



Society of St Vincent de Paul

Your Vision, Our Future: Public consultation of the Commission on Taxation and Welfare

January 2022

**Society of St Vincent de Paul
National Office
91/92 Sean McDermott St.
Dublin 1**



General Questions.....	2
Fiscal sustainability.....	10
Promoting Employment.....	11
Climate.....	19
Public health.....	21
Administration.....	22

Responses to select questions

General Questions

1.1 What elements of the taxation and welfare systems do you feel are working well?

In Ireland approximately 640,000 people, or 12.8% are living on a low income at risk of poverty (2019 data). This figure has been gradually reducing for four years since 2016. Prior to that it had remained between 15 and 17 per cent since the recession.

The social welfare system in Ireland significantly reduces the proportion of the population who are at risk of poverty. This reveals the considerable numbers of people who are left financially vulnerable due to the dynamics of market distribution, which leads to the need for a hard-working social welfare system.

The welfare system reduces the poverty rate from a pre-transfer (but including pensions) rate of 31 per cent, down 17.9 percentage points to 13 per cent (2019 data). The pre-transfer rate of poverty is the highest in Europe, showing the extreme challenge of market inequality we still face.

At SVP, one parent families are the group we support most often and are consistently shown to be at a very high risk of poverty and deprivation. Before transfers (but including pensions), 70.2 per cent of one parent families are living at risk of poverty – again, the highest in Europe. After transfers, this figure reduces to 33.9 per cent. This shows that the welfare system reduces the number of one parent families at risk of poverty by 36.3 percentage points. Despite this, the risk for one parent families is more than twice that of the total population, and more than three times that of two parent families.

Responses within the tax and welfare system to evidence on targeted interventions show a commitment to improving outcomes for certain groups. For example, SVP welcomed the

introduction of a higher Qualified Child Increase for over 12-year-olds in 2019. This was a significant, evidence-based policy change that alleviates some of the hardship faced by families with older children who have much higher costs than younger children. Increasing this rate in subsequent budgets also shows a commitment to improving the circumstances of households with older children, and we hope to see this trend continue, and accelerate, in coming years. However, though increases have been consistent, there still remains a €85 a week gap between the actual costs of an older child and the QCI rate as announced in Budget 2022.

Responding to anomalies in the system that lead to adverse outcomes is also important. For example, equivalising the income limit for one and two parent families for Back-to-School Clothing and Footwear Allowance in Budget 2022 addresses an inequality built into eligibility rules that has an impact on one parent families who are already at high risk of poverty. Addressing this means more families are able to access the help they need.

During the pandemic, the social welfare system responded extremely fast in extraordinary circumstances: SILC data for 2020 shows that pandemic supports reduced the AROP rate by over 7 percentage points, or around 350,000 people. The introduction of a new payment that would swiftly support hundreds of thousands of households meant the alleviation of huge amounts of strain to affected households and is to be commended. Setting the level of the Pandemic Unemployment Payment at €350 meant that for many households, essential expenses could still be covered and the temporary removal of work could be bridged. In addition, the payment on an individualised basis meant that employees retained an independent income regardless of the financial circumstances of their partner, also an important feature of the payment. Other decisions, including the continuation of in-work social welfare payments, showed a recognition that both continuity of income, and preventing sudden income shocks, are vital in reducing hardship. This protects individuals and also avoids the cost to public services (and other safety net services provided by the Community and Voluntary Sector) caused when people experience a financial crisis.

1.2 What elements of the taxation and welfare systems do you feel are not working well?

The Society of St Vincent de Paul received over 170,000 requests for assistance in 2020 from members of the public living on a low income, facing poverty and social exclusion. Many of the groups we support most often are those we consistently see to be at the highest risks of poverty and deprivation: one parent families, those out of work due to illness and disability, people who are unemployed. SVP are also particularly concerned about

households on a low income living in the private rented sector – in the deprivation figures from 2019 we saw rates climb significantly, pointing to real impacts on living standards as a result of high housing costs.

These groups are vulnerable to homelessness, to food poverty, to energy poverty, and to educational disadvantage. This is a failure on behalf of individuals who live with the consequences of poverty, and also a failure for public services who face built-in costs in the future. Research commissioned by SVP revealed the cost of poverty to public services to be estimated at €4.5 billion per year.

The Vincentian Partnership for Social Justice data on the Minimum Essential Standard of Living (MESL) consistently find that for households in receipt of social welfare, instances of deep income inadequacy persist for households headed by a single adult (single persons and one parent families) and households with older children. If the recommendations of the VPSJ were followed with increases recommended for core rates of payments and for both rates of Qualified Child Increases there would be far fewer instances of income inadequacy in the test cases the research uses, and no instances of deep income inadequacy (where income meets less than 90% of needs)

https://www.budgeting.ie/download/pdf/vpsj_submission_social_welfare_benchmarking.pdf.

SVP contends that as a baseline, the social welfare system needs to provide everyone with the resources needed to have a decent standard of living. Without this, poverty is built into the system for groups most reliant on the safety net. Through income supports and accessible services, the needs of people to have a MESL, should be guaranteed by the state. To move towards this, a commitment to benchmarking social welfare rates to adequacy (within successive budgets) and to providing more robust services – including in housing, in transport, through education – must become a priority of the government.

