

Mainstreaming Poverty and Social Exclusion

PRE-BUDGET SUBMISSION

Proposals for Budget 2008

Combat Poverty's pre-budget submission for Budget 2008 focuses on a number of key public service areas which will contribute to reducing poverty and social exclusion. With 290,000 people living in consistent poverty and 770,000 at risk of poverty, Budget 2008 presents an opportunity to improve public services, to tackle anomalies in the system and to take a decisive step towards meeting the national target to reduce 'consistent poverty to between 2 and 4 per cent by 2012, with the aim of eliminating consistent poverty by 2016'¹.

Social exclusion is a key concern for Combat Poverty. People become alienated from social interaction and involvement for various reasons. Social exclusion can lead to poverty and poverty can lead to social exclusion.

This submission highlights a number of service gaps that can lead to greater social inclusion, for example access to education, health facilities, employment, community support and financial services.

¹ *National Action Plan for Social Inclusion, 2007-2016, Ireland, 2007*

Summary Proposals

Dept of Education

Undertake a complete review of the School Books Grant scheme. In the interim, increase the allocation for free school books from €16 million to €24 million.

Set a timeframe for introducing a scheme to provide free school books to all primary and second level students in DEIS designated schools.

Dept of Enterprise, Trade and Employment

Introduce measures to supplement the Higher Education Grant for those moving from low-income employment to 3rd level studies.

Introduce a once-off 'Preparing for Interview' allowance of €150.

Provide additional resources for the Labour Inspectorate to enforce the minimum wage.

Introduce measures to promote family-friendly work arrangements.

Dept of Environment, Heritage and Local Government

Develop a national policy on waste waivers. Fund waivers from a central fund, financed by a levy on waste collections.

Introduce legislation to clarify the present uncertain legal situation regarding waste waiver schemes, where waste collection is contracted out to private operators by local authorities.

Update and improve the house improvement scheme for older people.

Dept of Finance

Ensure low-income workers remain exempt from income tax.

Introduce additional tax credits for older workers who remain in employment.

Introduce a VAT rebate for low-income families for a range of essential items.

Introduce a 'no frills' basic bank account. The Government levy on bank cards should not apply to cards issued on these accounts.

Introduce tax incentives for employers to provide training for low-skilled/unskilled workers.

Dept of Social and Family Affairs

Increase all welfare benefits, including pensions, by at least €20 per week.

Provide greater flexibility for older self-employed workers on non-contributory pensions who remain in employment.

Increase the fuel allowance to €22 per week for social welfare recipients.

Extend the Carer's Benefit to 3 years and increase the Respite Care Grant to €1,800 per annum.

Combine a range of allowances into a Parental Allowance to be paid at the standard rate.

Increase the Back to Work Allowance to 5 years. Reduce the waiting period to one year (including people with disabilities).

Adjust benefits to assist women who take up full-time employment (e.g. FIS, childcare etc.).

Provide resources to strengthen PRSI inspections to ensure employers are contributing PRSI at the proper rate for all their employees.

Increase the 'direct provision' payment to asylum seekers to €60 per week for adults and to €35 per week for children.

Abolish employee PRSI income threshold (currently €48,800 per annum) and increase weekly PRSI allowance by €108 to €235.

Dept of Health and Children

Increase income thresholds for medical cards and doctor only medical cards by between 36 and 100 per cent.

For families eligible for doctor only medical cards, reduce the expenditure threshold under the Drugs Refund Scheme to €43 per month.

Summary of Tax/Welfare Proposals

Topic	Proposal	Beneficiaries	Cost (€m)
	Welfare payments and allowances		
Personal rates (weekly)	- Increase all payments by €20 to €205.80 for minimum rate and €229 for state pension (contributory)	1,021,400	1,006
Qualified adult allowance (weekly)	- Increase lowest payments by €16 to €139.30	48,000	39
	- Increase other payments by €14 to €146.20/€153.50	36,950	25
	- Increase rate for state pension (over 66) by €34 to €207	38,150	64
Living alone allowance (weekly)	- Increase by €2.30 to €10	157,500	19
Fuel allowance (weekly for 29 weeks of year)	- Increase by €4 to €22	286,200	33
	- Extend duration by 5 weeks at increased rate (to 34 weeks)	286,200	28
Respite care grant (annual)	- Increase by €300 to €1,800	48,000	14
	Child income support		
Qualified child allowance (weekly)	- Increase by €3 per week all children (to €25)	354,300	48
	- Increase by €5 per week for children aged 12 + (to €30)	152,000	35
Family income supplement (weekly)	- Increase income threshold by average of €60 (equivalent to an additional payment of €36)	21,000	43

