HOW THE POOR WERE MADE TO PAY

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The Poor Can't Pay

'The Poor Can't Pay' is a coalition of Charities, Community organisations and Trade Unions which was formed to ensure that the poorest in our society were not asked to carry the burden of the economic crisis. 'The Poor Can't Pay' argued that basic welfare payments should not be cut, the Christmas Payment should be continued and that the Minimum wage should not be reduced.

Supporters of the campaign sent over 10,000 e-mails, made several hundred phone calls and visits to TDs and Senators to make the argument that those on the lowest income in our society should not be asked to survive on less.

The Budget announced in December 2009 (Budget 2010) made substantial cuts to social welfare. This report analyses how these cuts will impact on poverty in Ireland and, through specific case studies, on the incomes of low income families.

The report is based on research and analysis carried out by independent researcher Camille Loftus on behalf of 'The Poor Can't Pay'.

More information about the campaign can be accessed at www.thepoorcantpay.ie

The Poor Can't Pay would like to gratefully acknowledge the assistance of Language in the production of this report.
Contact Language about cost effective report design and delivery in print and digital formats.

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Budget 2010: The Poor Will Be Made to Pay

The social welfare cuts in Budget 2010 will have the greatest impact on households already at risk of or living in poverty.

Much of the burden of addressing the crisis in public finances was placed on those with the lowest incomes. €1 in every €5 that the Government cut came from cuts in social welfare. This directly undermines the Government's stated commitment to 'protect the most vulnerable'.

Many households won't just suffer one income reduction, but will suffer multiple cuts. For long-term welfare recipients this is in addition to the withdrawal of the Christmas payment. For the many households comprising people in receipt of social welfare and low paid workers, this comes on top of job losses and reduced hours. Some local authorities have decided to impose refuse charges on those on the lowest incomes.

This report uses a number of case studies to demonstrate these complex interactions on people trying to work part-time at a minimum wage job, people who have a disability and people who have lost their jobs.

The Government rationale for the Budget cuts was two-fold:

- Prices have fallen and therefore people would be no worse off in real terms
- Irish social welfare rates are generous and therefore cuts could be made without incurring hardship

But when these claims are examined, neither appears sustainable.

Research from the ESRI demonstrates that people on the lowest incomes have not benefited from lower prices to the same degree as rich households; the price of goods that low income households buy have not fallen as much as the goods that those on higher incomes buy. The average rate of increase or decrease in prices is not a reliable guide to the price changes those on the lowest incomes experience.

Much attention has been given to the above-inflation increases in social welfare payments in recent years. This was necessary because payments were universally recognised as too low. These increases helped reduce poverty in Ireland but even so, they were not sufficient to ensure that all families that had to rely on social welfare were protected from the risk of poverty. Even after these above-inflation increases, and before the cuts, Ireland does not perform well in comparison with its European neighbours in terms of poverty – we are in the bottom third of the 'at risk of poverty' league table in the EU, and our poverty rate is above the EU average.

Not only did the Budget hit hard at those on social welfare, the cuts will be worst for the households who are at the greatest risk of poverty, for example children, lone parents, unemployed people, particularly those entering the labour market for the first time, people with disabilities.

Government said it had to make difficult decisions. But the decisions now facing many of Ireland's poorest households will be much more difficult. How can I feed my family tonight? Can we afford to heat the house? Which bill can I pay this week, and which must I hope can be postponed? How will we manage when the bills cannot be postponed any longer?

The poor can't pay, but Budget 2010 means that they will be made to.

The Impact of Falling Prices

In his Budget speech the Minister for Finance said that the cost of living had fallen by about 6.5% over the last year, including "very sharp declines in the prices of the basic necessities of food, clothing and accommodation". This was the key rationale for the cuts in social welfare.

However, figures released by the Central Statistics Office[1] on Budget day showed a lower fall in average prices – 5.7% – over the previous 12 months.

When mortgage interest is taken out of the equation, we find that prices have fallen by only 2.2% in the last 12 months.

Price changes have had different impacts for lower and higher income groups; wealthier people have benefited to a much greater degree than those on lower incomes. The prices of goods that lower income households tend to buy have fallen more slowly than general price falls. Research published by the ESRI[2] showed that households on the lowest incomes faced the highest inflation rates in 2008, and gained least from falling prices: prices for poorest households fell by around 3%, while for the richest households, prices fell by just over 5%[3].

The main reason for this is different housing costs. Housing costs have been the major driver of a lower cost of living, particularly lower interest rates on mortgages. For example, mortgage interest has fallen almost 44% in a year.

People on lower incomes are less likely to have mortgages – pensioners are more likely to have paid off their mortgage, and low income working age households were less likely to be able to get a mortgage in the first place – so they don't benefit from lower interest rates. Private tenants who rely on social welfare don't benefit from falling rents – they have been asked to secure rent reductions (and Budget 2010 announced that they will be asked to secure further reductions), but the level of Rent Supplement they receive also falls, leaving them no better off. And for social housing tenants, their rents are income related, so they have increased rather than decreased.

Of course for those who have been unlucky enough to lose their jobs, or who have had to take significant pay cuts, falling interest rates are cold comfort – many in this situation are struggling to pay enough to stop their homes being repossessed.

The Minister stated that government recognised that prices had not fallen at the same rate for all groups; it was on this basis that older people were spared a cut in their social welfare pensions, and this is welcome.

Evidence from the CSO shows that other households in receipt of social welfare are at greater risk of poverty than pensioners. Therefore the rationale provided for not cutting the state pension also applies to other basic social welfare payments.

1 Central Statistics Office (10th December 2009) Consumer Price Index, November 2009. Dublin: CSO

2 Jennings, Anne; Lyons, Sean; & Tol, Richard S.J. (August 2009) Working Paper No.308: Price Inflation and Income Distribution. Dublin: ESRI

3 For the period July 2008 to June 2009

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Poverty and the Budget

The measures announced in the Budget hit hardest at the poor.

Cuts in basic payments

Social welfare cuts were targeted at adults of working age and children, focusing the cuts on those groups most exposed to poverty. Basic welfare payments for adults of working age were cut by 4.1%. This was in addition to the abolition of the Christmas Payment which amounted to a 1.9% cut in itself. The cut in basic payment for a single person amounts to over €8 a week. For the comfortably off this may seem like a small burden to carry, but taken from a household Budget which is already inadequate, it will make life very hard indeed.

The social welfare cuts for young adults were particularly harsh. The April 2009 'mini-Budget' halved Jobseekers Assistance (JA) and Supplementary Welfare Allowance for new claimants aged 18 and 19. The December 2009 Budget extended this cut to new claimants aged 20 and 21. Full payment is made for young people who take up a training programme. However, there are not enough training programmes for all who want them, and most last only a few months.