As things stand, social welfare rates are subject to sporadic increases of €5, rather than an evidence-based figure or a clear and consistent policy trajectory. In the absence of a clear pathway, we have seen core social welfare rates fall further behind median earnings and further beneath the poverty threshold. The result is people reliant on social welfare – many of whom cannot work due to illness, disability or caring responsibilities – have to make budgets stretch further. Sporadic social welfare increases followed by stasis points towards an arbitrary approach to providing people with the level of income support they need to escape poverty and participate in society.

While, as recognised in the previous answer, the social welfare system significantly reduces the numbers of people experiencing poverty, the groups who still experience a high risk of poverty and deprivation point towards weaknesses in the system. In the experience of SVP,

a very low income and lack of access to – or inadequate support from – essential services such as housing leads to the consistently high levels for these groups.

The MESL research also demonstrates the importance of services in limiting the expenditure and income required for a socially acceptable minimum standard of living with housing supports playing a crucial role. The data shows that supports with childcare costs are essential to ensure that employment can provide an adequate income from work. These factors also assist in facilitating the transition from welfare to education, training and/or employment for parents most distant from the labour market.

A 2019 report by SVP showed that the living standards of lone parents in Ireland were among the worst in Europe. They are not only more likely to be living on a very low income but also experience high levels of deprivation, find it difficult to make ends meet and be unable to pay for unexpected expenses. Of particular concern is the growing issue of in-work poverty among these families. In 2012, 1-in-11 working lone parents were living in poverty; by 2017 this had increased to 1-in-5. High housing and childcare costs combined with low levels of income, mean that it is challenging for many families with children to make ends meet. These factors significantly reduce the standard of living of working lone parents who face additional challenges as both the primary earner and primary caregiver for their families. It also creates additional barriers to employment for those who want to take up work or increase their working hours.

In recognition of the higher rates of poverty among one parent families and the negative impact of the OFP reforms, there have been some welcome measures for lone parents and their families in recent Budgets. Firstly, there have been incremental improvements in the earnings disregard for the OFP and JST recipients to €165 per week that will help lone parents take up and increase their working hours. Additionally, the increase in social welfare, the full restoration of the Christmas bonus, improvements in the Back to School Clothing and Footwear Allowance and the new higher rate of payment for children over 12 will help reduce the poverty risk among one parent families.

However, issues still remain. The Working Family Payment is an important form of support for low income families, but lone parents who are working part-time must navigate a very complex system of supports that changes once their youngest child reaches the age of seven and then again when they are 14. For example, a lone parent working four hours a day, five days a week is entitled to the OFP and WFP until their youngest is seven years old. After this point, they will have to choose to transfer to the Jobseekers Transitional Payment (JST) and lose the WFP or retain to the WFP and not be eligible for the JST. Either option

results in approximately an €80 per weekly loss in income if they are employed in a minimum wage job.

There are also still going to be a number of issues when their child reaches the age of 14 as parents' caring obligations effectively become invisible to the system as they are now just viewed as "Jobseekers". This is also at a time when a family's expenditure on food, clothing and education increases as the cost of raising a child over the age of 12 is significantly higher but access to in-work income support becomes more difficult. Research has also found that when childcare costs are included WFP can be insufficient in minimising the poverty risk of lone parents transitioning from social welfare to paid employment.

Currently, people who are not working due to long term illness and disability are at an extremely high risk of poverty (37.5%) deprivation (43.3%), and 18.1% are in consistent poverty. In a survey commissioned by SVP on the financial impact of the pandemic this group had the highest rates of being unable to afford heating, which found that 42% of people unable to work due to illness or disability had cut back due to the cost. In addition, 28% had used savings for basics, 21% had cut back on food, and 22% had fallen behind on bills (<https://www.svp.ie/getattachment/a116ab93-1ba9-4f04-b5a2-bbad59dab050/Cutting-Back-and-Falling-Behind-Red-C-Report-March.aspx>). This level of financial strain points towards inadequacy of rates in the social welfare system in protecting people from poverty. Recently published research has examined the extent of the additional costs faced by people living with a disability which has been calculated at €9482 and €11734.

(<https://www.gov.ie/en/publication/1d84e-the-cost-of-disability-in-ireland-research-report/>).

The lack of recognition within the social welfare system of this additional cost of disability contributes to extremely high rates of hardship. Now that this extensive research has been published SVP would expect to see measures in Budget 2023 that remedy this gap in the safety net.

SVP values the importance of work as a route out of poverty (as discussed elsewhere in this submission), however for those who cannot work temporarily or permanently, the safety net must be robust enough to protect them from poverty through a commitment to providing adequate social welfare rates at a minimum essential standard of living and investing in essential services. As benchmarking is considered for pensions, and as the National Minimum Wage is set to be increased to meet the cost of living, core social welfare rates for adults stand out as an area in which the link with an evidence-based measure of adequacy remains absent from consideration. Without further investment in and commitment to social welfare rates the cost of poverty to public services will continue, and poverty rates cannot be sufficiently reduced or ended, including child poverty.

1.4 In your view, what main reforms are necessary so that the Irish taxation and welfare systems can embrace the opportunities and meet the challenges that Ireland may face over the next 10-15 years?

As we simultaneously manage the impacts of the Covid 19 pandemic on health and our wider social and economic lives, we are also facing up to the truth of the environmental crisis we are living within, and the steps that must be taken to mitigate its worst impacts. As a wealthy country Ireland has a responsibility to respond to both these pressures equitably and with ambition.

