



Budget 2010 Submission

to the

Department of Social and Family Affairs

September 2009



INTRODUCTION

Since 2008 OPEN and Treoir have been examining the possibility of developing a shared programme of work. Treoir has operated the National Information Service to unmarried parents and those who are involved with them since 1976 and OPEN has been developing programmes to build the capacity of local lone parent groups since 1994 and has represented those groups in social partnership and other policy arenas.

While our two organisations share a common agenda in providing quality supports and services for one-parent families each organisation brings different perspectives and insights into the world of one-parent families. We believe a joint submission will strengthen the proposals which we present on behalf of one-parent families.

This joint Budget 2010 submission to the Department of Social and Family Affairs is the first significant shared policy action from OPEN and Treoir. In drafting this we have considered the 'McCarthy' report - **Report of the Special Group on Public Service Numbers and Expenditure Programmes¹, Supplementary Budget 2009** and the current economic climate. It has most particularly been informed by the lone parent members of OPEN, the member organisations of Treoir and unmarried families contacting the National Information Service of Treoir .

SUMMARY

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¹ Report of the Special Group on Public Service Numbers and Expenditure Programmes. Government Publications Sales Office, Dublin. 2009.

DON'T CUT

One-Parent Family Payment

Poor children do not exist in isolation. They grow up in poor households, with poor parents². A report³ commissioned by the Social Inclusion Unit of the Department of Social and Family Affairs (2008) paints a graphic picture of the disadvantaged position of lone parent families. They are more likely to experience disadvantage in relation to household income, educational attainment, employment accommodation etc. than other families. While 20% of the population is identified in the report as being economically vulnerable, the share of lone parent households defined as economically vulnerable is over 60%.

The current rate of OFP is just barely adequate and the CSO⁴ shows that there have been increases in the cost of some essential services such as public transport, electricity, gas, childcare, education etc. The suggestion in the 'McCarthy' report that a reduction of 5% would effectively preserve living standards for affected groups relative to 2008 is therefore inaccurate. To cut One-Parent Family Payment would put enormous pressure on families already stretched to the limit. We urge the Minister for Social and Family Affairs not to do so. It would be a retrograde step for the Department to reduce payments and expect the poor to take the burden for the mistakes of the rich.

Child Benefit

As cited above research clearly shows that lone parent families are more likely to experience disadvantage in relation to household income than other families. Reducing Child Benefit has the potential to push families, particularly lone parent families further into poverty.

Our two organisations therefore are appealing to the Minister not to cut the rate of Child Benefit. The implementation of McCarthy's suggestion that the basic rate of Child Benefit be reduced by €30 per month for first two children and by €67 per month for subsequent children is untenable. It should be noted that while the increases in Child Benefit were taking place over the last number of years there was a policy of not increasing the child dependent additions to welfare payments. If the Child Benefit is cut it is a double blow to welfare recipients.

The Family Support Agency

The recommendation in the 'McCarthy' report to effectively abolish the FSA is shocking. There is no case made either within the report or within the submission made to the Special Group by the Department to reduce the Agency's budget by €30m, yet this is the recommendation. To consider the removal of support for the Family Mediation Service and the Child & Family Counselling services provided throughout the country is a travesty. Marital and relationship difficulties will inevitably arise for thousands of couples and families during a recession. This makes a mockery of government commitments to protect the vulnerable.

² *Pre-Budget submission 2010*, End Child Poverty Coalition.

³ *A Social Portrait of People of Working Age in Ireland*, Callan, Tim et al, ESRI, Stationery Office, Dublin 2008.

⁴ *Consumer Price Index June 2009*, Central Statistics Office.

DON'T ROLL BACK

Our two organisations were alarmed by the recommendations in the 'McCarthy' report about supposed 'double payments'.

Family Income Supplement

The Special Group on Public Service Numbers and Expenditure Programmes described the Family Income Supplement (FIS) as such a payment. On the contrary FIS provides a badly-needed support for low earning families and protects their children from the worst effects of income poverty. In fact it provides a very necessary bridge for those moving from welfare to work who have child dependents. It makes a significant difference at the moment to those whose incomes from work have been reduced owing to cutbacks. FIS allows parents in low income families to contribute to our society and economy. Withdrawing this payment could cause Social Welfare recipients to leave work, causing the inevitable double whammy of a reduced tax take *and* an additional burden on our Social Welfare system. It would therefore be a hugely retrograde step to discontinue this payment given its important role in assisting those on low incomes.