Children will not be protected from the cuts, despite increases in Child Dependent Allowance (CDA) and Family Income Supplement (FIS). Poor children live in poor families – when their parents' income is cut, they inevitably feel the effects. Child poverty can have a long term impact on child development. Children who grow up in poverty are more likely to experience poverty as adults.

Adults who saw little benefit from the boom years – for example, people unable to work due to illness or disability, carers, and low income parents who could not afford childcare – will see the small gains they made in recent years eroded.

Many tens of thousands of people who have lost their jobs and young people entering the labour market for the first time will also be made to pay.

Unemployment has a devastating effect on well-being. In particular long-term unemployment has a scarring effect, reducing future earnings. Anyone who lost a job has already suffered a crippling reduction in income, and has already 'made their contribution' to sharing the burden of the crisis.

Stealth cuts

In addition to the cuts in basic payments, the Budget introduced new charges and taxes, and signalled that further reductions in Rent Supplement will be implemented in 2010.

The prescription charge and carbon tax in particular are likely to have greatest impact on the one group who escaped social welfare cuts – older people.

Rent Supplement

Further cuts were announced in Rent Supplement for 2010 – maximum rents were also reduced in the Supplementary Budget. Tenants relying on the Supplement had to secure rent reductions from their landlord, or risk being made to move. Now further reductions are to be sought.

Tenants don't benefit from these reductions, their Rent Supplement payment is also cut. If they can't get their landlord to reduce the rent, they either have to move, or pay a 'top-up' to their landlord, which is not declared to the authorities. Anecdotally, such top-up payments are far from unusual; they are paid from limited social welfare incomes. Part of the reason people pay these additional amounts is that it can be very difficult to find landlords willing to accept Rent Supplement tenants.

Prescription Charge

A new prescription charge for Medical Card holders was announced. The charge of 50c per item per month, up to a limit of €10 per household was introduced, the Minister said, to reduce the amount of prescription items being processed.

If doctors are issuing unnecessary prescriptions, this is how the issue should be tackled – by working with doctors. If these prescriptions are necessary – which would be the reasonable assumption – then this new charge aims to deny access to required medication.

The structure of the charge is also unfair – the same limit applies to large as to small households, so those living alone will be particularly affected. Older people – more likely to live in small households and to require more prescription items – will be targeted by this measure, as will those of working age who have themselves a health issue or disability, or have a child in this situation. In summary, this charge targets the sick and the old.

Carbon Tax

A new carbon tax was introduced. While it is undoubtedly necessary to reduce Ireland's carbon emissions, again this tax will place a large share of the burden on those least able to afford better energy efficiency.

A study[4] on the distributional impact of a carbon tax in Ireland noted evidence that "low income households are less energy efficient and rely on more carbon intensive fuels". This is largely why a carbon tax "is markedly regressive, as the average burden is an estimated 2.1% for the first decile, 1.2% for the second decile and 0.3% for the tenth decile"[5] – i.e. the carbon tax represents a much higher proportion of a poor person's income than that of a wealthier one.

This is because people on low incomes are more likely to live in badly insulated homes, and to rely on higher carbon fuels. In addition, those without a public transport service have little option but to rely on a car to get around. Again, those with reduced mobility, who are most likely to be on a lower income – older people, people with disabilities, people with small children in tow – are most affected.

The Ministers Budget speech promised that a "vouched fuel allowance scheme will be developed to offset the increases for low income families", but no information has been given on what form this might take, and whether it will cover all low income households affected, is available. The Verde & Tol research explores a number of options, concluding that a combination of social welfare and tax credit increases would be most effective. Budget 2010 did the opposite of this.

The Budget speech stated that "the yield from the Carbon Tax will be used to boost energy efficiency, to support rural transport and to alleviate fuel poverty", but failed to give any indication of how this would be achieved. Clear commitments on this are required urgently to ensure that the burden of cutting carbon emissions is not also carried by the poor.

Summary

The pain of economic adjustment is not being fairly shared. Those on the lowest incomes, those most vulnerable to poverty, are being made to pay. Research tells us that social welfare payments can make a significant impact on reducing poverty, and that the lowest income groups have benefited least from falling prices. The Budget cuts target those most vulnerable to poverty, and the scale of the cuts is likely to be higher than the fall in prices for low income groups.

The Budget cuts will inevitably create further poverty. The poor can't pay, but government insists that they will.

The case studies below illustrate how the Budget cuts will impact on typical households.

4 Verde, Stefano F. & Tol, Richard S.J. (2009) 'The Distributional Impact of a Carbon Tax in Ireland'. The Economic and Social Review 40 (3) 317-338

5 The study examined the impact of introducing a carbon tax of €20/tCO2 , the Budget introduced a tax of €15/tCO2. However, as social welfare payments have been reduced, even a lower tax is likely to have a similar distributional impact

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Case Study 1: Unemployed Lone Parent

Gemma is a lone parent with an eight year old daughter. She lost her job in a supermarket earlier this year, but didn't have enough PRSI contributions to claim Jobseekers Benefit, so she's reliant on the One Parent Family Payment.

Gemma is already struggling with the loss of the Christmas Bonus – equivalent to a 1.3% cut in her annual income.

Now her income has been further reduced by 2.9%, or €8.18 per week, leaving her with an income €21 below the at-risk-of-poverty threshold[6]. One-parent families suffer the highest poverty rate of all households.

Accumulating the effects of the Supplementary Budget and Budget 2010, Gemma's income has been cut by €655.77 per annum, a reduction of 4.1%.

	2009	2009 (Supp.)	2010	Budget '10 impact
Social Welfare payments				
– Personal rate	208.23	204.30	196.00	-8.30
– Child dependent allowance	26.50	26.00	29.80	3.80
One Parent Family Payment (inc. Christmas Bonus)	234.09	230.30	225.80	-4.50
Child Benefit	38.20	38.20	34.52	-3.68
Back to School Allowance	3.84	3.84	3.84	0.00
Smokeless Fuel Allowance	14.67	14.67	14.67	0.00
Net income	**290.79**	**287.01**	**278.82**	**-8.18**

Gemma is very concerned about the announcement that Rent Supplement thresholds will be reviewed again in 2010. She managed to get her landlord to reduce her rent in 2009 when thresholds were reduced for the first time, but her landlord warned her that he could not afford to take a further rent reduction. If her landlord won't reduce the rent further, Gemma will either have to move, or pay the extra out of her weekly income. Finding alternative accommodation would be difficult – Gemma wants to stay in the same area as her daughter is settled in school, and finding rented accommodation when you have a child can be hard. Gemma's worried that she may end up 'topping up' her rent out of her reduced income if she can't get a rent reduction.