In the Government's rapid response to cushion the financial impact of lockdown we saw some of the strengths currently within the system: the swift introduction of the Pandemic Unemployment Payment to protect hundreds of thousands of earners, the rollout of wage subsidies to enable employers to keep people in work, and the move to online and distanced provision of services.

The upheaval of the pandemic also revealed the vulnerability built into how we currently organise society: systems of earning, caring, social structures, and accessing essential services were each upturned which has led to unequal impacts with the lowest income groups more likely to face financial hardship as a result of the pandemic, with higher outgoings on essentials and lower earnings, and those with caring responsibilities of children or family facing the strain of the removal of services and support. Prior to the pandemic, the levels of people unable to face an unexpected financial expense reveals a high level of precarious household finances: 70% of households in poverty couldn't afford an unexpected expense, and 85% of single parent households in poverty.

Extensive poverty and deprivation signals weaknesses in our social infrastructure and economic system: this must inform how we proceed with recovery from the pandemic as we simultaneously meet the climate crisis. Research commissioned by SVP into the cost of poverty to public services found that poverty costs the state an estimated €4.5 billion per year. By public service type, it is estimated that healthcare spends an additional €1.3 billion dealing with the consequences of poverty, that justice and emergency services spend €900 million, the same for housing, education spends €500 million, and certain welfare supports targeted at those in poverty add €600 million to public expenditure every year.

While these results are estimates, they indicate the vast sums spent each year responding to demand caused by the failure to address poverty: 5.1% of total government revenue. This has implications for public policy, revealing the potential that focussing on preventing

poverty could have for public services, and the economy at large. A focus on prevention would create a virtuous circle, improving the lives of people in poverty and freeing up capacity and spending within public services.

The high levels of poverty before social transfers show that unequal earnings place a burden on the social protection system. While these are brought down significantly by transfers, there remains consistently high rates for certain groups, including lone parents and people out of work due to illness and disability. Poverty, and corresponding lack of financial resilience in the form of savings or ability to meet unexpected expenses, mean that when unforeseen challenges inevitably arise public services must be ready to step in.

Investing in ending poverty now prevents future spend across a wide range of public services. In order to end poverty, there needs to be a commitment in government to address income inadequacy. We welcome the commitment to introduce a Living Wage for workers and this must be based on the real cost faced by workers. At the same time, we also need to see a commitment to people who are out of work. Without guaranteeing an adequate income for social welfare recipients, we cannot hope to bring consistent poverty down or eliminate child poverty.

NESC have proposed an independent indexation group to advise government on annual social welfare increases, with the intention of ensuring income adequacy and reducing poverty [http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf]. SVP believe that benchmarking social welfare rates (progressively) against the minimum essential standards of living is the only way to adequately bring down poverty levels by ensuring households are able to meet their basic needs.

Benchmarking social welfare payments to an adequate level is one of the most critical factors needed to achieve the current Government's target of reducing consistent poverty to 2% by 2025 contained within the Roadmap for Social Inclusion 2020-2025. Commitment 25 of the Roadmap requires the DSP to "Consider and prepare a report for Government on the potential application of the benchmarking approach to other welfare payments". Progress on commitment 25 will be determined based on the outcome the Pension Commission's recommendations. While there are a number of options for an appropriate benchmark, we are concerned that benchmarking social welfare payments to average wages or the Consumer Price Index will not be effective in meeting the anti-poverty commitments set out in the Roadmap, if rates are set at level below what is needed to meet an adequate standard of living. It is our view that an appropriate benchmark should aim to:

Combat poverty and social exclusion by establishing an adequate social protection floor;

Ensure that everyone has an adequate income to meet the cost of living and live with dignity;

Provide people with the means to access opportunities and to participate in society; Offer certainty to people on fixed incomes

The VPSJ demonstrate the importance of benchmarking against the actual cost of living as opposed to responding to inflation as measured by CPI. Since 2015, there has been a divergence in the rates of CPI and changes to the MESL basket, with CPI stabilising and the MESL climbing. This is because many (40%) of the goods in the CPI basket are not considered minimum essential costs, and conversely significant costs in the MESL basket – the basics such as food, households energy, and transport, form a much smaller part of the CPI calculation. This underlines the importance of benchmarking social welfare against the actual cost of living that will be experienced by households on a low income. Without benchmarking to these figures, households will continue to make compromises on their costs of living that leads to hardship and in the worst cases deprivation.

[\[https://www.budgeting.ie/download/pdf/vpsj_submission_social_welfare_benchmarking.pdf\]](https://www.budgeting.ie/download/pdf/vpsj_submission_social_welfare_benchmarking.pdf)

For these reasons we have advocated that the Minimum Essential Standard of Living (MESL) data is the most appropriate adequacy benchmark for social welfare payments. The MESL data provides a multi-dimensional view of income adequacy that is grounded in social consensus on what are the minimum requirements to participate in Irish society today. As well as determining the rate at which social welfare rates need to be set in order to ensure adequacy and a life with dignity, the data also highlights policy levers that can reduce the cost of living through access to quality public services.

