June 2024

Pre Budget 2025 Submission

Key Points

- The cumulative impact of rising prices has driven the cost of a Minimum Essential Standard of Living (MESL) up by 16.8% over the four years from 2020 to 2024. While there has been a slight decline in costs coming into 2024, prices remain significantly above pre-pandemic and inflation shock levels.
- Energy prices are forecast to stabilise, with moderate inflation in food and other areas continuing over 2024 and 2025. This brings the potential for a further 4.8 percentage point cumulative increase in minimum living costs, compared to 2020.
- While once-off 'cost of living' payments and supports have provided a buffer to recipient households, the real value of core social protection has not been maintained relative to the change in living costs experienced since 2020.
- To restore the real value of the core weekly social protection rates and avoid a lost five years in progress towards providing people with an adequate minimum income, it is recommended to increase core **working-age personal rates** by €20, to €252 per week
- In recognition of the Government's emphasis on child poverty it is recommended that adjustments to the rates of **Qualified Child Increase** should restore purchasing power, improve the proportion of minimum needs met for all child age-groups, and further develop the rate of support for older children. An increase of €6 per week for children under 12 and €15 per week for children over 12 is recommended.
- MESL research finds that families living in Direct Provision may face severe income inadequacy. It is recommended to implement the **International Protection Child Payment** at the same rate as Child Benefit, as announced in Budget 2024.
- Older people living alone demonstrate vulnerability to income inadequacy. The rate of **Living Alone Allowance** should adequately address the gap between core State Pension rate and the MESL costs for one adult households.
- The rise in home energy prices has eroded the real value of the **Fuel Allowance**. An adjustment of €196 to the annual value of Fuel Allowance is required to restore its 2020 purchasing power.
- The earnings disregard for **One-Parent Family Payment** and **Jobseeker's Transitional** has not been adjusted since 2020. It is recommended that the value of the earnings disregard is restored relative to changes in the National Minimum Wage.
- A robust mechanism is required to ensure that all income thresholds and earnings disregards for in-work supports are automatically uprated and maintained as part of the annual Budget process.

Introduction

The Vincentian MESL Research Centre at SVP welcome the opportunity to make this submission to the Department of Social Protection, presenting evidence-based policy recommendations for Budget 2025.

The emergence from the pandemic and subsequent inflation shocks have exerted significant pressure on prices since mid-2021, which has resulted in a substantial cumulative increase in living costs. The 2020 MESL reflected the minimum costs as of March of that year. It provides a reference point to measure the impact of the pandemic and subsequent inflation shocks. Compared to 2020, the cost of the MESL food basket has increased by 21.2% and the MESL household energy basket has increased by 64.5%.

In the last year, there has been a relative stabilisation in MESL costs with a moderate decline due to a dip in home energy prices. In the 12 months to March 2024 the core MESL cost decreased by an average of 1.9%. Despite this recent reduction, the cumulative change in core MESL costs from 2020 to 2024 is a notable 16.8%.

Throughout this period of exceptional inflation there have been multiple tranches of supplementary supports and 'once-off' additional payments. These supplemented household incomes and provided a partial buffer against the living cost pressures. However, with below inflation adjustments to core rates of social protection supports, the real value of core supports has reduced relative to 2020.

Recent Budgets and interventions focused a large share of resources on supplementary supports in the face of volatile living costs. With a relative stabilisation in prices, it is now appropriate to shift the emphasis to the restoration of the real value of core social protection supports, and ensuring the value of core rates into 2025. Adequate social welfare adjustments in Budget 2025 must be part of a broader strategy to benchmark our system to an adequate level and allow people to live with dignity.

The annual budget presents the opportunity for taking substantive steps towards achieving a social protection system that ensures minimum income adequacy and enables a life with dignity. This submission builds on the evidence from the MESL to detail the rate adjustments which are required to protect households from being pushed further into income inadequacy. The recommendations focus on restoring the real value of core social protection supports and making steps to progressively improve the adequacy of core rates.