Case Study 2: Student about to graduate

Stephen is a 22 year old civil engineering student; he'll graduate in the summer. Stephen thinks that his best chance of getting a job once he's qualified is to move to Dublin.

But following the Budget, Stephen will only be entitled to €150 Jobseekers Allowance if he cannot find a job. He's worried that this won't be enough to live on. He's right to be worried – its more than €75 below the poverty line.

Stephen can get the full rate of €196 *if* he participates in an approved training programme; but as he'll just have qualified as an engineer, this doesn't make much sense to him. He wants to work in engineering, it's what he's good at, and he's invested years in his education, so doesn't want to train for something else now.

What Stephen wants is to work; he's heard that there's a Work Placement Programme, providing 9 months work experience, run by FÁS. But there are only 1,000 places for graduates, allocated on a 'first come, first served' basis. Stephen is doubtful that there'll be any places left by the time he graduates; he thinks his only option of getting work now is to emigrate.

6 Threshold from EU-SILC 2008 adjusted in line with inflation at November 2009

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Case Study 3: A person claiming the Blind Pension

Mark suffered an accident a number of years ago, which resulted in a substantial visual impairment. He works part-time in an accounts department, earning €10.25 an hour. Mark shares a rented house with friends.

His hours were reduced in January last year from 25 to 15 per week. His Blind Pension payment was increased following the reduction in his hours, but it didn't compensate for the loss of earnings.

Mark was disappointed that the Christmas Bonus wasn't paid this year, as with the reduction in his hours he was already struggling.

The cut in the Blind Pension in Budget 2010 has meant a further reduction in his income of €8.30 per week, or 2.5%.

The cumulative impact of Budget changes and a reduction in hours means that Mark's income has been cut by €3,115 per annum, equivalent to 15.3%.

	2009	2009 (Supp.)	2010	Budget '10 impact
Gross weekly wage	256.25	153.75	153.75	
Weekly wage deductions				
– PRSI	0.00	0.00	0.00	
– Health Levy	0.00	0.00	0.00	
– Income Levy	5.13	3.08	3.08	
– Income Tax	0.00	0.00	0.00	
– Total wage deductions	**5.13**	**3.08**	**3.08**	
Net wage	251.13	150.68	150.68	
Blind Pension	138.41	187.43	179.13	-8.30
Net Income	**389.54**	**338.10**	**329.80**	**-8.30**

Because Mark works part-time, he has been able to claim Rent Supplement to help with his rent costs, but he's concerned about the downward revision in maximum rent levels that has been promised in Budget 2010. He's doubtful that he can find accommodation of reasonable quality for less than he's paying at the moment.

Case Study 4: A carer for a person with a disability, with an unemployed son

Joe and Bernie are a couple in their fifties. Bernie provides full time care for Joe, who suffers from multiple sclerosis. Joe receives Disability Allowance, while Bernie relies on Carer's Allowance. Their son Declan moved back home last December when he lost his job in construction.

This household had already suffered a cut of almost 1.7% with the loss of the Christmas Bonus. Now with all three adults in the household reliant on social welfare, they face further reductions.

One cut that they think is particularly unfair is the new prescription charge – Joe has 11 different prescriptions to be filled every month, which will cost €1.27 on a weekly basis. The Budget cuts will mean a reduction in their weekly income of €26.37, a cut of 4.1%.

In total, their income has been reduced by 5.7% since the beginning of the year, equivalent to over €1,900 per annum.

	2009	2009 (Supp.)	2010	Budget '10 impact
Social Welfare payments				
– Carer's Allowance	224.74	220.50	212.00	-8.50
– Disability Allowance	208.23	204.30	196.00	-8.30
– Jobseeker's Allowance (age 21)	208.23	204.30	196.00	-8.30
– Fuel Allowance	12.27	12.27	12.27	0.00
– Prescription charge (11 * €0.50)			-1.27	
Net income	**652.29**	**641.37**	**615.00**	**-26.37**

Joe and Bernie are also worried about the carbon tax. They live in a relatively old house in a rural area without public transport. They use coal and oil to heat the house – both of which have high levels of carbon emissions – but cannot afford to upgrade the heating system or improve the insulation. The increase in petrol costs is also a concern; they are reliant on their car to get around.

With a reduced income, they don't know how they're going to meet these additional costs.

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Case Study 5: An unemployed couple with children

Kevin and Anne are a married couple living in Dublin and renting their home from the local authority; they have two sons, aged 7 and 10.

Kevin was made unemployed last year, and they have been struggling to get by on social welfare ever since. Because the Christmas Bonus wasn't paid this year, they have already suffered a 1.5% reduction in their income; the Budget changes mean a further cut of 2.8%.

Accumulating the impact of the Supplementary Budget and Budget 2010, Kevin and Anne have seen their annual income reduced by €1,098, a cut of 4%.

Their income is now €46 below the poverty line; from this, they pay €46.26 in rent.

	2009	2009 (Supp.)	2010	Budget '10 impact
Social Welfare payments				
– Personal rate	204.30	204.30	196.00	-8.30
– Qualified adult allowance	135.60	135.60	130.10	-5.50
– Child dependent allowance	52.00	52.00	59.60	7.60
Jobseeker's Allowance (inc. Christmas bonus)	398.34	391.90	385.70	-6.20
Child Benefit	76.41	76.41	69.04	-7.36
Back to School Allowance	7.67	7.67	7.67	
Smokeless Fuel Allowance	14.67	14.67	14.67	
Net Income	**497.09**	**490.64**	**477.08**	**-13.56**

Case Study 6: A working lone parent

Elaine is a lone parent with a five year old son. She moved back into her elderly parents' home when her relationship broke down a few years ago. Her parents are reliant on a means tested State Pension.

Elaine works in a large supermarket. She feels fortunate that she's held on to her job, but her hours were halved early in the year, from 36 to 18. Her One Parent Family Payment did increase when her earnings fell, but she lost entitlement to Family Income Supplement because she no longer works at least 20 hours a week.

Elaine pays €150 a week in childcare – this is one area where Elaine hasn't seen falling prices. Because she doesn't work a regular shift pattern, she still needs to make sure that she has childcare available so that she can hold on to her job. This is getting more difficult, as she will lose the (reduced) Early Childcare Supplement next year, and her son is too old to qualify for a subsidised childcare place.

After the Budget cuts, and paying for childcare, Elaine's net income is €8.55 below the poverty line; her net income will be reduced by 3.9%, or €924 per annum. This comes on top of losing earnings, and cuts in the Supplementary Budget; the cumulative impact of all these income reductions is that Elaine's income will fall by €8,022 over the year, or almost 26%.