Clothing and footwear allowance (annual)	<ul style="list-style-type: none"> - Introduce two additional payments of €180 (< 12 years) and €285 (> 12 years), in December and in March - Pay automatically to recipients of all means-tested welfare schemes 	174,000	76
Child benefit (monthly)	- Increase by €10 per month (to €170 for standard rate and €205 for higher rate)	1,180,100	143
	- Extend eligibility to all children aged 17 and 18 years	28,250	86
	- Administer payment on fortnightly basis		
Early childcare supplement (quarterly)	- Increase by €250 (€1,000 per annum) for children attending pre-school to €500 (€2,000 per annum) on a targeted basis	63,000	63
	- Provide payment of €125 (€500 per annum) for children aged 6 to 12 years	346,000	173
Welfare to work			
Means-tests	- Increase the means disregard for state pension by €10 per week (to €40)	22,000	11
	- Increase the earnings disregard under the SWA rent/mortgage supplement by €25 per week (to €100)		
	- Increase the income disregard for carer's allowance by €20 per week (to €340) for a single person		
	- Increase the threshold for entitlement to the full rate qualified adult allowance by €10 per week (to €110)		
	- Increase the income threshold for entitlement to reduced rate of qualified adult allowance by €20 per week (to €300)		
	- Increase the income threshold for entitlement to a half-rate child dependant allowance by €50 under Job Seeker's Benefit and Illness Benefit (to €450)		
	- Increase income threshold for entitlement of the One Parent Family Payment by €100 per week (to €500)		
Education/ employment programmes	- Extend the duration of the back to work allowance to 5 years, with a phased withdrawal of the payment (100%, 80%, 60%, 40% and 20%)		10 allocation
	- Provide assistance with interview costs (clothes, travel) of €150		

Parental allowance scheme	<ul style="list-style-type: none"> - Introduce new means-tested parental allowance (at standard personal rate) for the principal carer in families with young children (under 8 years) (replacing the one parent family payment, the qualified adult allowance, the prisoner's dependant allowance, etc.) - Provide an earnings disregard of €120 per week, with tapered withdrawal of 40 per cent up to €500 per week 		90 allocation
Income tax and PRSI			
Income tax (per annum)	- Increase PAYE tax credit by €90 to €1,850	1,202,000	125
	- Increase personal tax credit by €90 to €1,850 (+ €180 to €3,700 for married couples)	1,480,000	190
	- Widen tax band by €1,700 to €35,700 (+ €1,700 to €43,000 for married one-earner couples)	835,000	315
	- Adjust all other tax credits by 5%		6
PRSI	- Abolish employee income threshold (currently €48,800 per annum)		278 <i>yield</i>
	- Increase weekly PRSI allowance by €108 to €235		283
Other welfare-related benefits			
Medical card	- Increase income thresholds by between 36 and 100 percent as follows: additional €66 per week for a single person (to €250), €158.50 for a couple (to €425) and €40 for each dependent child aged up to 18 years (to €80)		
GP visit card	<ul style="list-style-type: none"> - Increase income thresholds by between 36 and 100 percent as follows: additional €99 per week for a single person (to €375), €238 for a couple (to €638) and €60 for each dependent child aged up to 18 years (to €120) - For families eligible for the GP visit card, reduce the expenditure threshold under the Drugs Refund Scheme by 50 percent to €43 per month 		
Waste collection	- Introduce a national waiver system covering both public and private waste collection, to be implemented by local authorities and funded by a national waste collection levy		Self-funding
School books scheme	- Increase payments by 50 percent (up to €78 per primary school child and €90 per secondary school child)		8

School meals scheme	- Provide a good quality lunchtime meal (hot lunch or its equivalent) across all schools		
Childcare subvention scheme	- Extend proposed scheme to all low-income households in employment, education or training and availing of regulated childcare, whether in community or private provision		From National Childcare Investment Programme
Basic bank accounts	- Exempt basic bank accounts from ATM card levy (€10)		

Note: The number of beneficiaries and the cost of each proposal is specified, where possible, based on official departmental estimates.

See **Analysis of Cost and Impact of Tax / Welfare Proposals** section overleaf for further details on the impact of these proposals.

Detailed Proposals

1 Access to Education

The National Action Plan for Social Inclusion (NAPinclusion) recognises the importance of education for a child's development and future well-being. However, research shows that children from deprived backgrounds benefit less from the education system. A child whose parents had no educational qualifications beyond primary level is 23 times more likely to end up with no further formal education than a child whose parents completed third level². It is critical that children from disadvantaged backgrounds have equal access to education and stay in school until they get a qualification.

