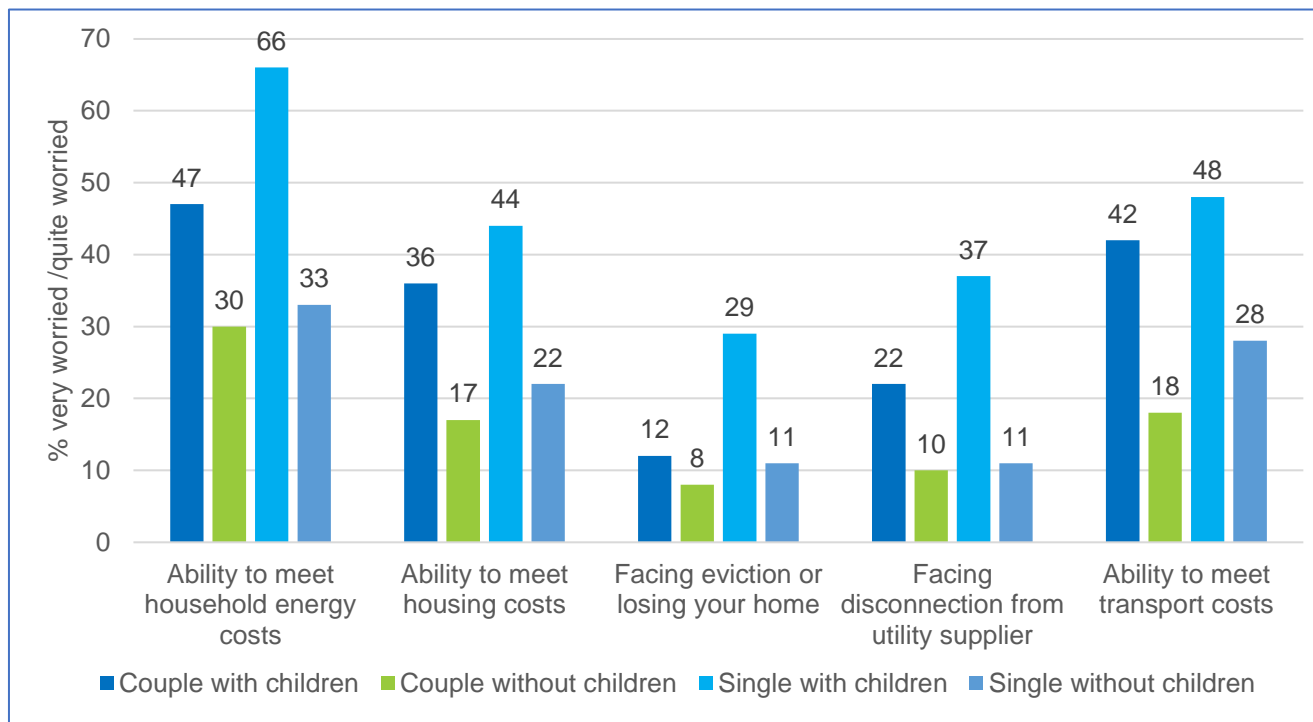
- People with dependent children are more likely to find it difficult to manage financially (27%) than those without children (13%) and 39% of single parents stated they were finding it difficult to manage financially.
- A third of single parents have fallen behind on their bills and other repayments due to the pandemic and 66% are worried about their ability to meet the household energy costs in the next six months.
- Single parents were also more likely to have cut back on other essentials like food (37%) and to have gone into debt or used savings to cover energy bills (30%).

Impact of energy price increases by family type



Almost half of single parents have cut back on essential heating and electricity and 37% have cut back on other essentials like food.

Financial worries for the next six months by family type



Two-thirds of single parents are worried about their ability to meet their household energy costs in the next six months and 44% are worried about their ability to meet their housing costs.