	2009	2009 (Supp.)	2010	Budget '10 impact
Gross weekly wage	342.00	171.00	171.00	
Weekly wage deductions				
– Health Levy	0.00	0.00	0.00	
– PRSI	0.00	0.00	0.00	
– Income Levy	6.84	3.42	3.42	
– Income Tax	0.00	0.00	0.00	
– Total wage deductions	**6.84**	**3.42**	**3.42**	
Net wage	475.61	392.88	388.38	-4.50
Net Income	**497.09**	**490.64**	**477.08**	**-13.56**
Social Welfare payments				
– Personal rate	111.80	199.30	191.00	-8.30
– Child dependent allowance	26.00	26.00	29.80	3.80
One Parent Family Payment (inc. Christmas Bonus)	140.07	225.30	220.80	-4.50
Family Income Supplement	48.05			
Child Benefit	38.20	38.20	34.52	-3.68
Early Childcare Supplement	19.10	9.55		-9.55
Back to School Allowance	0.00	3.84	3.84	
Smokeless Fuel Allowance	14.67	14.67	14.67	
Net income	**595.24**	**459.14**	**441.40**	**-17.73**
Childcare	150.00	150.00	150.00	
Net income after childcare	**445.24**	**159.14**	**141.40**	

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Case Study 7: A family managing on unemployment and part-time work

Alan and Ciara have two children in primary school. They rent their home from Dublin City Council. Alan lost his construction job last year, and since then they have been managing on a combination of his Jobseeker payment and Ciara's part-time earnings working in retail.

With two children looking forward to Christmas, Alan and Ciara struggled to manage without the Christmas bonus, which would have meant an extra payment of €364.90.

The Budget cuts mean a further 2.2% cut in their income, equivalent to over €700 per annum.

In total, the combined effect of the Supplementary Budget and Budget 2010 will see their income cut by €1,020, equivalent to 3.2%.

	2009	2009 (Supp.)	2010	Budget '10 impact
Gross weekly wage	150.00	150.00	150.00	
Weekly wage deductions				
– PRSI	0.00	0.00	0.00	
– Health Levy	0.00	0.00	0.00	
– Income Levy	3.00	3.00	3.00	
– Income Tax	0.00	0.00	0.00	
– Total wage deductions	**3.00**	**3.00**	**3.00**	
Net wage	147.00	147.00	147.00	
Social welfare payments				
Jobseeker's Allowance[7] (inc. Christmas bonus)	370.90	364.90	358.70	-6.20
Child Benefit	76.41	76.41	69.04	-7.36
Back to School Allowance	7.67	7.67	7.67	
Smokeless Fuel Allowance	14.67	14.67	14.67	
Net Income	**616.64**	**610.64**	**597.08**	**-13.56**

7 Less means from employment

Poverty and Welfare in Ireland

The Central Statistics Office publishes data on the extent and nature of poverty in Ireland; the most recent report is for 2008[8]. This data helps us understand the role of the social welfare system in fighting poverty, and which groups are particularly vulnerable to poverty.

The importance of the social welfare system in combating poverty

In 2008, almost 15% of people in Ireland lived on incomes low enough to be 'at risk of poverty'[9]. For example, a single adult with a weekly income less than €238.69 was at risk of poverty in 2008.

But without the social welfare system far more people would face this risk: more than a fifth (22%) of overall gross household income in 2008 came from social welfare, and without this income, the CSO estimates that 43% of the population would be below the poverty line.

Increases in social welfare payments were bigger in recent years, and this had an important impact on the numbers facing poverty. In 2005, social transfers reduced the poverty rate by half, but by 2008, improvements in social welfare resulted in a much bigger impact on poverty – reducing the at risk of poverty rate by two-thirds.

It is clear that social welfare payments play a vital role in protecting against poverty.

Some face much higher poverty risks than others

We don't all face the same risk of poverty, for some groups in the population the risk is much higher than 15%:

- Almost 1 in 5 (18.1%) children are at risk of poverty.
- Nearly a third (32.7%) of people living in jobless households are at risk of poverty.
- Lone parent households have the highest poverty risk, with over a third (36.4%) at risk of poverty.
- People who rent their homes have a higher risk of poverty than owner-occupiers: while just over 1 in 10 (11.4%) home-owners are at risk of poverty, the figure is almost 2 in 10 (17.7%) for private tenants, and 3 in 10 (29.6%) for people in social housing.
- Compared with other age groups, pensioners have the lowest poverty risk, at 9.9% for those over 75, and 12.1% for those aged 65-74. Social welfare pensions are the most important factor in producing this outcome – a good illustration of the impact that social welfare payments can make on reducing poverty.

While there was a small reduction in the number of people at risk of poverty in 2008[10], their incomes fell further below the poverty line. In 2007, average incomes for people at risk of poverty was 17.4% below the poverty line. By 2008 this had grown to 19.2%.

8 Central Statistics Office (November 2009) Survey on Income and Living Conditions (SILC), 2008. Dublin: CSO

9 The 'at risk of poverty' rate measures the number of people living on an income low enough to put them in danger of poverty. Internationally, having less than 60% of median income is recognised as a poverty risk

10 14.4% in 2008, down from 16.5% in 2007

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Consistent poverty

The official definition of poverty in Ireland is called 'consistent poverty'. This measures those who have incomes below the poverty threshold and cannot afford items that are considered essentials.

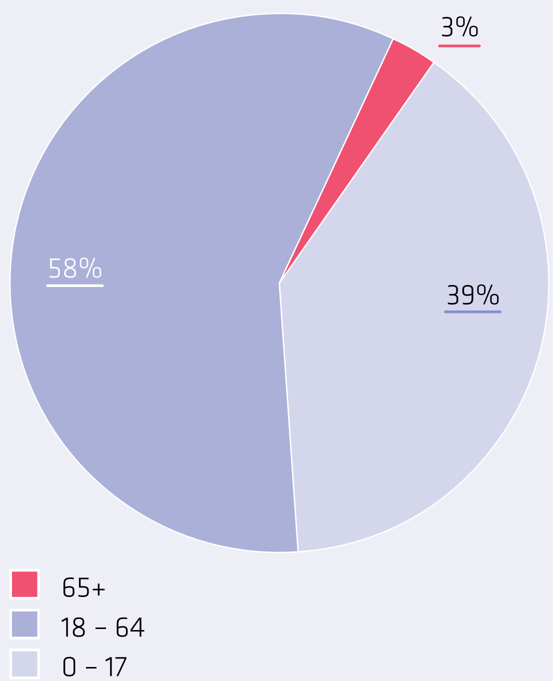
People who have to manage on a very low income for a short period of time may manage to avoid being deprived of these essentials. The longer a person has to rely on a very low income, the more likely it is that they will be forced to go without the things that most of us are fortunate enough to take for granted. It is this that government recognises as poverty.