Pre-school and Primary level:

Combat Poverty welcomes the existing national commitments to provide:

- ▶ A pre-school place for every child by 2012 (7% of children aged 3 or under and almost half of 4 year-olds were in pre-school in 2004³);
- ▶ An extra 50,000 new childcare places by 2010.

Research shows that the quality of pre-school education is critical. The roll out of pre-school places should therefore be linked to Síolta, the National Quality Framework for early childhood education.

Combat Poverty also welcomes the commitment to roll out the DEIS (Delivering Equality of Opportunity in Schools) Action Plan. In addition to the commitments contained in this, we propose that additional investment of €20 million should be allocated for each year of the Programme.

Second Level:

To keep young people in school until they have a qualification and prevent early school-leaving, Combat Poverty recommends that the DEIS Programme be extended to other disadvantaged communities, particularly those in rural areas (only 150 are currently included). The capitation grant for pupils in these schools should be increased to at least €45.

Return to Education:

Under the Department of Social and Family Affairs Back to Education Allowance scheme, a social welfare recipient returning to full time education is entitled to an allowance of €185.52 per week (€9,646 per annum). There are also a number of 'top-up' allowances, including a maintenance grant of €2,960 p.a. and a €400 p.a. 'Cost of Education' allowance. To be eligible, however, an applicant must be getting a social welfare benefit for between nine months and three years, (depending on the type of benefit). Such a student is also entitled to a Higher Education Grant of €3,110 p.a. from the Department of Education and Science (DES). This means that a social welfare recipient returning to education is entitled to up to €16,116 per annum for third-level studies. In contrast, a person in a low income job wishing to return to education is only entitled to the Higher Education Grant of €3,110 p.a.

This limits the incentive for low paid workers to return full time to third-level education to improve their skills and their future job prospects. To address this, low income workers should be eligible for similar rates as someone in receipt of social welfare. In the interim, a supplementary scheme should be introduced under the Department of Enterprise, Trade and Employment through FÁS.

Back to School Clothing and Footwear Allowance

The cost of schoolbooks can be a major barrier to education for low income households. The Back-to-School Clothing and Footwear Allowance should be extended to explicitly incorporate provisions relating to the cost of school books and should be paid in three instalments: at the beginning of the school year (September), in December and again in March.

School Book Scheme

The DEIS Action Plan proposes additional funding for school books for primary and second-level students without specifying an amount. The current allowance is inadequate to meet the high cost of books and is complex to administer (there are up to eight rates for primary schools and four for secondary schools).

In addition to our proposal that the Back-to-School Allowance be extended to cover the cost of books (paid directly to qualified families, rather than through the schools), we propose that funding for the School Book Grant Scheme (€16 million in 2007) should be increased to €24 million in 2008. In the

² *Day in Day Out – Understanding the dynamics of child poverty* Nolan B et al, Combat Poverty Agency, Dublin 2006.

³ National Action Plan for Social Inclusion, Ireland, 2007

longer term, the scheme should be reviewed to ensure simpler and more equitable arrangements.

Finally, we recommend the introduction of a national school book rental scheme. In the interim, free books should be made available to all DEIS schools.

2 Indirect Taxation

For the thirty per cent of workers outside the income tax net, reductions in income tax have no cash impact. Combat Poverty supports the objective of keeping workers on or below the minimum wage and social welfare recipients out of the tax net. However, with the shift in tax revenue from direct to indirect taxation (e.g. VAT, public service charges) low income families are disproportionately affected⁴.

We propose VAT rebates up to certain limits for people on or below the FIS threshold on items such as:

- ▶ Fuel—particularly electricity, gas and heating oil;
- ▶ Essential household furnishings and day-to-day utensils;
- ▶ Repairs and maintenance of homes owned or rented by people on pensions or low-incomes (e.g. painting; electrical/water repairs, etc);
- ▶ Domestic care services (e.g. home help, care of the elderly, sick or people with disabilities).

The process for implementing this needs exploration and discussion.

3 Environment – Re-cycling Policies

Private transport is necessary to access many recycling waste facilities. This is not always possible for low-income households, who as a result incur disproportionate waste charges.

A national policy on waste waivers is needed to ensure consistency for low-income groups across all areas. Waivers should be funded centrally but administered by local authorities. A national self-funding and cost-neutral levy should be introduced to finance the scheme. Waiver schemes should be open and transparent so that they are accessible to anyone at risk of poverty. They should be applied to

both private and local authority schemes. A change in legislation is required to address the uncertain legal situation where local authorities contract out waste collection to private companies.