The European Pillar of Social Rights states in Principle 14: 'Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services'. Each year that rates remain inadequate means another year of households – including families with children – making weekly decisions of what to go without, decisions about which essentials to compromise, and which investments (in health, in education, in training) will need to wait for another time. To be able to adapt to changing economic circumstances of the pandemic recovery and response to climate change, the welfare system must lead a whole government approach to prevent poverty in the first place by ensuring income adequacy. This would benefit individuals and families, and also prevent the cost of poverty to public services that poverty leads to in the long term.

Fiscal sustainability

2.1 What reforms to the taxation and welfare systems should be considered to ensure the system is sustainable and resilient and that there are sufficient resources available to meet the costs of public services in the medium and longer term?

A sustainable and resilient tax and welfare system should prioritise preventative spending to minimise avoidable costs further down the line.

Taxation measures should be progressive and raise sufficient revenue to provide services and income supports at a level to protect people from poverty. Spending should provide universally affordable access to essential services, including education and childcare, housing, healthcare, and transport.

Income supports should be set at level that allows people to cover their basic costs and prevents poverty. Benchmarking social welfare rates to a Minimum Essential Standard of Living provides an evidence-based framework in which to ground decision regarding to social welfare rates. Supporting people to have an adequate income while they cannot work, or have low earnings, is an investment in keeping individuals and households out of poverty, which ultimately leads to expenses for the public purse. An upfront investment in the social welfare system would ultimately be recouped through more financial resilience for people at risk of poverty, who are able to meet their essential needs, and do not have to compromise on long term basics that create poor outcomes across health, education, ability to maintain work or housing.

While transitioning to adequate welfare rates in a single budget cycle would be a significant expense, setting a path to adequacy within a short, specified time frame could be incorporated into a multi-year commitment. It should also be noted that the amount spent on bringing payments to an adequate level (estimated at €2.7 billion for working age, child and some pension payments) falls far short of the cost of poverty each year to public services (estimated to be €4.5 billion) (<https://www.kildarestreet.com/wrans/?id=2021-05-25a.1185&s=QUALIFIED+CHILDREN+DATA#g1190.r>).

The Citizens Assembly on Gender Equality voted in favour of the following statement: 'Our recommendations call for better public services and improved social protection in order to advance gender equality. These should be funded firstly through greater efficiency and accountability for public funding and reprioritisation between current spending and revenue raising. If necessary, we are also prepared to support and pay higher taxes based on the principle of ability to pay, to make a reality of our recommendations.' This shows public

support for investing in public services and income support set at an adequate level to prevent poverty and support investment in essential services.

Promoting Employment

3.1 What reforms to the taxation and welfare system should be considered to ensure that taxation and welfare work in tandem to support economic activity and promote employment while also supporting those most vulnerable in an equitable way?

Employment is an important route out of poverty for many households: it provides opportunities to build financial independence and resilience, to develop skills and experiences, and to participate socially. It is therefore vital that the interaction between the welfare and taxation systems supports those that can work to gain the benefits of decent employment.

The complexity of the interactions between work and welfare mean that it is important to make sure there are not adverse consequences for certain groups as they increase access to the labour market. In SVP's experience this can take the form of: challenges in accessing training and education that would enable sustainable employment (leading to entry into poor quality work); cliff edges and disincentives that can arise in payments including losing access to services; and the complexity of navigating the system creating fear and anxiety. In order to promote employment we recommend improving access to training and education; ensuring the social welfare system provides wraparound and easily understood protections, and making sure enabling services are a recognised part of activation.

In a survey of SVP's members on their experience of supporting people in in-work poverty from early 2020, the mental health and social benefits of employment came through strongly, as did the opportunity to progress financially and professionally. However, members' reported worry of losing access to medical cards and balancing the benefits of employment against the loss of other social protections. In addition, there was a sense of perceived precariousness of pay compared to social welfare, for example having to take time off sick or to care for children could lead to a significant financial penalty, and unexpected emergencies such as car break down or the decisions of employers could lead to loss of income. In response to the question 'What would improve the situation for the households in employment you are visiting?' the top 3 answers (each selected by 69 per cent of respondents) were: 'Increase in the National Minimum Wage', 'More supports for education and training', and 'More supports for childcare', followed by 'More flexible social welfare'.

(See more here: <https://svp.ie/getattachment/216d7cdb-36ac-4d87-ad66-d68d0803499a/SVP-Submission-to-the-Low-Pay-Commission-on-the-Na.aspx>).

For work to provide a route out of poverty it must be decent and sustainable for the individual. Decent work means adequate pay, suitable and predictable hours, having a secure contract and also having opportunities to progress. Whelan et al. have described a typology of activation that spans work-first approaches (characterised by conditionality, rapid activation and employee-led job search) to life-first approaches (which focus on skill development, accessible training and enabling services)

(https://mural.maynoothuniversity.ie/15045/1/2021_TheenablingroleofemploymentguidanceincontemporarypublicemploymentservicesAworkfirsttolifefirsttypology.pdf). They suggest that a life-first approach would lead to a more resilient workforce as we face upcoming transitions – including the recovery from Covid. Similarly, NESC have also recommended public employment services that provide tailored and more intense support, including for career progression once in work. NESC also recommend that there should be greater flexibility around ‘genuinely seeking work’ (GSW) criteria where recipients require part-time rather than full-time work (http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf). For many payments GSW requirements could instead be based on the circumstance of the recipient in recognition of the need of many people to balance caring requirements (for children or family), employment, and other commitments including ongoing education and training.