To avoid a lost five years of progress towards an adequate minimum income that allows people to live with dignity, and to restore the real value of core social protection rates, the following weekly rate adjustments are recommended:

Support	Adjustment	2025 Rate
Personal rate, working age	€20	€252
Qualified Child, under 12	€6	€52
Qualified Child, 12 plus	€15	€69
Fuel Allowance	€7	€40

MESL – an evidence-based adequacy benchmark

The Minimum Essential Standard of Living (MESL) research works with members of the public in deliberative focus groups to reach consensus on the minimum people need to live and partake in Irish society. It is a standard of living which people agree no one should be expected to live below. It represents the minimum required to meet physical, social, and psychological needs, and enable a life with dignity.

The research is iterative, working through multiple phases of deliberative groups, to establish a negotiated social consensus on what people regard as essential for households to have a minimum, but socially acceptable, standard of living. In this way the MESL is a tangible measure, grounded in lived experience and derived from social consensus, of what is required for participation, dignity and avoiding poverty.

The MESL research operationalises the concepts which underpin the Irish Government definition of poverty and social inclusion, the human right to an adequate standard of living, and the key principle set out in the European Pillar of Social Rights that all have a right to an adequate minimum income which enables a life with dignity.

The MESL translates these concepts and ideals into a practical benchmark, as it specifies the average weekly cost of the goods and services deemed necessary to enable a socially acceptable minimum standard of living. It provides a unique measure of what is required to avoid poverty, enable participation and inclusion, and live a life with dignity. In this way, the MESL data provides an evidence-based benchmark to assess the adequacy of social welfare rates.

This submission draws on the analysis in the 2024 MESL assessment of minimum expenditure and income needs, to inform evidence-based policy recommendations.[1]

Cost of a MESL in 2024

2024 brings a relative stabilisation in the rate of change in the cost of the MESL, with a moderate decline in MESL expenditure need for most household types. The core MESL cost (excluding housing, childcare, and the effect of secondary benefits) has decreased by an average of 1.9% in the twelve months to March 2024. However, following the significant upward pressure on minimum living costs from mid-2021 onwards, the cumulative change in MESL costs from 2020 to 2024 is a notable 16.8%.

While the overall trend in the twelve months to March 2024 has been one of stabilisation, with living costs reaching a relative plateau, there have been significant fluctuations in the cost of various basket areas. Of particular note are the 20.9% decline in MESL household energy costs and the continuing increase in the cost of the MESL food basket (1.5%).

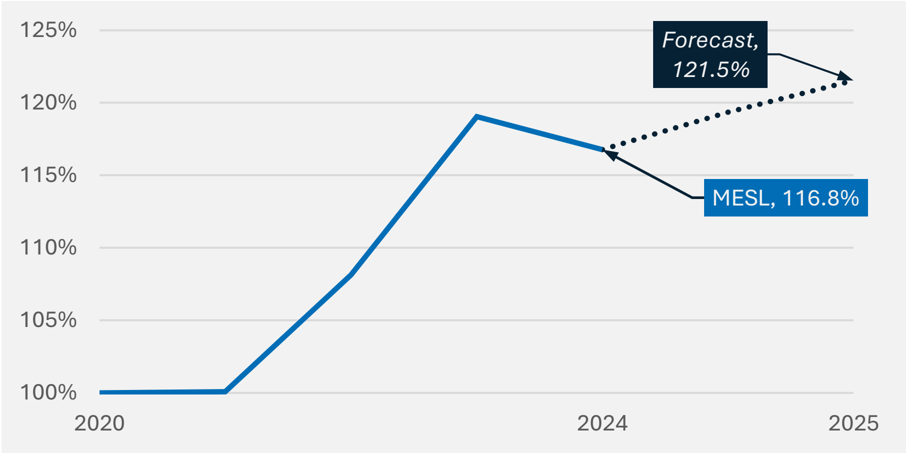
Fluctuations in home energy prices have a disproportionate impact on the MESL, given energy's notable share of overall expenditure. Just as rising energy prices drove a large share of the increase in MESL costs in previous years, the decline is now primarily responsible for the current fall in MESL costs. It is notable that when energy is excluded, the core MESL basket cost increased by 0.7%.