Summary of main findings

- The majority of people surveyed are living comfortably or doing alright financially, but a significant proportion of the population were just about getting by or finding it difficult to manage financially when surveyed in January 2022. This situation has deteriorated since the start of the pandemic with twice as many people reporting that they are finding it quite difficult or very difficult to manage than before the pandemic began.
- Over a third of people have cut back on essential heating and electricity due to the recent price rises. The groups more vulnerable to poverty including unemployed people, single parents, and renters are finding it particularly difficult to manage rising energy costs. Cutting back on essentials like food, going into debt or using savings to pay bills is common among these particular groups.
- The data also shows a significant proportion of the population are worried about their ability to meet their essential living costs such rent, mortgages, utilities and transport costs. For renters the worry is particularly stark with over half worried about their ability to pay their rent, 9% already behind on their rent and 29% worried about facing eviction in the next six months.

Conclusions

- The results provide further evidence that the impacts of inflation have been felt unevenly across the population and is deepening poverty and eroding the living standards of low-income households at a faster pace than groups that are living comfortably.
- As our 2021 report “[Cutting Back and Falling Behind](#)” shows, the impact of the pandemic on low-income household budgets has left families more exposed. While better-off families tended to build up their savings, providing a shock absorber for rising prices, lower income families have no saving and are already in debt.
- With inflation forecast to continue rising, the gap between incomes and expenditure for people on the lowest incomes will grow. The real-life impact of this as seen by SVP will be bills that go unpaid, increased food poverty, evenings spent without heat and light and more isolation for those who cannot afford to leave their homes.
- Rising prices are affecting everyone, but this analysis shows a disproportionate impact on those groups most vulnerable to poverty in first place. The need for targeted support for those on the lowest incomes is clear.

Recommendations – Short Term

It is SVP's experience that even prior to the Covid-19 pandemic and the cost of living crisis, people living in poverty had to make difficult decisions between essentials. With the impact of rising costs of essentials and energy bills in particular being much harsher for households on low incomes, there is a clear case for targeted protections to prevent serious hardship in the coming weeks and months.

SVP is recommending in the short term:

- Frontload available resources to households on fixed and low incomes through increases in core welfare payments with extra support for families with children including those in receipt of the Working Family Payment.
- Extend the Fuel Allowance season by four weeks and keep under review.
- Establish a discretionary fund to support households with extra living expenses and utility debt//costs. This could be facilitated through the CWO service and by relaxing the rules for Exceptional Needs Payments.
- Establish a rent arrears fund between DSP and DHPLG.
- Increase the limits for the Housing Assistance Payment and Rent Supplement to end the practice of top-ups.
- Continue to monitor utility disconnection data and strengthen consumer protection measures to prevent a significant increase in disconnections.

Recommendations – Medium to Longer Term

Immediate support must go hand in hand with measures to strengthen our social welfare system, improve our public services and tackle the structural issues that cause energy poverty.

In the medium to longer term, SVP is recommending that Government :

- Commit to benchmarking the social welfare system against the cost of a Minimum Essential Standard of Living and introduce a Living Wage.
- Develop and publish a strategy to combat energy poverty with clear targets and supporting actions in the areas of income adequacy, fair energy prices and energy efficiency schemes across tenure types.

References

- Central Bank of Ireland (2022) Quarterly Bulletin: QB1- January 2022
<https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2022/quarterly-bulletin-q1-2022.pdf?sfvrsn=5>
- Coffey, C. Doorley, K., O'Toole, C. and Roantree, B (2020) The effects of the Covid-19 pandemic on consumption and indirect tax in Ireland. <https://www.esri.ie/system/files/publications/BP202103.pdf>
- Makhoulf (2021) Inflation dynamics in a pandemic: maintaining vigilance and optionality - remarks by Gabriel Makhoulf <https://www.centralbank.ie/news/article/speech-inflation-dynamics-in-a-pandemic-maintaining-vigilance-and-optionality-gabriel-makhoulf-23-november-2021>
- Parliamentary Budget Office (2021) Social Welfare Rate Changes 2011-2022
https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2021/2021-12-09_social-welfare-rate-changes-2011-2022_en.pdf
- Vincentian Partnership for Social Justice (2021) Budget 2022 Impact Briefing
<https://www.budgeting.ie/publications/budget-2022-1/>