4 Financial Exclusion

The Combat Poverty study: *Financial Exclusion in Ireland* highlighted the difficulties people on low incomes face in accessing financial products.

We propose the following measures to address this issue:

- ▶ Develop a national strategy on financial exclusion led by the Office for Social Inclusion and monitored by a re-constituted Stakeholders' Forum;
- ▶ Provide for the introduction of low-cost, 'no frills', basic bank accounts, covered by a Code of Practice, as in other EU Member States. The Government levy on bank cards should not apply to cards issued on these accounts;
- ▶ Credit unions should be encouraged to join the banking clearing system, and together with An Post / Fortis could form the nucleus of a basic banking service;
- ▶ Provide support to organisations to work with vulnerable groups to improve financial literacy;
- ▶ Encourage staff training in financial institutions to deal with literacy and intercultural issues;
- ▶ Allocate additional resources to MABS to extend and develop its services.

5 Pensions/Older people

To continue the downward trend in the number of older people at risk of poverty we recommend the following:

- ▶ Increase the basic State pension by €20 in 2008 with a view to meeting the Programme for Government commitment to increase the State pension by €100 over five years.
- ▶ Facilitate more flexible workforce policies for older people. For example, offer additional tax credits for workers aged 65-70 or double the

⁴ See *Promoting Equity through Ireland's Tax System*, Combat Poverty Agency, Dublin 2006.

'disregard' which applies to non-contributory pensions (from €200 per week to €400 per week). The 'disregard' should also be available to self-employed persons.

- ▶ Invest in the development of community services (e.g. day care, home help etc.) to enable older people to remain active and in their own homes for as long as possible.
- ▶ Increase the Living Alone Allowance to €10 per week (€20 for over 80s) to address higher levels of poverty among older people living alone. The Living Alone Allowance has not been increased since 1996 despite inflation of almost 30% since then.
- ▶ Enhance home improvement schemes by expanding the range of improvements available and/or promoting information about the schemes to address the relatively high level of deprivation of housing-related items among older people.
- ▶ Increase the fuel allowance to €22 for all social welfare recipients.
- ▶ Develop a national pensions' strategy as a matter of urgency.

6 Carers

There were 5,433 carers aged between 15-19 years identified in Census 2006. Of these, 700 were working between 29 and 43 hours per week. In the context of the development of a National Carers' Strategy to support 'at home' carers, we propose:

- ▶ Extending the term of the Carer's Benefit to three years;
- ▶ Increasing the Respite Care Grant to €1,800 per year.

7 Health

Poverty continues to be associated with poor health. People in poverty die younger and get sick more often than those who are better off. Combat Poverty's Health Policy Statement (2007), makes the following recommendations:

- ▶ Increase funding for health education, promotion

and prevention, as set out in the NDP⁵ and the *Towards 2016*⁶;

- ▶ The threshold for full medical cards should be set *above* the 'at-risk-of-poverty' line (60 per cent of median national income or €209 per week in 2007). We propose a threshold of €250 for 2008, based on the highest social welfare benefits, plus an additional amount to allow for small earnings or other income sources;
- ▶ Commit to moving towards equal medical card thresholds for partners / spouses for both the full medical card and doctor only medical card;
- ▶ Index-link medical card thresholds to increases in national labour costs so that cost-of-living increases are automatically taken into account in future budgets and poverty traps related to medical cards are eliminated;
- ▶ Taper the withdrawal of medical cards more gradually, particularly for lone parents entering or re-entering the workforce;
- ▶ Link the doctor-only medical card to the drugs payment scheme and reduce the allowance from €85 to €43 per month for those on social welfare benefits and the Family Income Supplement (FIS);
- ▶ Simplify and streamline the application process for doctor-only medical cards to address low levels of uptake;
- ▶ Commit to moving towards the provision of universal access to free primary care services.