Compared to 2020, the cost of the MESL food basket has increased by 21.2% and the MESL household energy basket has increased by 64.5%. While these increases have been partially offset by declines in other expenditure categories (e.g. education and insurance), the cumulative impact has led to a 16.8% increase cost of the goods and services needed for a MESL.

Forecast change in MESL costs for 2025

Fluctuations in food and home energy costs have a disproportionate impact on the cost of a minimum basket, as these basic elements comprise a third of the MESL basket of essential goods and services.

Graph 1 Cumulative change in MESL costs, 2020 to 2024, projected to 2025



The exceptional inflation in home energy prices drove the spike in MESL costs observed in 2023. In the 12 months to March 2024 there has been relative stabilisation with a reduction in energy costs offsetting increases in other areas (including food), leading to a slight reduction in MESL costs. Nevertheless, the cumulative effect of this protracted period of high inflation has result in the average cost of a MESL increasing by 16.8% over the four years to March 2024.

Current inflation forecasts reflect the recent reduction in energy prices, which was sharper than previously expected, and now anticipate a stabilisation in energy prices going forward into 2025. However, forecasts continue to anticipate upward pressure on food costs and core inflation.

The deflation in energy prices has exceeded earlier expectations which had informed previous inflation forecasts. The revised forecasts from the Central Bank[2] reflect the reduction in energy prices, increased pressure on food costs, and higher than expected inflation in other areas of living costs. Consequently, inflation forecasts for 2024 onwards have moderated, but nevertheless continue to anticipate upward pressure on living costs.

The Department of Finance[3] (2024) similarly note the deflation in energy prices but continued upwards pressure on other areas. Both the Department of Finance and the Central Bank forecast that energy prices will stabilise going in to 2025, no longer providing downward pressure on the overall rate of inflation. However, both core inflation (excluding energy and food) and food costs are expected to continue increasing.

Applying the Central Bank disaggregated HICP forecasts to the food and energy components of the MESL basket and the HICP Core forecast to the remainder of the basket, provides an estimate for the MESL costs for 2025 Q1 and to the end of 2025. This shows the potential for a further 4.8 percentage point cumulative increase in minimum living costs, compared to 2020.

Adequate Social Welfare supports

To examine the impact of the change in MESL costs on income adequacy, the analysis looks at 214 test household cases, comparing the cost of the MESL to social welfare income supports. This has consistently found that household types in deep income inadequacy, where social welfare meets less than 90% of MESL costs, tend to be working-age single adult headed households (one parent & single adult household types) and household compositions with older children.

From 2020 to 2022 there was a steady decline in the number of cases with deeply inadequate income. Due to the spike in MESL costs last year a significant increase in the rate of deep income inadequacy was observed. In 2024 all cases show an improvement in social welfare income as a percentage of MESL expenditure need compared to last year. Deep income inadequacy has reduced from 59% of cases in 2023 to 43% in 2024. Overall, 76% of cases demonstrate an inadequate income in 2024, compared to 87% last year.[4]

While the level and severity of deep inadequacy has improved since 2023, it is still high compared to the trend from 2020 to 2022. Furthermore, households with older children (aged 12 and over) and single adult headed households continue to have a greater risk of deep income inadequacy when dependent on social welfare.

The MESL analysis also examines the effect of 'Cost of Living' supports in 2024, including the January double payment to eligible recipients and two electricity credits. Without these supports, the incidence of inadequate income would be four percentage points higher, reaching 80%, with 48% of cases experiencing deep income inadequacy. This demonstrates the erosion in the real value of the underlying core rates.

Real value of core rates

The MESL 2024 report includes an evaluation of the real value of standard social protection rates for adults and children relative to MESL costs.[5]

The analysis finds that the real value of social welfare rates relative to MESL costs reached a low point in 2023, but as the extreme pressure of high home energy costs recedes their real value is beginning to recover. In 2024, it is notable that despite core rates now being at their highest nominal value, the real value has yet to recover to 2020 levels both for parents and for older single adults. While the 'Cost of Living' supports offset at least some of this declining value, their temporary nature means the real value of the underlying core rates has eroded.

For example, in the case of the adult in a one parent household, in 2020 supports met 93% of the adult's MESL needs, falling to a low point of 83% in 2023. In 2024, the adjustment to the personal rate has partially restored the real value, to 90% of MESL need.