4.2% of people in Ireland were living in consistent poverty in 2008.

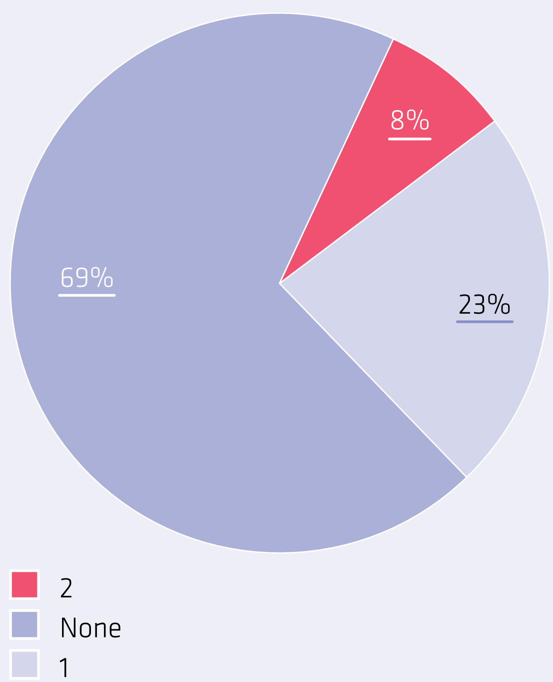
Unsurprisingly, the groups with the highest at risk of poverty rate are also those most likely to suffer consistent poverty:

- 6% of children live in consistent poverty. Those under 18 account for 26% of the population, but almost 4 in 10 (39%) of those live in consistent poverty;
- Unemployed people have a consistent poverty rate of 10%, compared to 1% for those at work or retired;
- 13% of people who live in jobless households are in consistent poverty; they comprise just over a fifth (22%) of the population, but almost 7 in 10 (69%) of those live in consistent poverty;
- 13% of people out of work due to an illness or disability are consistently poor. They account for less than 4% of the population, but almost 12% of those live in consistent poverty;
- 18% of lone parent households live in consistent poverty. Lone parent families make up only 6% of the population, but comprise nearly 3 in 10 (29%) of the consistently poor.

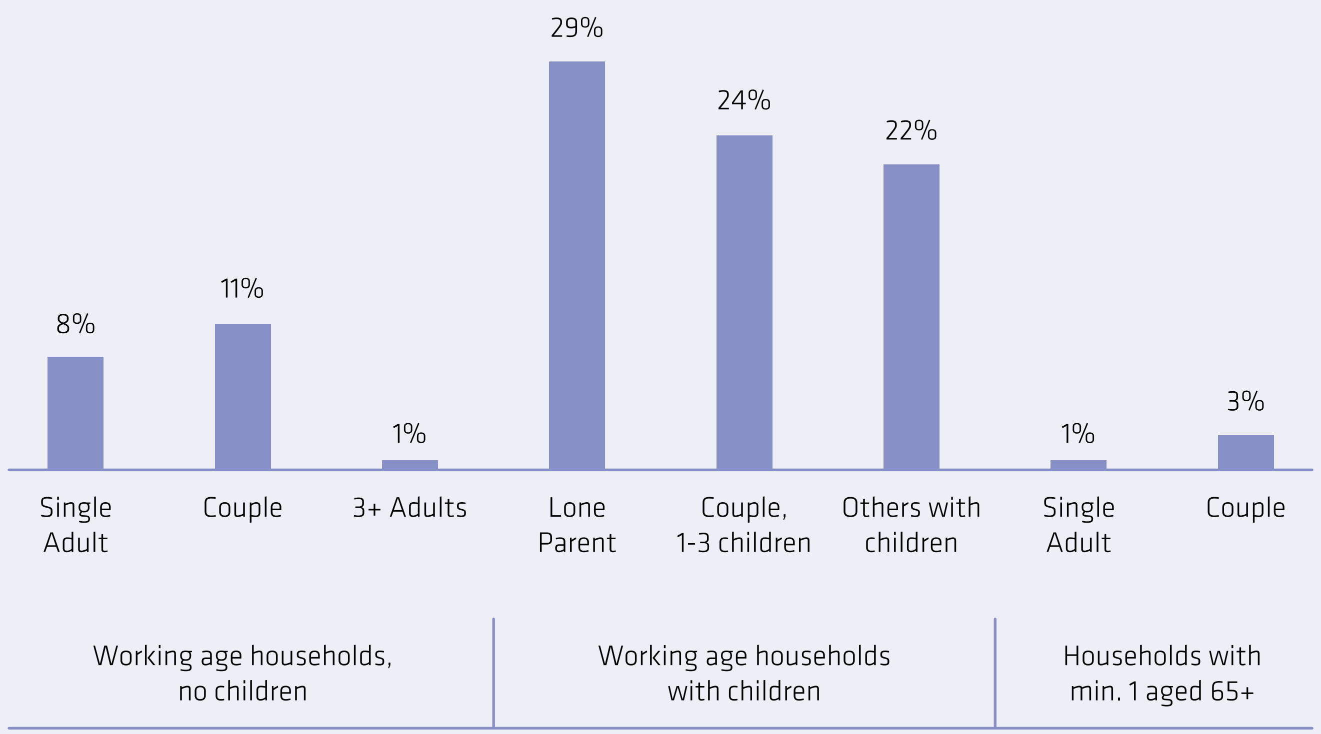
Age Profile of people in consistent poverty, 2008



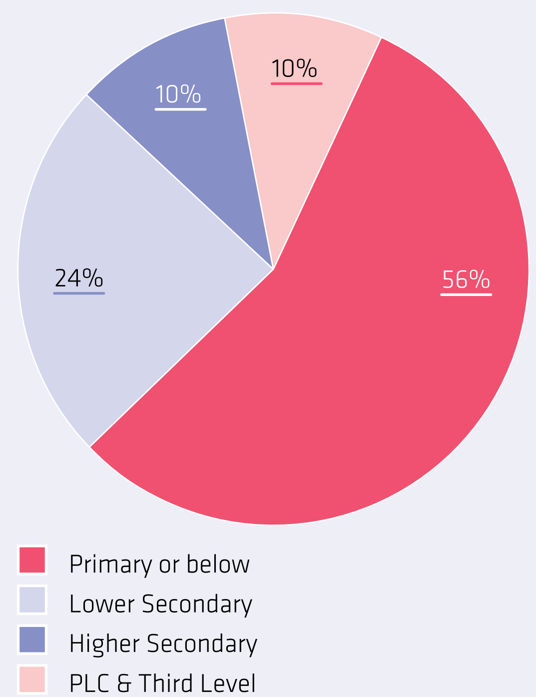
Profile of consistent poverty by no. at work in household, 2008