8 From 'Welfare to Work'

Tackling obstacles and poverty traps that deter people from moving from welfare dependency into work is imperative. Combat Poverty recommends the following:

- ▶ Increase the Back to Work allowance to five years, with a phased reduction of 20% per year;
- ▶ Increase the Job-seekers Benefits/Allowance, the Rural Social Scheme and the Family Income Supplement in line with increases in national labour costs so as to maintain their values relative to other incomes;

5 National Development Plan 2007-2013

6 Ten-Year Framework Social Partnership Agreement 2006-2015

- ▶ Introduce an annual 'Preparing for Interview' allowance of €150 to address the cost of job seeking (i.e. preparation of CVs, purchasing interview clothing, travel to/from interviews, etc.). This payment would be made at the discretion of Job Facilitators in local Social Welfare offices;
- ▶ Increase the number of projects funded under the Community Service Programme projects to 400 by the end of 2008, in line with commitments in *Towards 2016*;
- ▶ Address poverty traps, such as the income threshold for medical cards and other secondary benefits (the Back-to-School allowance, fuel allowance, etc.) that might discourage anyone seeking to enter/re-enter the workforce (see above);
- ▶ Provide additional resources for the Labour Inspectorate to enforce the minimum wage legislation, to minimise the numbers of working poor;
- ▶ Provide incentives to employers, through the taxation system, to provide training opportunities for low-income women to improve their occupational skills;
- ▶ Promote working environments that are more family friendly for women workers with family responsibilities.

We estimate that the implementation of the commitment in the Programme for Government to abolish the PRSI ceiling of €48,800 would result in a saving of €278 million. This could be used to increase the PRSI allowance to €235 per week (costing €283 millions), thus eliminating a severe poverty trap and making the scheme more equitable for low-income workers.

Combat Poverty is aware of a growing number of employers recruiting staff as 'self-employed' workers. Such workers are required to register as Class S PRSI contributors and are therefore excluded from a wide range of social welfare benefits, such as illness, unemployment benefits or jobseekers allowances. Additional resources should be made available for inspections in the Department so that employers pay the appropriate rate of PRSI for all employees.

The growth in employment in recent years has resulted in many women returning to work (887,000

women at work in 2007), with 31 per cent in part-time work (278,300). Yet women are still over-represented in low paid, part-time and atypical jobs and experience less job security⁷.

Many women are hindered from taking up full-time employment by a lack of:

- ▶ affordable and accessible childcare (particularly after-school childcare)
- ▶ workplace flexibility to facilitate their family responsibilities
- ▶ information on training/re-training opportunities to help them improve their skills
- ▶ facilities to assist them in availing of training opportunities.

The Family Income Supplement (FIS) payment has been an innovative way of supporting those in low-income jobs and assisting unemployed people, particularly women, into the work force. Combat Poverty recommends ways of improving and increasing FIS or the scheme that might replace it (as indicated in the Programme for Government):

- ▶ Reduce the term of expected paid full-time employment to 2 months;
- ▶ Reduce the weekly hours of work to at least 15 hours every week, or 30 hours every fortnight;
- ▶ Link further increases to increases in national labour costs;
- ▶ Simplify the application forms for FIS;
- ▶ Replace the requirement for an income declaration from an applicant's employer with an independent mechanism to verify income.

9 Child Income Support

Ten per cent of Irish children are living in consistent poverty, and as such are deprived of basic items such as adequate food, clothes or heating⁸. Low income within a family restricts the resources available for creating a positive learning environment for children; increases stress within the household, thereby undermining the relationship between parents and children; and has a direct

⁷ Report of the Executive Council, 2005-2007 Irish Congress of Trade Unions, Dublin

⁸ EU Survey on Income and Living Conditions 2005

impact on children's own choices (e.g. school trips, preferred foods etc.).

In addition, a lack of quality affordable early childhood care and education facilities undermines the developmental potential of children and acts as a barrier to women participating in work.

In this context, we recommend the following:

- ▶ Increase child benefit by €10 per month to €160, for the standard rate, and €205 for the higher rate;
- ▶ Extend eligibility for child benefit to all children up to 18 years;
- ▶ Provide child benefit payments every two weeks, rather than monthly;
- ▶ Extend the early childcare supplement to include a €500 annual payment for children aged 6 to 12 years in recognition of the ongoing costs associated with children of this age;
- ▶ Increase the early childcare supplement by €1,000 (to €2,000) for children aged 3 and 4 *living in families in receipt of social welfare or FIS payments and attending pre-school*. This should be linked to Siolta, the National Quality Framework for early childhood education.

by €100 per week over five years (averaging out as €20 per week), we propose that all social welfare payments be increased by the same amount (€20);

- ▶ We welcome the proposal to introduce a Parental Allowance to replace the One Parent Family Allowance and the Qualified Adult Allowance. We propose that the Prisoners' Wives' Allowance and other family support payments be amalgamated into the proposed Parental Allowance, payable to the principal carer in a family with primary school-going children at the standard personal benefit rate.