Similarly, with children the real value of the Qualified Child Increase (QCI), Back to School Clothing & Footwear Allowance (BSCFA) where applicable, and Child Benefit have also fallen.

For example, for an older child (aged 12 and over, in second level) the combined income supports had risen from meeting 59% of MESL costs in 2020 to 65% by 2022. They have fallen back to meeting 62% in 2024.

The full analysis finds that despite core rates now being at their highest nominal value in 2024, the real value (relative to MESL) remains below the previous peaks for parents, older adults living alone and all child age-groups.

Working-Age Personal Rate

The working-age age personal rate has gone from €203 per week in 2020 to €232 in 2024, an adjustment of 14.3%. In the same period, living costs as measured by MESL have increased by an average of 16.8%. Consequently, the real value of the core rate has fallen.

To have the same purchasing power in the first quarter of 2024, as in 2020, the personal rate would need to be €237 per week. With further inflation forecast over the course of 2024 and 2025, a rate of €247 would be required to restore purchasing power to 2020 levels, relative to MESL. This adjustment would make no further progress towards ensuring an adequate level of income support, compared to 2020.

Therefore, to restore the real value of the core social protection rate and avoid a lost five years in progress towards providing people with an adequate minimum income, the MESL research indicates the need for an adjustment to core **working-age personal rates** of €20 to €252 per week.

Qualified Child Increase

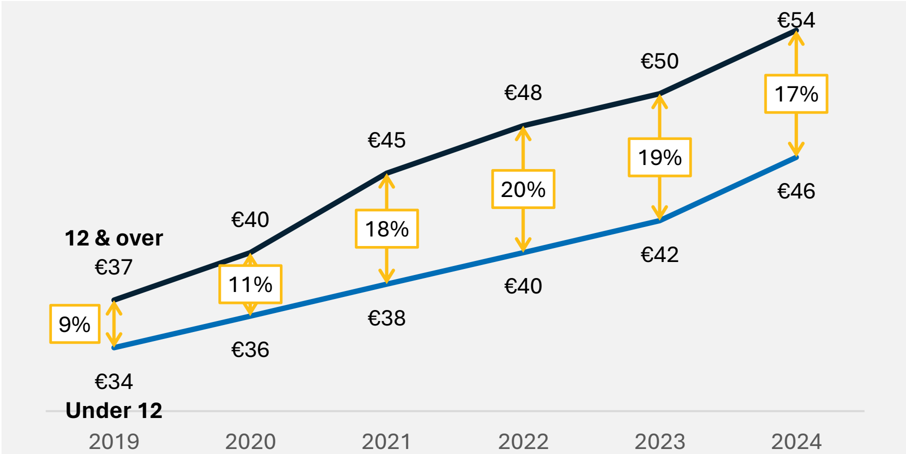
The cost of a child's MESL expenditure needs ranges from €55 at pre-school age to €149 for children at second level school age. The MESL analysis has consistently identified older children as having additional and distinct needs compared to younger children, costing approximately 60% more than the minimum needs of younger children. Social welfare supports meet 63% of the MESL costs for an older child, compared to meeting at least 85% of MESL costs of children under 12.

Table 1 MESL by child age-group and child related social welfare adequacy

	Infant	Pre-School	Primary School	Second Level
MESL (core adjusted*)	**94.42**	**55.04**	**94.78**	**149.29**
Child Benefit	*32.31*	*32.31*	*32.31*	*32.31*
Qualified Child Increase	*46.00*	*46.00*	*46.00*	*54.00*
Back to School Allowance	…	…	*3.08*	*5.48*
Christmas Bonus	*0.88*	*0.88*	*0.88*	*1.04*
January 2024 Seasonal Bonus	*0.88*	*0.88*	*0.88*	*1.04*
Total Social Welfare	**80.08**	**80.08**	**83.15**	**93.87**
Adequacy (SW – MESL)	-14.34	25.04	-11.63	-55.42
% of MESL met be SW	84.8%	145.5%	87.7%	62.9%

* Cost of a child's MESL needs, excluding childcare, adjusted for full Medical Card.