In SVP’s experience, activation policies that are not sufficiently focussed on decent, sustainable work can lead to poor outcomes, as in the case of one parent families subject to increasing conditionality since the recession. This has led to increases in rates of in-work poverty rates for the group as many of the roles available have not enabled a move out of poverty. Creating pathways to higher quality roles that have the flexibility needed as well as providing routes to progress is essential, and will require coordination between government departments, employment services and directly with employers. This applies to activation services as well as longer term employment and career support. Currently, lifelong learning is lower for ‘low-skilled’ workers, and lower for sectors including retail, which has a high proportion of low paid workers (<https://www.socialjustice.ie/article/lifelong-learning-how-does-ireland-compare>).

SVP have detailed our experience supporting lone parents who struggle to access third level education due to the gaps and complexity in the provision for part-time students to engage in education alongside caring and financial responsibilities. Third level education can be an effective safeguard against poverty, and therefore easing the route to a degree for any

groups vulnerable to poverty is vital to a reduction in poverty rates

(<https://svp.ie/getattachment/d77dcc6b-7a5d-41e0-9ecc-92f665ba18ec/SVP-Submission-on-SUSI-Review-April-2021.aspx>).

The OECD cite the importance of creating learning opportunities that are inclusive, affordable, and accessible and focus on creating a strong foundation of skills and making learning a lifelong habit (<https://www.socialjustice.ie/article/lifelong-learning-will-be-key-part-pandemic-recovery>). For those entering the workplace, and workers that aren't provided with learning opportunities through work, government must proactively encourage and enable participation in lifelong learning.

The complex interaction between types of payment, means testing and conditionality, access to secondary payments or services such as the medical card, and earning or hours limits, means the social welfare landscape is incredibly complex. The complexity of the system can lead to a lack of clarity about what a change in circumstance might mean for income and access to services: this leads to anxiety about 'rocking the boat' and the potential unintended consequences that might arise. For example, IGEES outlined an instance of differing eligibility criteria for secondary benefits meaning that (at the time of writing) an individual receiving HAP could in fact gain eligibility for a medical card if their income increased and they moved above the HAP bracket, as the proportion of their income then classified as rent (as opposed to rent plus local authority contribution) would increase and be disregarded from the medical card calculation (page 31 <https://igees.gov.ie/wp-content/uploads/2018/08/13.-An-Analysis-of-Replacement-Rates.pdf>). This is one example that illustrates the benefits of simplifying and streamlining eligibility within the welfare system. Finally, wraparound services that enable entry into work must be a recognised part of promoting employment. It is well established that in countries with public provision of childcare, early years care and education is more affordable, accessible, and of higher quality than in countries with private provision (Heery, E. (2020) 'Public Provision of Early Childhood Education: an Overview of the International Evidence', Oireachtas Library and Research Service Briefing note

https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2020/2020-06-16_I-rs-note-public-provision-of-early-childhood-education-an-overview-of-the-international-evidence_en.pdf).

Research also shows that publicly provided childcare is linked to better outcomes for children and higher maternal life satisfaction (ibid.). In addition, it is recognised that access to free or highly subsidised childcare is one of the best mechanisms to reduce poverty in one parent families (Daly, M. (2020) Reducing Child Poverty: Challenges and Opportunities for Ireland, Presentation at Children's Rights Event on the EU Child Guarantee). However,

Ireland has the highest level of private provision of childcare in the OECD, along with relatively low Government investment, low wages for educators and high fees for parents (ibid.).

Childcare is the most significant enabling service to allow many households to move into work or increase earnings: without affordable childcare that is available locally and at the right time, increasing hours is not a realistic prospect. Reliable childcare supports, available to children whose parents are in or out of work, benefits children and removes a significant barrier and complexity to families having to weigh up the costs of work. Following the publication of the report by the Expert Group on the Future Funding of Children we welcome Minister O'Gorman has announced reforms to the funding model for childcare which he says will see services increasingly publicly funded and publicly managed. We particularly welcome the recommendation to increase core funding to support quality, better pay, affordability & sustainability, provide universal and targeted supports to tackle disadvantage and overall the expanded role for the State in the provision of early year care and education. It is critical that continued investment in the sector supports the implementation of the report's recommendations.

3.2 Does Ireland's taxation and welfare system strike the right balance between maintaining the incentive to increase earnings and alleviating some of the risks of low income (poverty and deprivation)?

The taxation and welfare system interact with hundreds of thousands of people on a low income who are at risk of poverty and deprivation. These people are on a low income for a variety of reasons: of working age people, some are in low paid work, some are seeking work, others are unable to work due to illness, disability, or child or family care requirements. The welfare system is the safety net that protects people during these different stages or experiences of life: in a wealthy country like Ireland, it should be able to protect people from poverty and deprivation.

The response to this question will consider how the tax and welfare system incentivise earnings and alleviate poverty for people who are either unemployed, or on a low income and in receipt of social welfare payments. For those who are subject to work requirements and incentives, the interaction between earnings, taxation and welfare are an important factor to consider, but they are not the only factor that enables people to work or to increase earnings. Access to appropriate training, education, decent and sustainable employment and

supporting services – such as childcare and transport – are also a key part of supporting people to increase earnings.