10 Refugees/Asylum Seekers

The payment of just €19.10 per week to asylum-seekers living in direct provision (€9.60 for children of asylum-seekers) while waiting for their residency applications to be processed, is causing hardship and suffering. We propose that this payment should be increased to at least €60 per adult per week (€35 per week for children). We further propose that all child benefits payable to habitual residents should be also payable to asylum-seekers and refugees.

11 Welfare Payments

In addition to the proposals above, we also propose:

- ▶ Social Welfare rates and in-work supports should be adequate to keep people out of poverty;
- ▶ In line with the commitment in the Programme for Government to increase the old age pension

Analysis of Cost and Impact of Tax/Welfare Proposals

The cost of the proposals set out in this submission is outlined in Table 1. The total figure is €2,686 million, of which €1,378 million (51 per cent) is allocated to social welfare improvements, €667 million (25 per cent) to child income support and €641 million (24 per cent) to income tax and PRSI changes.

The cost of the proposals is €62 million less than was allocated in Budget 2007 (2 per cent reduction).

The welfare allocation proposed for 2008 is €216 million (19 per cent) higher than Budget 2007, while

the sum proposed for child income support is €423 million (173 per cent) higher than Budget 2007. By contrast, the allocation proposed for income tax is €701 million less than Budget 2007, a fall of over half. The reduced tax figure does not include the cost of increasing the PRSI allowance, valued at €283 million. This reform is being implemented on a cost-neutral basis by abolishing the upper PRSI threshold (above which no PRSI is payable at present), leaving a net cost of €5 million.

Table 1: Official costs of tax/welfare proposals compared to Budget 2007

	PBS 2008 €m (%)	Budget 2007 €m (%)	Change €m (%)
Social welfare	1,378 (51%)	1,162 (42%)	+ 216 (19%)
Child income support	667 (25%)	244 (9%)	+ 423 (173%)
Income tax/PRSI	641 (24%)	1,342 (38%)	- 701 (-52%)
Total	2,686 (100%)	2,748 (100%)	- 62 (-2%)

1. Distributive and poverty impact of tax/welfare proposals

The distributive and poverty impacts of these budget proposals can be illustrated using the SWITCH tax/welfare model, which takes into account the tax liabilities and welfare entitlements of individuals and families. The model measures actual changes in real household circumstances, unlike hypothetical case studies or headline changes in tax or welfare rates. This analysis is an important tool in assessing the poverty impact of the budget, as required under the National Action Plan for Social Inclusion.

There are three aspects of the budget proposals:

- ▶ gains by income category (where population is broken down into 10 equally sized groups from poorest to richest);
- ▶ gains by family type, which combines employment status and family composition;
- ▶ reduction in the percentage of the population falling below the official EU measure of income

poverty using three thresholds, and the extent to which people fall below these thresholds ('poverty gap').

The SWITCH analysis uses as its comparator the current 2007 welfare and tax policies indexed in line with forecast wage growth. This comparator represents a neutral perspective in terms of the opening tax/welfare position.

With Combat Poverty's proposals, the average gain for each income sharing unit in the population is 1.1 per cent, the equivalent of €7.10 per week. Figure 1 details how the average gain is distributed across the entire population ranked by income level adjusted for household size⁹. The bottom two deciles record much larger increases of around 5 per cent (equivalent to €9 and €12 per week in cash terms). The percentage gains for the third to sixth deciles are between 1.3 and 3.5 per cent (equivalent to €8

⁹ The per capita incomes of the deciles are as follows: 1st decile: less than €195; 2nd decile: less than €222; 3rd decile: less than €264; 4th decile: less than €346; 5th decile: less than €399; 6th decile: less than €461; 7th decile: less than €530; 8th decile: less than €617; 9th decile: less than €780; 10th decile: over €780

and €12.50 per week), which are still above the average benefit. For the second richest decile of the population, the gains are reduced to below 1 per cent, while the richest decile records a small decrease in average income (equivalent to €6 per week).

Table 2 examines the impact of Combat Poverty’s proposals on family types. The largest percentage

gain accrues to non-earning households of various compositions, with increases of between 5 and 7 per cent. Only employed lone parent households record similar percentage gains. Earning couples, whether with one or two earners, do less well, with modest improvements of between 0.5 and 1.4 per cent. Generally, households with children fare better than those without, reflecting the strong focus on child income support in our submission.