Graph 2 Qualified Child Increase rates by age-group, 2019 - 2024



In recognition of older children's additional needs, a higher rate of QCI for this age-group was introduced in 2019. This was developed in subsequent years, with larger increases to the QCI for older children contributing to a progressive improvement in the level of MESL needs met, up to 2022.

In 2022 the QCI for children aged 12 and over was 20% (€8) above the rate for younger children. In the last two years, there has been a flat adjustment to the two QCI rates (€2 in 2023 & €4 in 2024), bringing the proportional difference down to 17% in 2024. This has contributed to the decline in the real value of the QCI for older children.

Due to a stabilisation in MESL costs for second level age children in 2024, there is a partial recovery in the real value of supports for this age-group. Supports now meet 63% of MESL need, with a nominal shortfall of €55 per week, this is inclusive of the 'Cost of Living' double payment. However, the real value of the core rates is below the previous high point reached in 2022.

In recognition of the Government's emphasis on child poverty it is recommended that adjustments to the **Qualified Child** rates should go beyond restoration of purchasing power and aim to improve the proportion of minimum needs met for all age-groups, while further developing the differential for older children.

On this basis, an increase of €6 for ages under 12, and of €15 ages 12 & over, is recommended.

These adjustments would bring the combined child income supports to meeting 90% of MESL needs at primary school age and 68% for second level age children in 2025. This would be a notable improvement from the previous high point reached in 2022.

Older person, living alone

The older single adult household type has demonstrated greater vulnerability to income inadequacy. In the 2017 MESL analysis an older person living alone in an urban area first moved to income adequacy, when reliant on the Non-Contributory State Pension and living in social housing.

This household type was pulled back into income inadequacy in 2023, when reliant on the Non-Contributory State Pension. This was due to the exceptional increase in energy prices contributing to a significant rise in MESL costs, which outpaced adjustments to social welfare supports and supplementary 'Cost of Living' measures.

This year the decline in energy prices has had a significant impact. The combination of this decline in costs, relative to 2023, the €12 adjustment to the State Pension rates and additionally the 'Cost of Living' supports, have brought this household type close to income adequacy in 2024. However, the underlying core rates would meet only 95% of MESL needs, the additional 'Cost of Living' supports (including electricity credits) are required to bring income supports to 98.6% of MESL needs when in urban social housing.

Two adult households see notable savings relative to one adult households in the costs of running a home. For instance in home energy, household services and household goods, the costs for two adults are similar to the costs faced by one adult. Consequently, MESL costs for single adult headed households are a more significant burden than for couple households.

Therefore, in conjunction with the benchmarking of the State Pension, it is recommended that consideration is given to the **Living Alone Allowance**, to ensure it adequately meets the needs of one adult households.

Rural difference

Deep income inadequacy continues for the older single adult household type when in a rural area, primarily due to the additional need for private transport. The Non-Contributory State Pension and secondary supports meet 81.1% of MESL costs for an older person living alone in a rural area.

The free travel pass removes the need for private transport related costs for urban based older adult households in the MESL expenditure budgets. Meeting the transport needs of rural older adult households requires a car. Consequently, car related costs (fuel, maintenance, insurance, etc.) add an additional €80 per week to the MESL budget for older people living in a rural area.

Improved public transport services are key to addressing this deep income inadequacy.

Fuel Allowance & Household Energy

In 2024 the MESL Household Energy basket decreased on average by 20.9%. While there has been a significant reduction in energy prices over the course of the past 12-months as inflation eases, prices remain significantly earlier levels. Cumulatively, from March 2020 to March 2024, the cost of Household Energy in the MESL has increased by 64.5%.

In Budget 2024 the core weekly rate of Fuel Allowance (FA) was retained (€33), leaving the payment frozen for a third year despite ongoing fluctuations in energy prices and persistent high energy costs, effectively devaluing the core rate of Fuel Allowance. However, recipients received additional Cost of Living 'once-off' payments and benefited from the universal electricity credits. The 2024 MESL analysis found that the set of Cost of Living payments helped supplement the reduced value of core rates.