SVP believe that a holistic set of measures to incentivise employment for those who can work are needed and should encompass supports that encourage people to take up work and remain in employment. Inadequate social welfare supports should not be used as a way to incentivise employment. Everyone, both in and out of work should be entitled to an adequate income and good standard of living. While employment leads to many benefits – social and financial – and should therefore be incentivised and enabled, the alternative does not have to be a poverty penalty.

It is often incorrectly assumed that Ireland has relatively high levels of benefit generosity and this has contributed to fears that it may be a disincentive to employment, particularly for those with children. However, a report from the ESRI showed that 80% of those in receipt of unemployment benefits would see their incomes increase by 40% when taking up employment, just 3% would be financially worse off (Savage et. al. 2015). According to OECD database, Irish replacement rates are 70% for a single adult moving from a minimum wage role onto unemployment benefits, and 64% for a single person with two children also moving from a minimum wage role. These rates have been decreasing in recent years, leading to declining protection offered to those moving from work onto unemployment benefits. This is also shown by the increasing gap between the poverty threshold and core social welfare rates.

In Ireland high replacement rates creating employment disincentives are often cited, especially for households with children. SVP research (*Working, Parenting, Struggling*, 2019) has shown that Ireland's replacement rate for lone parents is below the EU average, and only slightly higher than the EU average for two parent households with children. This contrasts with Denmark, which has the highest replacement rates in the EU, and yet maintains high employment levels, and low child and family poverty rates. Rather than disincentivising employment, adequate income supports are a vital to mitigating the risk of poverty, including protecting children from child poverty.

The same research examined the withdrawal of social welfare supports on entry to work, and the important role of housing and childcare supports on ensuring work pays. While HAP has sought to address the cliff edge created by Rent Supplement on taking up employment, differential rents throughout the country creates a postcode lottery, and in addition the top ups tenants pay to Landlords, and insecurity of tenure within the PRS, means there continues to be serious concerns about HAP. In terms of childcare – the affordability of which is vital to ensuring parents can enter work or increase earnings – the Marginal

Effective Tax Rate in Ireland is pushed up significantly by childcare costs compared to the EU average. The research showed that for one and two parent households the METR stood at over 100% at the time of research (meaning a loss of income from working), and childcare contributed 90% of the METR (EU average was 50%).

For those already employed, the Marginal Effective Tax Rate when moving from part-time (50%) to full-time (100%) work in a minimum wage role for a single adult is 30% - a dramatic reduction from 70 per cent ten years ago. For single parents the METR is 88%, increasing from 80% ten years ago. This is the second highest rate in the OECD. The ESRI previously noted that in comparison to the UK, more household types in Ireland face an METR over 50% due to a much lower threshold for starting to pay income tax

(<http://aei.pitt.edu/99016/1/2017.2.pdf>). Whilst overall fewer household types face very high METRs (over 70%) than in the UK, the above noted METR for single parents of 88% is revealed as an outlier presenting a strong financial disincentive to working more hours.

The link between adequate benefits and good labour market outcomes is well established, as research shows that adequate social welfare can help unemployed people find a better job as a decent financial buffer enables jobseekers to wait for a job offer that matches their skills instead of having to take the first offer that comes their way. This usually means they will keep the job for a longer time and lowers their risk of becoming unemployed again. Looking at this issue more closely another study using data from 20 European countries and the United States between 1992 and 2009, found that association between benefits and unemployment depended heavily on the types of opportunities available. In countries where there are strong protections for workers, there will be more attractive job opportunities, and in those circumstances generous benefits work to improve job to worker matches. However, if the jobs on offer are low paid or precarious, people are more likely to remain unemployed. As well as affordable housing, childcare, access to education and training, the provision of decent pay and conditions, we need to ensure Ireland employment services are person centred and built around the needs of jobseekers. A 2018 National Economic and Social Council (NESC) report found that within the social welfare and employment support system, (i.e. Intreo, the Local Employment Service and JobPath), there can be a lack of trust between service users and Intreo, and at times, people feel they have no choice about the activation/training options offered (NESC (2018) Moving from Welfare to Work

http://files.nesc.ie/nesc_reports/en/146_Low_Work_Intensity_Households.pdf). Some also felt there were not enough places on sought-after courses with good labour market potential.

Also, service users reported that it could be difficult to get information on the options open to them. The report recommended that a much greater emphasis must be placed on the

coordination of services, including stronger links between the employment support services and employers, and between the full range of services to support households including childcare. They also recommend that the intensity of supports increases for those most distant from the labour market, including lone parents and people with disabilities.

There must be an equitable balance between the financial incentive to work, and the safety net provided to those not working – including those not working due to health, disability, or caring responsibilities, or those preparing for re-entry into the labour market on a more sustainable basis. This must at a minimum provide people with income supports that allow them to meet their basic needs, as calculated by the Minimum Essential Cost of Living. To increase the incentive to work, SVP recommends focusing on creating pathways towards sustainable employment, the introduction of a Living Wage, and refocussing activation services and corresponding social welfare and education/training supports on a ‘life-first’ model.

3.3 Are income supports equitable in terms of how they treat people of working age?

How is this balanced with the requirement to meet differing needs?

In previous answers we have commended the significant reduction in income poverty that can be attributed to income support and social transfers. However, in assessing how equitable income supports are, we must look at outcomes and how these differ between groups: this response considers inequality of outcomes. Lone parents, people out of work due to illness and disability, people who are unemployed, all experience far worse outcomes across the range of poverty measures.

