



Statement on Rent Supplement and Lone Parents

Minister Séamus Brennan spoke on Morning Ireland this week in relation to the Comptroller and Auditor General's views on the growth in expenditure on the Rent Supplement Scheme.

Lone parents are the biggest group relying on Rent Supplement, constituting approximately one-fifth of recipients. This is hardly surprising: 43% of the local authority waiting list in 2002 was composed of lone parent households¹. Contrary to the intentions of the scheme, Rent Supplement has become a defacto long term housing support for the many households who qualify for social housing, but do not have access to it due to inadequate supply.

Threshold has noted that the failure to provide sufficient social housing has resulted in many households having no other option but to rely on the private rented sector, and the inadequate subsidy that Rent Supplement provides; and further that the National Economic & Social Council concluded that an additional 73,000 social housing units need to be provided by Government between 2007 and 2012, representing almost a doubling of existing social housing output.

The Minister was asked about the unemployment and poverty traps faced by people who rely on Rent Supplement. The Minister's response may have given two impressions: that this payment is withdrawn gradually for those claimants who secure employment; and that proposals to address the poverty traps were "*at the core of*" the recently published Proposals for Supporting Lone Parents.

OPEN strongly disputes this.

The following are the facts in relation to Rent Supplement:

- Rent Supplement is not payable where the claimant, or any other person within that household, is working for 30 hours or more a week, *regardless of how low their wages or how high their rental costs are*;
- The first €60 of earnings from part-time employment are not included in the means test; 50% of earnings between €60-90 are assessed in the means test, and *all*

¹ The Department of Environment has not yet published a breakdown of the housing needs assessment for 2005.

earnings over €90 are deducted from any Rent Supplement payable. In practice this means that claimants can benefit by no more than €75 a week from part-time employment. Unless a claimant can earn more than the combination of their basic social welfare payment, plus the value of their Rent Supplement, they are trapped in unemployment;

- Minister Brennan stated that such unemployment traps were at the core of his recently published proposals on lone parents. However, as has been previously been pointed out by OPEN, while the report acknowledges the problem, it makes *no specific proposals* on how, or indeed when, these issues will be addressed;
- Some employment schemes do provide for a tapered withdrawal of Rent Supplement. However, this is subject to a number of conditions:
 - To be eligible for such schemes, you have to be in receipt of payment for a minimum period, and in some instances, to be over a certain age threshold². Escape from this unemployment trap is only made available to those who have been trapped in it long-term. *Tapered withdrawal of Rent Supplement is available only to a portion of claimants – this facility is not “all over the system” as stated by the Minister;*
 - Gross income (excluding any payments under Back to Work Allowance or Family Income Supplement) must not exceed €317.43 per week. This excludes a significant number of workers, as the National Minimum Wage is now €306 for a 40 hour week. *Tapered withdrawal arrangements are therefore only available to those working for the very lowest wages.*

Approximately 60,000 people rely on Rent Supplement, about 33,000 of whom have been on the payment for more than 18 months.

Government made a commitment to transfer these long-term recipients to the new Rental Accommodation Scheme operated by the local authorities, which uses a rent assessment that does not create severe poverty traps. However, progress to date on the transfer has been extremely slow. According to Minister Ahern, who was questioned on this matter in the Dáil earlier this month, of the €19 million available to implement this transfer in 2006, only €842,000 has been spent to date.

Despite a Government decision in July 2004, transfers did not commence until September 2005, and to date approximately 1,000 cases have been transferred, with a further 340 provided with local authority housing. The remaining approximately 31,500 cases are to be transferred by 2008. On the basis of progress to date, this will not be achieved.

Why has progress been so slow?

² For example to be eligible for Community Employment you must be in receipt of social welfare for at least a year and be over 25 (1 year option) or over 35 and in receipt for 3 years (3 year option); to be eligible for Back to Work Allowance, lone parents must have been in receipt of payment for at least 15 months.