Electricity credits and other energy-related cost of living payments have mitigated high household energy costs. However, the 2024 MESL analysis found that for the urban one parent household type Fuel Allowance meets 35.9% of the minimum energy need, a 9.2 percentage point decrease from 2020. This is inclusive of the two electricity credits provided to all households in 2024, reducing weekly electricity costs by €5.77.

With exceptional increases in energy prices over recent years, followed by a stabilisation in prices in 2024, adjustments to the core rate of the Fuel Allowance are required. It is recommended to increase the annual value of the **Fuel Allowance** by €196 to restore its purchasing power to 2020 levels, which equates to a weekly increase of €7 for a 28-week season. Consideration should also be given to restoring the 32 weeks of payment to better reflect the heating season and enable households to budget accordingly.

Energy Poverty

In the 2024 MESL an analysis of minimum energy expenditure for four urban household types in social welfare dependent scenarios, based on Building Energy Rating (BER) and payment method (direct debit versus pay-as-you-go) found that out of 48 cases examined, 40 demonstrated some level of energy poverty (EP). [6]

The 2024 MESL analysis demonstrates how energy costs can vary based on dwelling efficiency level. Compared to a mid-range energy rating (C2), the cost of minimum energy needs can be up to 55% higher in a low efficiency dwelling (E1-E2) or 30% lower in a high efficiency dwelling (A1-B2). For an older person with additional home heating need, minimum energy needs in a low efficiency dwelling (E1-E2) can be almost double (93%) that of a mid-range dwelling (C2).[7]

The MESL analysis found that the older single adult with additional heating need demonstrates the greatest levels and depths of EP. While the one parent with two children and working-age single adult household types both demonstrate persistent levels of EP, with the exception of the highly energy efficient homes (A1-B2). Despite FA being included in household income for the one-parent and older single adult, the household types indicate extreme to core energy poverty until a high level of energy efficiency is reached. Not only does this highlight that FA has failed to progress at the same rate as current energy costs, but it also reflects the fixed nature of the payment as it fails to respond to the diverse needs of individual household types or dwelling efficiency.

Current targeting of FA is restrictive, leaving vulnerable households without the support they need to access essential energy, as demonstrated by the social welfare dependent working-age single adult scenario described above.[8] Consideration must be given to extending energy-related income support to households at risk of energy poverty including those in receipt of WFP and those that are recently unemployed.

Energy Guarantee

The MESL Research Centre proposes an alternative policy response in the form of an Energy Guarantee (EG), a targeted and flexible approach that 'guarantees' essential energy at an affordable cost, replacing Fuel Allowance. The proposed model responds to price fluctuations in the energy market, as well as a households individual energy need.

Key characteristics of the Energy Guarantee are:

- Meets a proportion of minimum energy needs (currently modelled at 60% energy units) primarily linked to Building Energy Rating (BER), and tapers relative to household income.
- Adapts to any price fluctuations in the market, acting as a safety net to low-income households during times of energy price crises.
- Potential to work alongside current national retrofit plans (Warmer Homes Scheme), providing a greater level of support to qualifying households as they await their free energy upgrade, and tapering once the upgrade is achieved.

- Would support qualifying households in the private rented sector, such as HAP tenants, which are not eligible for, or are currently excluded from, free retrofit plans.

The impact of the EG is explored in the MESL Working Paper 'The cost of adequately heating the home,' using 2023 costs. A more in-depth analysis will be provided in a forthcoming MESL research briefing for 2024 costs, exploring the described model and examining its potential impact on multiple social welfare and employed scenarios including households not currently in receipt of FA. An example of the approach is outlined below.

In the case of the one parent and two children household type in a social welfare scenario, the value of the EG varies by BER, ranging from €10.42 (A1-B2) to €41.48 (E1-E2), ensuring that energy expenditure is no greater than 9.5% of income, and no less than 6%. In the energy poor dwelling (E1-E2) the EG reduces weekly energy costs from €76.49 to €35.61, while at the mid-point of the efficiency scale (C2), the support tapers, reducing costs from €49.44 to €25.08. In the highly efficient dwelling (A1-B2), the EG reduces costs from €35.50 to €25.08.