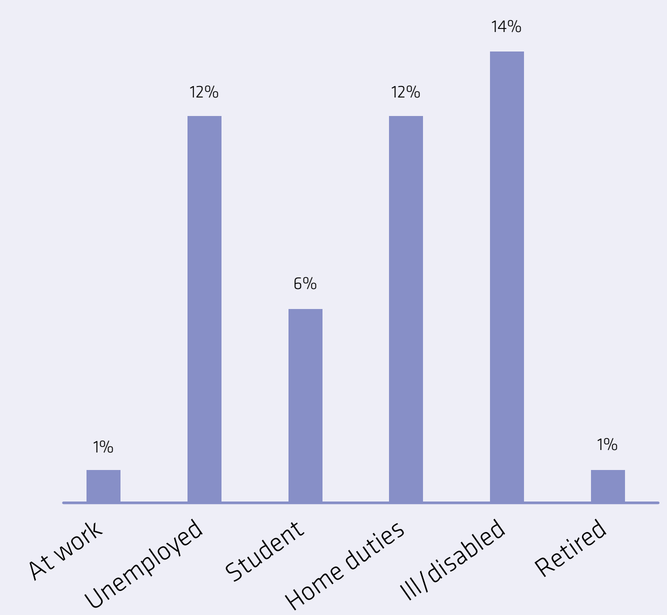
Profile of consistent poverty by household composition, 2008



Profile of consistent poverty by education of head of household, 2008



Consistent poverty rate by economic status of head of household, 2008



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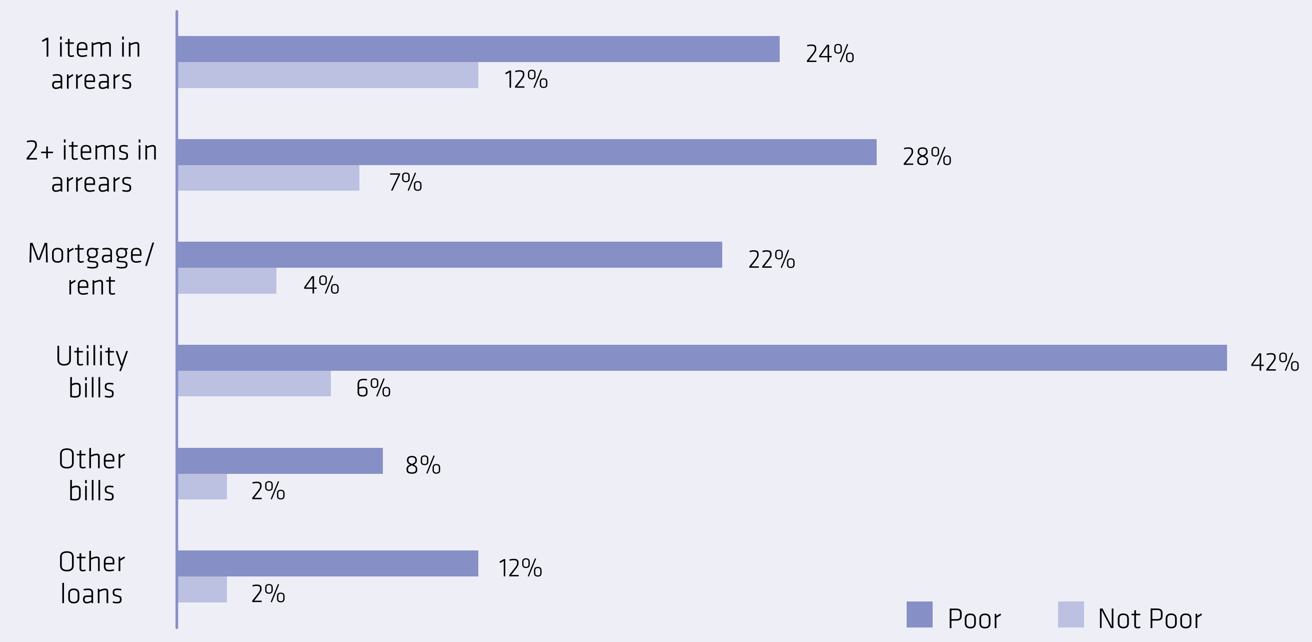
Profile of people in consistent poverty by type of arrears, 2008



Poverty and debt

Living in poverty means a much greater likelihood of being in debt and being in arrears on household bills. Comparing those in consistent poverty with those who are not, poor people were:

- Twice as likely to be in arrears on one item, and four times more likely to have arrears on 2 or more items;
- Five times more likely to have mortgage or rent arrears;
- Seven times more likely to be in arrears on their utility bills, and four times more likely to have arrears on other bills.

Social Welfare and the Risk of Poverty

The table and charts below compare social welfare incomes with the at risk of poverty thresholds for different household types over the last five years. They show that even taking into account the full value of all social welfare payments, and the full impact of falling prices, people relying on social welfare incomes remained at risk of poverty before the Budget cuts; they will face a higher risk now.

Figures for social welfare include the basic means tested social welfare rate, along with the Christmas Bonus, Fuel Allowance, Child Benefit, and Back to School Clothing & Footwear Allowance, as appropriate[12]. Some of these payments are made annually, and others for a portion of the year. Total annual social welfare income is therefore averaged out to give a weekly social welfare income (hence the figures are higher than the basic rate).

Figures for the at risk of poverty threshold for 2005-2008 are from the Survey on Income and Living Conditions reports published by the Central Statistics Office. The figure for November 2009 is the 2008 line adjusted in line with the Consumer Price Index – however, this figure should be treated with caution:

- The at risk of poverty line is determined by median income, it is not adjusted in line with prices. However, there is no comprehensive and current figure for income available. The inflation adjusted figure is provided to indicate where the threshold would lie currently *if* incomes fell in line with prices.
- While tens of thousands of people lost their jobs in 2009, and anecdotally, many also suffered reductions in earnings, we may also assume that a significant proportion of the workforce have not taken pay cuts, and some will have received pay increases. We cannot determine at this stage if median income has fallen to a greater or lesser extent than prices.
- The inflation adjusted figure is the average figure published by the CSO i.e. 5.7% to the year ending November '09. However, as noted above, this includes the impact of falling mortgage rates, which those on lower incomes see little benefit from; excluding this element reduces annual inflation to -2.2%. The ESRI research indicates that benefit of falling prices for lower income groups is likely to be closer to this level.

11 For families with 2 children, both are assumed to be under 12. For the 3 child family, one child is assumed to be over 12.