Figure 1: Distributive impact of PBS 2008, benchmarked with wage-indexed Budget of 5% (percentage gains by equalised disposable income per decile)

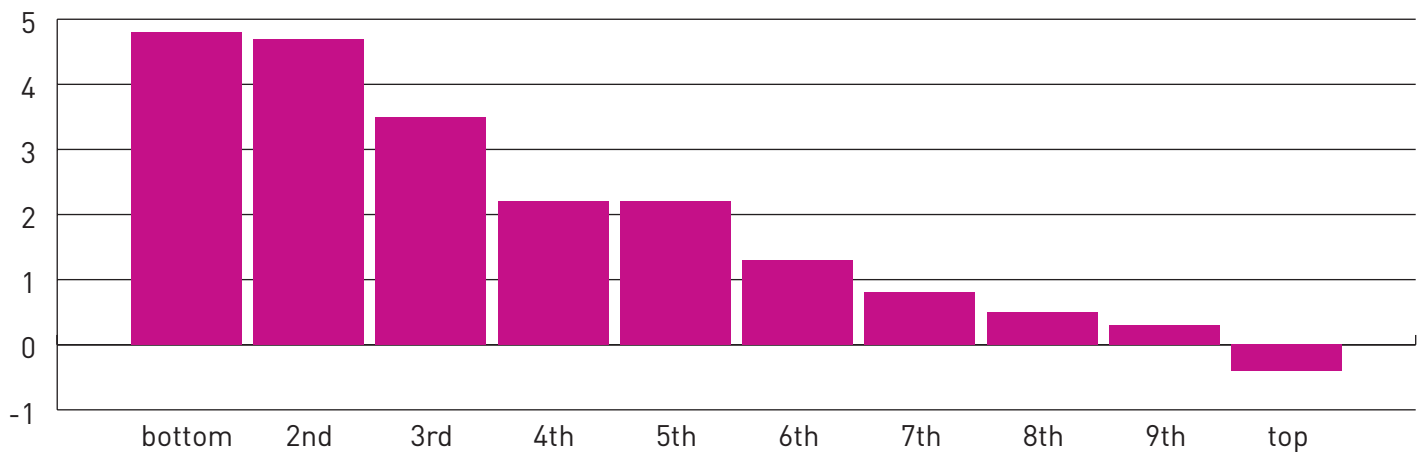


Table 2: Impact of PBS 2008 by family type, benchmarked with wage-indexed budget of 5 per cent

	% change
Non-Earning Couple (≥ 1 UE) with Children	7.3
Non-Earning Lone Parent	6.1
Employed Lone Parent	5.4
Single Unemployed without Children	5.1
Non-Earning Couple (≥ 1 UE) no Children	4.8
All Other Tax Units	4.2
Single Retired Tax Unit	3.8
Single Earner Couple with Children	1.4
Dual Earner Couple with Relative Assisting	1.0
Dual Earner Couple with Children	0.6
Retired Couple	0.5
Single Earner Couple without Children	0.5
Single Employed without Children	0.5
Dual Earner Couple without Children	-0.1
All	1.1

The impact on income poverty of Combat Poverty's proposals is shown in Figure 2. Focusing first on 60 per cent of the median¹⁰, the diagram illustrates a fall of 8 per cent in the numbers below this threshold for the whole population. A more rounded picture of poverty impact is provided by looking at trends below and above the 60 per cent median. At 50 per cent of the median¹¹, the fall in the poverty headcount is considerably greater, at 22 per cent. An improvement in poverty levels is also apparent at the higher 70 per cent threshold¹². The general reduction in poverty numbers here is 7 per cent.

Figure 2 also sets out the impact of Combat Poverty's proposals on poverty for women, older