The proposed EG would remove all cases of expenditure-based energy poverty by ensuring that energy costs are no greater than 9.5% of net household income and therefore below the current 10% indicator.

Maintaining in-work income supports

The range of supports which either directly supplement income from employment or reduce potential expenses play a pivotal role in supporting households towards having an adequate income. These supports operating in conjunction with an appropriate earnings floor, can enable income adequacy for many households with children when in lower paid employment. However, it is important that the relativities between the thresholds and disregards within these supports are maintained relative to earnings, minimum wage, etc.

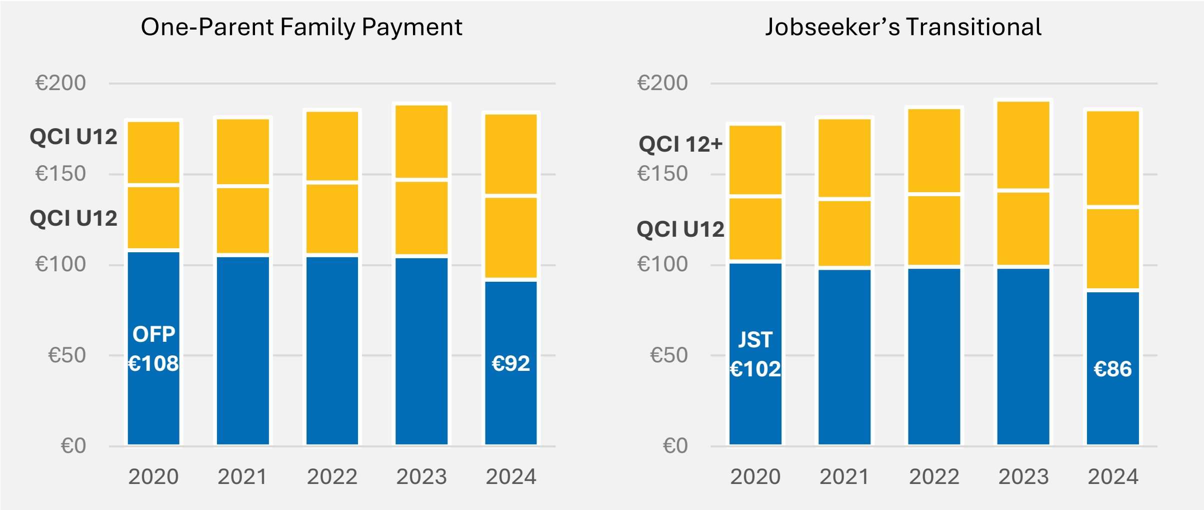
One-Parent Family Payment & Jobseekers' Transitional

The earnings disregard for the One-Parent Family Payment (OFP) and Jobseeker's Transitional (JST) payments has been set at €165 since 2020, in this time the National Minimum Wage (NMW) has risen from €10.10 to €12.70.

In the context of increases to the NMW the static earnings disregard has meant that the rate of OFP or JST payable to a minimum wage earner has fallen since 2020. From 2020 to 2023 adjustments to the Qualified Child Increase (QCI) masked the impact of this issue, as the net support from OFP / JST and QCI rose each year. However, in 2024 for a one parent household with two children the net support from OFP / JST and QCI is €5 less per week, compared to 2023, when in full-time NMW employment. This is despite the nominal increases to the personal and qualified child rates.

In 2020 the earnings disregard of €165 equated to disregarding 16.3 hours of NMW employment and enabled a full-time NMW employed recipient to receive 53% of the adult personal rate. In 2024 the disregard now equates to 13.0 hours of NMW employment and would enable a full-time NMW employed recipient to receive 40% of the adult personal rate. The cumulative erosion in the value of the earnings disregard has resulted in a full-time NMW worker qualifying for €16 less per week in the partial adult personal rate compared to 2020.

Graph 3 Rate of OFP / JST payable when in full-time NMW employment



In 2024, an earnings disregard of €207 per week would disregard the same 16.3 hours of NMW employment as in 2020. However, to provide the same proportion of the adult personal rate when in full-time NMW employment as in 2020, a disregard of €255 would be required.