In 2019 SILC data, deprivation levels increased overall and across a number of groups. One parent families had a rate of deprivation of 45.4%, and people unable to work due to illness and disability had a rate of 43.3%. There was a very concerning increase for private renters, with an increase of 7 percentage points to 34.4%. The rapid increase in renters experiencing deprivation illustrates the importance of a whole government approach to tackling poverty: the cost of housing is clearly pushing up levels of hardship, and without a long-term preventative approach, focused on investing in social housing, deprivation among renters will continue to increase.

The level of people unable to meet the basic cost of living is also clear through the work of the Vincentian Partnership for Social Justice’s budget assessments. The VPSJ consistently find that households headed by a single adult (single person households and one parent

families), and families with older children, are the groups most often living on a deeply inadequate social welfare income who will be unable to achieve a minimum essential standard of living. We also know that due to the additional cost of living with a disability, many households will be further behind income inadequacy as they must make these costs from an existing inadequate budget.

NESC observe that not being in employment, and caring alone for children, lead to much greater poverty rates (http://files.nesc.ie/nesc_reports/en/151_Future_Social_Welfare.pdf). In order to achieve equity of income support for these groups, full-time work cannot be the only route out of poverty (though it is an important one for households who can work).

The impact of the 2014 reforms of the One Parent Family Payment (OFP) which included the introduction of conditionality to engage in paid employment or activation programmes based on the age of their youngest child are still being felt by one parent families. The changes to the OFP have been the subject to much criticism, specifically that they were introduced during a period of recession and high unemployment, in the absence of good quality affordable childcare, and without recognising the additional practical and financial challenges of parenting alone. In particular, the decision to abolish the features of the OFP 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. The 'work first approach' is also viewed as problematic, as it does not address the low level of educational attainment among many lone parents, making access to quality employment more difficult (Millar, M. and Crosse, R. (2016) *Lone parents and activation, what works and why*). The validity of these concerns and criticisms have been reflected in research which showed that the reforms increased poverty among lone parents (https://www.welfare.ie/en/downloads/DEASP_OFP_Review.pdf) and reduced the incomes of those already in employment (<https://www.esri.ie/publications/lone-parentincomes-and-work-incentives>).

While we note and commend recent social welfare increases rooted in evidence (including the introduction of an older QCI for children over 12, and consecutive annual increases for QCI rates), we know that these do not sufficiently support the incomes of these households either to escape poverty or provide for a minimum standard of living. In order to achieve fairer outcomes for individuals, and see reduction across the range of poverty measures, we need to make sure incomes cover the basics, and households are not having to compromise on the essentials needed to live.

Climate

4.1 As Ireland moves to a low carbon economy, what should be the role of the taxation and welfare system in:

- a) taking advantage of opportunities?
- b) mitigating the risks?
- c) in meeting Ireland's emissions targets?

Moving towards an economy that operates sustainably within our environmental means can bring benefits to people who are currently marginalised. Many of the routes to a low carbon, sustainable economy are also the routes to a fairer economy: robust public services including affordable, regular public transport, opportunities for lifelong learning and training, thriving local economies with essential services and decent work nearby, warm homes that can be heated affordably and cleanly. However, these benefits will not be realised without careful design and implementation. If not considered, the social impact of climate action could fall hardest on those least able to bear the burden: those already struggling with energy and fuel costs and those who are furthest from decent job opportunities.

Taking advantage of opportunities:

- We welcome the commitment to retrofitting shown so far by the Government, including through the allocation of carbon tax funds. Improving domestic energy efficiency has potential to reduce the environmental impact of the sector and simultaneously improve the experience of households in energy poverty. Schemes such as Better Energy Warmer Homes to provide free upgrades to eligible homeowners, as well as financing Local Authority upgrades, are well targeted interventions that provide tangible improvements for residents. The capacity of the sector to respond to demand will be pivotal in coming years, as is the uptake for deeper retrofits that can make the most significant difference. SVP and Threshold have called attention to extend support to tenants in energy poverty in the private rented sector. Due to a split incentive, tenants on low incomes bear the burden of energy bills with no power to improve efficiency, and landlords are not incentivised to improve efficiency as they do not pay energy bills. We welcomed the commitment in Warm Housing for All to bring in minimum BER standards, where feasibly, by 2025, and now call for a clear strategy to be published, including funding for free upgrades for tenants in receipt of Housing Assistance Payment.

- This significant spend by Government on the low carbon transition should be harnessed to support high quality job opportunities and support local economies. The Government should learn from national and international best practice on community wealth building to retain the benefits of investment locally through progressive procurement policies that prioritise local firms that pay a Living Wage and provide high quality employment. The potential of Community Wealth Building principles in a rural transition has been explored by TASC:

https://www.tasc.ie/assets/files/pdf/fepstasc_the_peoples_transition_-_2020f.pdf

Mitigating the risks:

- Without mitigation, the carbon tax is regressive, placing a heavier burden on lower income households. The use of revenues to increase the Fuel Allowance, the Living Alone Allowance, and Qualified Child Increases, as well as retrofitting grants, is welcome and reaches many of those impacted by the carbon tax. However, we are concerned that there remains gaps in the strategy to target those most in need of assistance and this means the progressive nature of the revenue use is compromised. Specifically, we are concerned that households on the Working Family Payment do not benefit, and although the Fuel Allowance now applies to jobseekers from 12 months, the first year is still spent without fuel support. In terms of retrofitting, private renters living in energy poverty pay the carbon tax through their bills but are not eligible for energy upgrades targeted at those in energy poverty. We also recommend introducing a preventative approach to mitigating the impact of the carbon tax on those in poverty and energy poverty. We believe that a social energy tariff could be an efficient and effective route to do this, and recommend the government carries out a feasibility study of the impact on the Irish market to see how a social tariff could remove some of the burden of energy costs, including environmental taxes, from low-income households.
- The PSO levy similarly presents an additional cost on energy bills for low-income households. Currently priced at €58.57 per year, for households living in poverty this presents a notable addition to bills. While we note that this has decreased in the latest calculation, SVP have called for options to be considered that could mitigate the impact of the levy on energy poor households, redistribute the burden of costs between customers and renewable energy producers, and reduce volatility of the levy calculation.
- There is a risk that as some groups are able to access the benefits of the transition to a low carbon economy, groups already marginalised will be left out of opportunities

and subject to increasing inequality. This applies to improving domestic energy efficiency, with the risk that those unable to invest in improvements will be left in the worst quality housing and will not be able to escape energy poverty. In terms of accessing the economic opportunities of the transition, those who will directly lose jobs in carbon intensive industries must be supported to maintain their standard of living and be provided with both the income support to avoid poverty, and training needed to move into new roles

(https://www.nerinstitute.net/sites/default/files/research/2019/working%20paper%20series%20no%2065_final.pdf).

Public health

8.1 How well do the taxation and welfare systems support good public health outcomes, addressing health challenges including but not limited to those caused by or related to tobacco and alcohol use, obesity, poverty and/or environmental issues?

Research commissioned by SVP in 2020 estimated the annual cost of poverty to public services at €4.5 billion. Healthcare formed the largest part (28%) of the overall cost, with poverty leading to an annual cost of €1,247.3 million.

6.7% of acute hospital care spending can be associated with poverty, leading to a cost of €351.3 million; 16.7% of primary health care and community health, leading to a cost of €889.5 million, and 27.5% of mental health provision, leading to a cost of €23.5 million. As this research only focussed on three areas, there will be a cost of poverty to other areas of health spending, such as maternity care or elderly care, which will lead to a figure higher than presented in this research.

To focus on mental health, research from the UK found that 14% of mental ill-health can directly be attributed to currently being in poverty, and an additional 13.5% is associated with experiences of socio-economic disadvantage, on top of this 7.9% of mental ill-health was caused by past experiences of poverty. While this research was not based in Ireland, it reveals the extent of the impact of poverty on people's lives – and their lives into the future – and the burden this places long-term on public services.

As detailed elsewhere in this submission, the welfare system currently works to significantly reduce poverty levels, however for certain groups there remains high levels of poverty and deprivation even after support. To reduce the cost of poverty to individuals and to public services, a whole government approach to poverty prevention should be adopted focussed

on income adequacy (both through social welfare and a Living Wage), and the provision of public services that are universally accessible and affordable.

Administration

9.1 How can modernisation of the taxation and/or welfare administrations evolve to best meet customer needs in a satisfactory manner while respecting data rights and ensuring secure and reliable tax collection?

SVP welcomes the development of services to operate via multiple channels for application to and management of social welfare. Having additional options to receive support can make services more accessible to wider groups. However, the provision of multiple channels should be additional, and not progress in a way that limits existing routes for people.

Digital Exclusion was recognised in the National Risk Assessment for 2021/22, and NESC have examined its impact in Ireland, where older people, those with lower education levels, lower incomes, and rural households have more limited engagement with and access to ICT. Limitations occur from lack of connectivity, lack of devices, and from skills and confidence. (http://files.nesc.ie/nesc_reports/en/154_Digital.pdf)

NESC point out that lower income households more often rely on smartphones for their only internet access: as services operate online more often this can disadvantage these users as smartphones cannot offer the same experience as laptops or tablets (eg. For job applications, some portals, or longer form writing for education). In addition, the cost of broadband, or data alternatives where broadband is not reliable or available, presents an extra cost to households who are already on an income below a minimum essential standard of living. For an illustrative example, the average cost of broadband (€40 a month in 2020 bonkers.ie) makes up almost 5% of a single adult's income from core social welfare rates. As digital routes are increasingly used for public services, it is essential that the design and implementation is thoroughly checked to ensure disadvantaged groups maintain the same level of access including by maintaining alternative 'non-digital' channels. For social welfare recipients, digital routes can offer streamlined experiences in some instances (for example, PUP applications), however, in instances of complex cases or needs, face-to-face and telephone support is essential in meeting people's needs. This is recognised by NESC who recommend 'complementary' digital and non-digital channels.

Digital access has been a significant issue for SVP throughout the pandemic when a move to online learning for school and third level students disadvantaged households with limited access to internet and devices. This led to students falling behind, incurring additional

expenses without the budget to do so, such as having to use expensive mobile hotspotting, or having to purchase a new device (eg. A tablet or laptop).

Going forward, SVP welcomes the addition of online and digital services to social welfare, however these services must be provided in addition to maintaining existing channels to ensure no one is left behind. SVP support NESC's recommendations to drive digital inclusion through a standalone inclusion strategy, including targeted support for devices for key groups, supporting people through communities, and enhanced guidance for public services to use digital in an inclusive way.