Community Employment

A second issue arises in the 'McCarthy' report in relation to the ability of lone parents to participate in Community Employment (CE) and retain a portion of their Social Welfare payment. Again this is described as a 'double payment'. Lone parents who are on One-Parent Family Payment (OFP) and move into employment, whether in the open labour market *or* on a government scheme such as CE, can retain a portion of their payment. This 'Earnings Disregard' was introduced in 1997 when in common with evolving policy in other countries, the Department of Social and Family Affairs recognised that lone parents have additional costs when entering or returning to work.

The Earning Disregard has been a resounding success: some 60% of recipients of OFP are in employment, contributing to our society and economy and most importantly of all helping to lift their families out of poverty. It is worth noting that lone parents pay tax on both their income from work *and* their social welfare payment. To remove the Earning Disregard from one group of lone parents – those participating in CE – while allowing those who work in low pay sectors would cause a new discrimination between parents. Those who have basic qualifications could continue to move into work, while those lacking such skills would remain dependent on Social Welfare and unable to avail of the training courses provided to those who participate in CE. We have no doubt that the withdrawal of the Earning Disregard to those who are eligible to participate on CE would mean that lone parents will not apply for such schemes. Therefore a highly motivated group of workers would be lost to organisations in the most disadvantaged communities in Ireland.

RE-INSTATE

Christmas Bonus

The Christmas Bonus payment is hugely important to all Social Welfare recipients. Both OPEN and Treoir are very concerned that its withdrawal will force lone parents and others into the hands of money lenders. Borrowing from illegal money lenders is a vicious cycle which forces the most vulnerable people in our society to pay exorbitant interest rates for very small loans. There is widespread anecdotal evidence that 'top-ups' are then offered when First Communions or Confirmations are being planned for by families, thus extending the duration and cost of the original loan. The proposed cancellation of this payment at a saving of just €192m to the Department brings with it a huge potential cost to the poorest families. We urge that it is reinstated in time for Christmas 2009.

Rent Supplement

Changes to Rent Supplement (RS) announced in the Supplementary Budget 2009 have forced lone parents and other recipients to negotiate with landlords in a volatile rental market where property owners are not necessarily receptive to such negotiations. There is evidence from Threshold that the changes have been absorbed into household budgets by RS recipients who avoid or feel unable to enter into negotiations with landlords and are therefore paying the difference in their weekly rent. In everyday terms this means they have reduced their already low expenditure on food and other necessities. This puts parents under undue pressure and better ways need to be found to manage this area.

We fully recognise the Department's need to reduce its costs in this area, and we agree that there is potential to do so. However, It would be more appropriate for the Department of Social and Family Affairs or the Health Service Executive to negotiate any change in rent directly with the landlords themselves rather than insisting on (often) vulnerable lone parents to do so.

Cohabitation

Both organisations believe firmly that the disincentives in the Social Welfare system to form two parent family units must be removed. The Government's Discussion Paper on lone parents⁵ highlighted the difficulties in relation to the cohabitation rule and proposed radical changes to payments to address the issue. We call again on the Government to commit to ensuring that the welfare system does not form a barrier to the formation of two parent family units. We ask that the proposals in the discussion paper be (re)considered and acted upon.

We further suggest that the practice, by the Departments of Social and Family Affairs and Finance, of treating cohabiting couples differently is no longer acceptable. For Income Tax purposes they are treated as two separate individuals and for Social Welfare purposes they are treated as married parents. Cohabiting families are at a serious financial disadvantage in taking up employment due to this restrictive tax situation.

Childcare for mothers in second level education

In the current economic climate we have not in this submission asked for new developments, however we are particularly anxious that young mothers in second level education are supported to continue in education so that they can gain good employment which will be of benefit to them and their children. In the absence of adequate universal state funded childcare such as exists in some EU countries, there is a need to fully finance childcare for school age mothers. We are therefore seeking expansion of the Early Childhood and Education Scheme.

We recommend that the condition for the Early Childhood and Education Scheme, proposed for January 2010, be amended to allow children of schoolgirl mothers to avail of it irrespective of age of their children.

September 2009

⁵ Proposals for Supporting Lone Parents : Government Discussion Paper: Department of Social and Family Affairs, Dublin 2006.