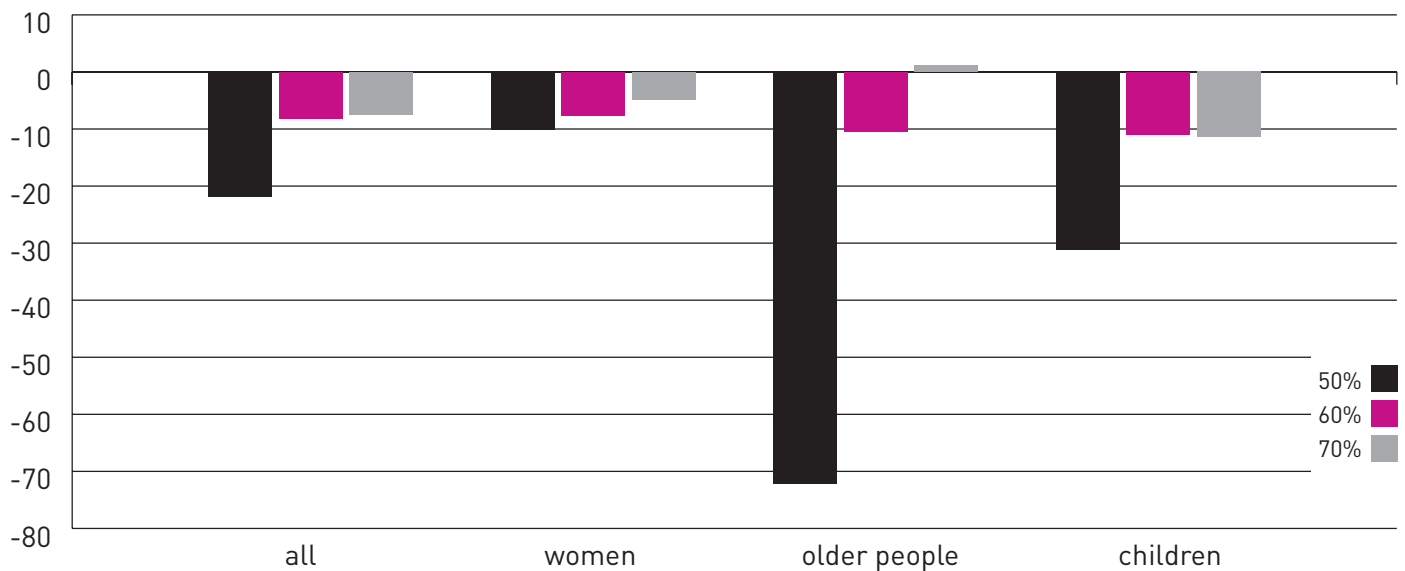
people and children. The reduction in poverty for women is somewhat less than for the population in general. This is especially the case at the lowest threshold where the reduction is half that of the total population at 10 per cent. For older people, there is a particularly strong impact on poverty at the lowest threshold, with a reduction of 72 per cent in the numbers below this income cut-off. There is a much smaller differential at the 60 per cent threshold, while at the 70 per cent threshold there is no reduction in the numbers of older people who are in income poverty. This is due to the substantial gap that exists between the relatively higher pension incomes of older people and the 70 per cent threshold. There is, on the other hand, a significant reduction in child poverty under the budget proposed by Combat Poverty. There are between 11 and 30 per cent fewer children in income poverty under these proposals, with the largest impact at the 50 per cent threshold.

10 (equivalent of €272 for a single person) Based on SWITCH calculations.

11 (equivalent of €226.50 for a single person) Based on SWITCH calculations.

12 (€317 for a single person) Based on SWITCH calculations.

Figure 2: Change in income poverty in PBS 2008, against wage indexed 2007 policy (percentage change at 50%, 60% and 70% of median income thresholds)



Conclusions

In summary, Combat Poverty's proposals will deliver significant reductions in poverty risk across all income thresholds, with the biggest effect at the 50 per cent threshold. Greater improvements are apparent for children and older people, while the change for women is in line with overall trends. These findings indicate that the proposed budget put forward by Combat Poverty will effectively target those most in need.

Finally, the redistributive impact of our proposed Budget, when compared to Budget 2007, is that lower income groups get three times the average gain. However, the smaller tax package in our proposals results in lower gains for high-income groups. The poverty impact is considerably enhanced over Budget 2007, with a general doubling in the fall in poverty rates across the various income thresholds. This reflects the more targeted nature of our proposals, where the priority is on social welfare. In terms of family type, the Budget proposed by Combat Poverty has a greater benefit for families with children compared to Budget 2007.

A unique feature of the proposals contained in this submission is the restructuring of PRSI on a cost-neutral basis¹³. It is important, therefore, to assess its impact on income distribution. Middle income groups (4th to 8th deciles) show moderate gains under this reform package, ranging from 0.1 to 0.3 per cent (worth between 60 cents and €2 per week). At the bottom end of the income schedule there is no noticeable change, reflecting the fact that low-income households have limited liability for PRSI. At the top end there is no change in the 9th decile, while the richest tenth records a loss of 0.5 per cent (€8 per week). As with any policy restructuring, there are both winners and losers within each decile. Of the 50 per cent of income sharing units affected by the PRSI change, those who gain outnumber losers by a factor of 5 to 1. There is no discernible poverty impact from this measure, as the impact of the change is concentrated further up the income schedule. However, it should reduce the poverty trap for low-income working households.

¹³ For this SWITCH analysis the weekly PRSI allowance was increased to €200 and not €235 as proposed in the Pre-Budget submission. This was done for technical reasons.

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