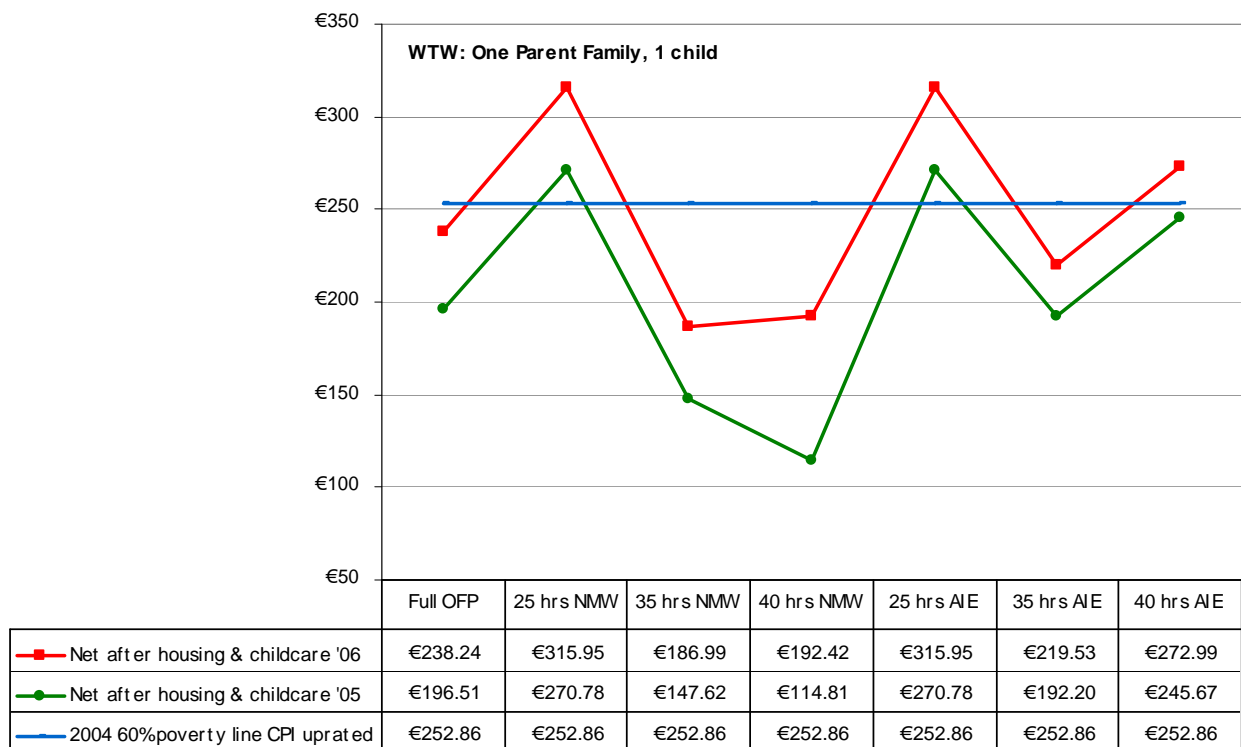
According to Minister Ahern *“Much of the accommodation for which people were receiving rent allowance is very poor. The local authorities will not touch it or take responsibility for it. Some of the tenancies are not registered with the Private Rented Tenancies Board and other landlords are sitting on the fence and do not necessarily want to do business”*.

Ultimately, government’s failure to construct sufficient social housing has forced tens of thousands of vulnerable households into sub-standard accommodation, for which the state paid €369 million last year – how many social housing units could have been constructed with those funds? Relying on the private sector to solve this problem has clearly failed. The state’s failure to act is also trapping many of those 60,000 claimants into unemployment, so that they are unable to take the steps to securing a decent income from employment.

Given that Government has failed to provide a solution to this growing problem, Minister Brennan must implement reforms to the Rent Supplement scheme in the context of the next budget.

The impact on a lone parent of the withdrawal of Rent Supplement on securing employment is illustrated below. It demonstrates clearly that a lone parent will be plunged deeper into poverty unless the full-time job she secures pays at least €30,000 per annum (and that earnings level will just about pull her family above the poverty line). The more likely scenario, a minimum wage job, which pays about half that, will leave her far below the poverty line, with even less income than when on social welfare.

Minister Brennan says he wants more lone parents to move into employment – but unless he tackles this issue, his proposals will increase the rate of poverty among one-parent families, who already have a 31% poverty rate, compared to the average rate of 7%.



- The main impact of Budget 2006 from a lone parent perspective is the increase in the maximum earnings ceiling for entitlement to a reduced One Parent Family Payment. This makes a very substantial impact on the examples showing 40hrs at the NMW, and at the next level of income, 24hrs at AIE. These gains are partially clawed back by a reduced entitlement to Family Income Supplement, however a significant gain remains.
- The increase in the FIS threshold for families with one child were sufficient to realise a small gain at lower earnings levels.
- Increases in child-related payments are particularly important for lone parent families, who will benefit from the increase in Child Benefit, and the Early Childcare Supplement will make a small contribution to the childcare cost of very young children. However, despite the increase in the income ceiling for Back to School Clothing and Footwear Allowance, entitlement is still lost at the lowest earnings level.
- Where the household is living in the private rented sector, a significant poverty trap remains, making such households better off financially working part-time.

For further examples of poverty and unemployment traps, please see '*Out of the Traps?*' published by OPEN and EAPN (Ireland) available from www.oneparent.ie and www.eapn.ie

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