It is recommended that the value of the earnings disregard is restored. Furthermore, it is also recommended that a robust mechanism is developed to ensure that all income thresholds, earnings disregards, etc., are automatically uprated and maintained as part of the annual Budget process.

Families in Direct Provision

The 2023 MESL working paper "Estimating the MESL costs for families in Direct Provision" set out to establish the MESL needs for both one and two parent families with two children, one of Primary School age and one of Secondary School age, living in the Irish Direct Provision system.

The Working Paper, based on 2022 MESL data[9], found that for each individual family member living in Direct Provision accommodation, the income supports provided, as of 2023, were inadequate to meet their estimated MESL need, and that this inadequacy was compounded at household level.

The Working Paper found that the one parent, two child household living in Direct Provision accommodation's weekly income covered just 49% of their estimated MESL need, while the two parent, two child household living in Direct Provision accommodation's weekly income covered 52% of their estimated MESL need.

When the 2022 MESL costs are updated to 2024 costs[10] and the income supports are updated to 2024 levels[11], it is clear that the situation has worsened. It is estimated that the one parent, two child household living in Direct Provision accommodation's weekly MESL need is €236.76. Their average weekly income amounts to €106.96, which covers 45% of their estimated MESL need, leaving a shortfall of €129.80 per week.

For the two parent, two child household living in Direct Provision accommodation, their weekly MESL need is estimated to be €301.39. Their average weekly income amounts to €145.76, which covers 48% of their estimated MESL need, leaving a shortfall of €155.63 per week.

It is important to note that the scenario of family types examined within the Working Paper is based on how the Direct Provision system "should" work. However, due to the large variation in the standard and type of service being provided across the country, this scenario may portray a "best case" situation that many people living in Direct Provision accommodation may not receive. If a lower standard of service is being provided to families living in Direct Provision, then a greater income shortfall is likely to be experienced.

Following Budget 2024, the Department of Children, Equality, Disability, Integration and Youth announced that a focus of expenditure from the investment announced in the Budget would be on "expanding the range of supports provided to International Protection applicants, including an additional payment for children", while the Government of Ireland Budget 2024 Expenditure Report outlined that the DCEDIY "will implement the proposal in the White Paper that an International Protection Child Payment would be provided in respect of children under the age of 18."

No International Protection Child Payment, or any additional payment for children in the International Protection system, has been introduced since this announcement.

If the International Protection Child Payment was introduced at the same rate as Child Benefit, based on the 2024 MESL estimates, the one parent, two child household living in Direct Provision accommodation's income adequacy would improve, with 72% of their estimated MESL needs being covered. While the two parent, two child household living in Direct Provision accommodation's income would cover 70% of their estimated MESL need.

Both household types would still experience deep income inadequacy, however the introduction of this payment would see between a 22 to 27 percentage point improvement in the income adequacy of these household types, based on the 2024 estimates. This would help to improve the living standards for families living in the Irish Direct Provision system.

Based on this, and the current level of income inadequacy being experienced by households living in Direct Provision accommodation, it is recommended that the International Protection Child Payment is introduced at the same rate as Child Benefit.

Notes

[1] The MESL 2024 report, analysis and data will be available on-line at: https://www.budgeting.ie/publications/mesl-2024/
[2] Central Bank (2024) Quarterly Bulletin: QB1 – March 2024. See Table 3 for HICP forecasts.
[3] Department of Finance (2024) Stability Programme Update 2024. See page 17-18 for inflation forecasts.
[4] See MESL 2024 report, pages 36 – 46.
[5] See MESL 2024 report, pages 32 – 35.
[6] See page 57, table 11 of MESL 2024 report.
[7] See page 55 of MESL 2024 report for full range of potential costs by BER.
[8] Due to the long-term requirement, FA is not included in the standard Jobseeker social welfare scenarios modelled in the MESL, e.g., working-age single adult here.
[9] Basket items priced as of March 2022
[10] By adjusting the Direct Provision budget areas with the relevant average MESL basket area price changes for 2023 and 2024, and removing the cost of schoolbooks for the Primary School aged child.
[11] By removing the extra €100 cost of living support paid to Back to School Clothing and Footwear Allowance recipients in 2023.