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Table 1. At risk of poverty thresholds and social welfare rates for different household types, 2005-2010

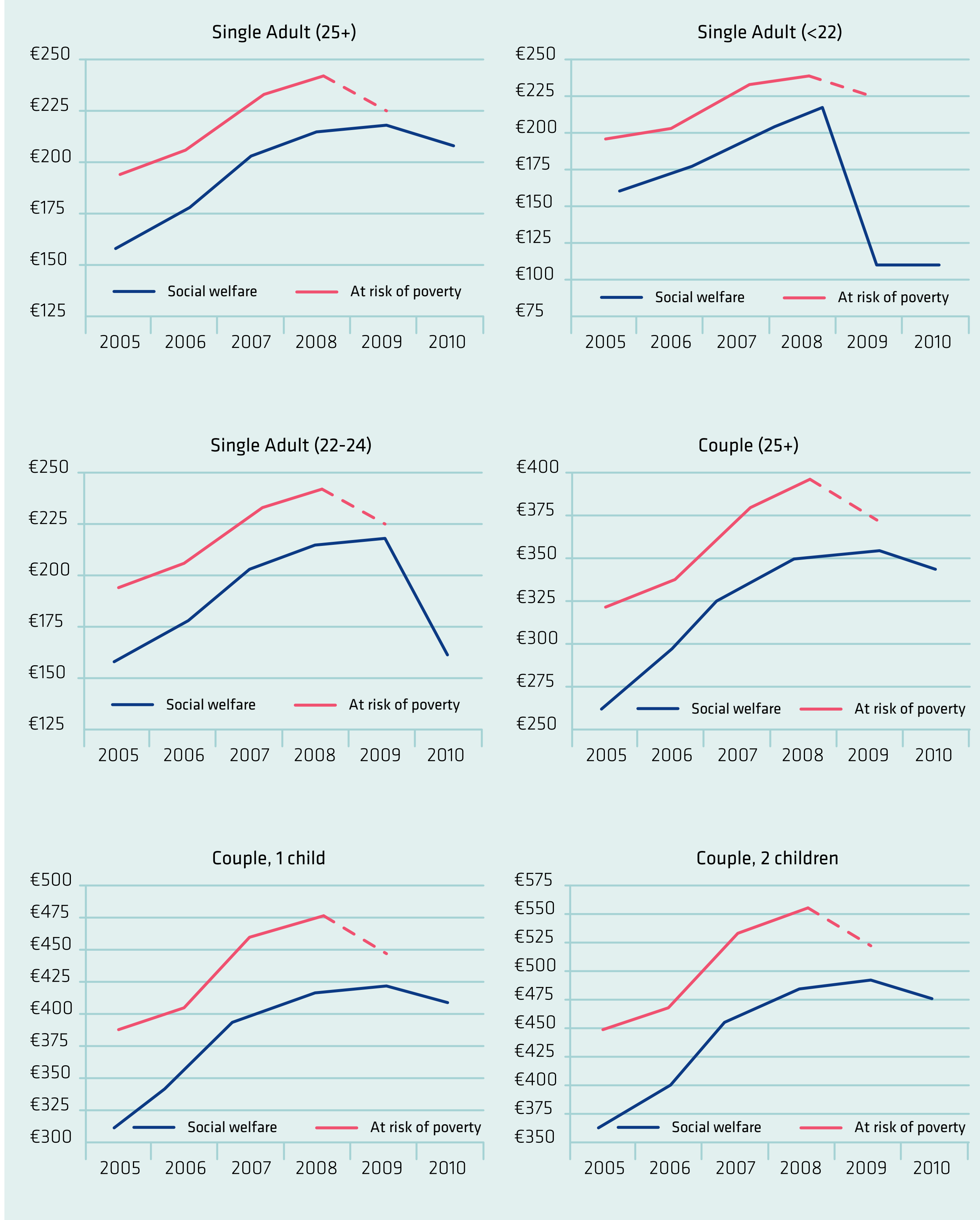
		2005		2006		2007		2008		Nov-09[12]	2009[13]	2010
		Poverty line	Social welfare	Poverty line	Social welfare	Poverty line	Social welfare	Poverty line	Social welfare	Poverty line	Social welfare	Social welfare
Working Age	Single	193.40	158.83	203.19	178.94	228.65	201.54	238.69	214.70	225.53	218.97	210.67
	Single <22[14]	193.40	158.83	203.19	178.94	228.65	201.54	238.69	214.70	225.53	114.67	114.67
	Single 22-24[15]	193.40	158.83	203.19	178.94	228.65	201.54	238.69	214.70	225.53	218.97	164.67
	Couple	321.05	259.42	337.30	291.04	379.57	327.21	396.23	348.88	374.38	354.57	340.77
	Couple, 1 child	384.87	310.66	404.35	344.99	455.02	389.90	474.99	415.33	448.80	422.61	408.92
	Couple, 2 children	448.70	361.91	471.41	398.93	530.48	452.60	553.76	481.78	523.23	490.64	477.08
	Couple, 3 children	512.52	422.71	538.46	462.27	605.93	525.36	632.53	558.73	597.65	569.21	555.76
	Lone parent, 1 child	257.23	210.07	270.25	232.88	304.11	264.24	317.46	281.15	299.95	287.01	278.82
	Lone parent, 2 children	321.05	261.32	337.30	286.82	379.57	326.94	396.23	347.60	374.38	355.04	346.98
Older	Single 66-80	193.40	176.36	203.19	195.45	228.65	216.02	238.69	228.63	225.53	237.87	237.87
	Couple 66-80	321.05	288.16	337.30	318.05	379.57	350.75	396.23	371.42	374.38	385.34	385.34

12 60% median income as per EU-SILC 2008, adjusted in line with CPI to November '09

13 Takes account of decision in Supplementary Budget not to pay Christmas Bonus

14 Lower rate of €100 introduced for 18-19 year olds in Supplementary Budget, extended to 20-21 year olds in Budget 2010

15 Lower rate of €150 introduced for 22-24 year olds in Budget 2010



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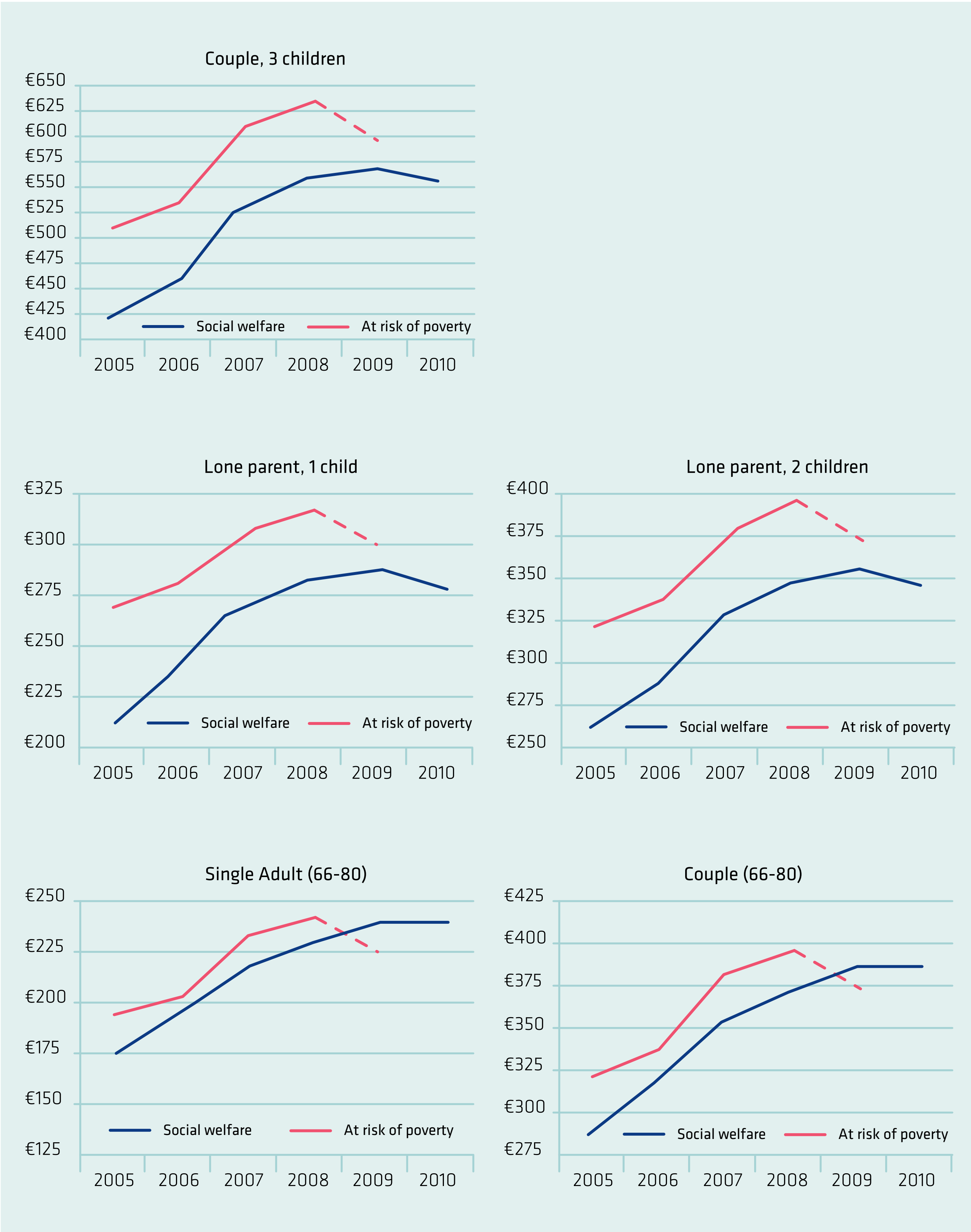

Table 2. Data on poverty: SILC 2008

		Proportion of population in poverty		Profile of poor population	
		At risk of poverty	Consistent poverty	At risk of poverty	Consistent poverty
By age group	0-17	18.0%	6.3%	32.7%	38.7%
	18-64	13.5%	3.9%	58.9%	57.8%
	65-74	12.1%	1.7%	5.1%	2.4%
	75+	9.9%	1.0%	3.3%	1.1%
By principal economic status	Children <16	17.6%	6.4%	27.4%	34.0%
	At work	6.7%	1.1%	19.0%	10.5%
	Unemployed	23.0%	9.7%	8.1%	11.7%
	Student	23.4%	4.3%	13.1%	8.3%
	Home duties	21.7%	6.9%	18.9%	20.6%
	Ill/disabled	25.5%	1.1%	6.5%	11.5%
	Retired	10.8%	13.2%	4.9%	1.6%
By educational attainment (16yrs +)	Primary or below	22.3%	8.0%	25.8%	31.4%
	Lower secondary	16.7%	4.9%	17.2%	17.2%
	Higher secondary	12.6%	2.5%	17.1%	11.8%
	Post leaving cert	10.7%	1.7%	4.4%	2.4%
	Third level non degree	4.9%	0.8%	2.2%	1.2%
	Third level degree or above	5.5%	0.3%	5.0%	0.9%
By household composition	Adult <65, no children	25.7%	9.8%	6.4%	8.4%
	2 adults, both <65, no children	14.2%	4.8%	9.7%	11.2%
	3 or more adults, no children	8.7%	0.5%	7.6%	1.4%
	1 adult + children	36.4%	17.8%	17.5%	29.1%
	2 adults, 1-3 children	11.0%	3.0%	25.7%	24.0%
	Others with children	16.0%	4.1%	25.5%	22.2%
	Adult 65+, no children	11.0%	0.9%	2.5%	0.7%
	2 adults, min 1 65+, no children	10.0%	1.7%	5.1%	3.0%
By no. in household at work	0 at work	32.7%	13.2%	50.1%	69.1%
	1 at work	15.7%	3.1%	34.3%	23.3%
	2 at work	5.1%	0.9%	12.4%	7.6%
	3+ at work	4.2%	0.0%	3.2%	0.0%
By tenure status	Owner-occupied	11.4%	2.3%	61.1%	41.9%
	Rented at market rate	17.7%	2.9%	11.5%	6.4%
	Rented below market rate	29.6%	16.4%	27.4%	51.7%

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Organisations Supporting 'The Poor Can't Pay'

Focus Ireland

Barnardos

National Women's Council

Age Action

INOU

EAPN

SIPTU

Mandate

Social Justice Ireland

SVP

Voice of Older People

Simon

Children's Rights Alliance

Irish Traveller Movement

Respond

Vincentian Partnership

FLAC

Friends of the Elderly

Open

Galway Refuge Support Group

Integrating Ireland

USI

Unite

Voice of Older People Donegal

Dungarvan Community Development Project

Lyreacrompane Community Development Ltd

Spark

South West Wexford Community Development Project

Drogheda Senior Citizens Interest Group

Limerick Environmental and Community Awareness Group

Sonas

De Paul Ireland

Balkans-Ireland

Dunmanway FRC

Jobstown CDP

Baldoyle Forum

Family Resource Centres North-East Region

Fingal Centre for the Unemployed

Community Platform

Community Workers Coop

Migrant Rights Centre of Ireland

Printwell Co-operative

Language

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