

Analysis of Budget 2008

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The Budget analysis

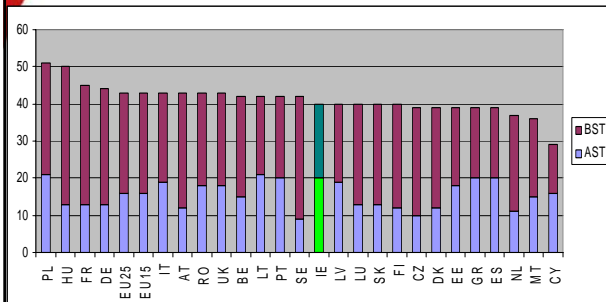
Purpose:

- to support evidence-based policy making, in particular 'poverty impact assessment'

Approach

- EU indicators ('risk-of-poverty' and income distribution) to measure impact
- tax/welfare model ensures representative perspective
- compare with previous Budgets and with CPA pre-Budget submission

Poverty levels in the EU 2005 (before and after social transfers)



Budget 2008 in context

- First under new Programme for Govt and National Action Plan for SI (new policy commitments)
- Economic slowdown, leading to dis-improvement in exchequer finances, with tax take down c €2 billion
- Concerns about inflation and unemployment
- New Budget process (to highlight new govt expenditure, as well as tax/welfare changes)

Budget tax/welfare package

	2008 €m (%)	2007 €m (%)	Change €m (%)
Social welfare	752 (46%)	1,162 (42%)	- 410 (-35%)
Child income support	194 (12%)	244 (9%)	- 50 (-20%)
Income tax	672 (42%)	1,342 (49%)	- 607 (-50%)
Total	1,618 (100%)	2,748 (100%)	1,130 (-41%)

SWITCH tax/welfare model

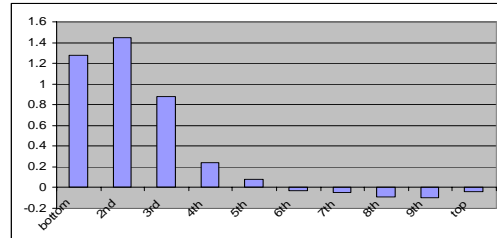
- cumulative effect of tax and welfare changes on households (eg 5 ways to support children)
- diversity of household composition and income combinations
- compare with wage-indexed 2007 Budget (+4%)
- not including non-cash benefits or other forms of taxation
- not measuring impact on employment/work incentives

Aggregate impact

	2008	2007
net resources over indexation	€108m	€1,086m
average % gain	0.1%	1.5%
average cash gain pw	€0.90	€9.40

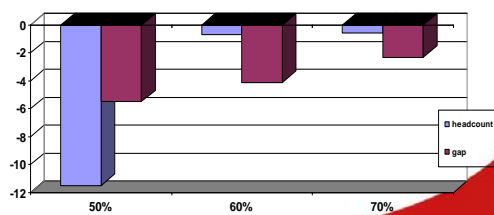
Distributive impact of Budget 2008

(percentage change in disposable income by decile, compared with wage-indexed 2007 policy)



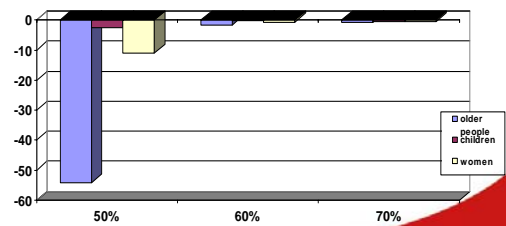
Effect on income poverty of Budget 2008

(percentage change at various median income thresholds, against wage indexed 2007 policy)



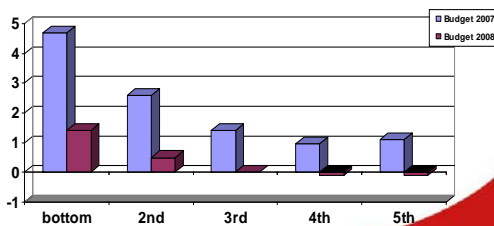
Effect on income poverty among older people, children and women of Budget 2008

percentage change at 50%.60% and 70% of median income



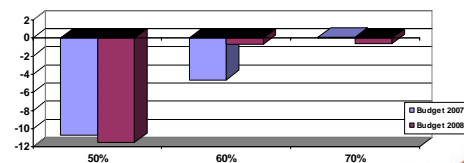
Distributive impact of Budgets 2007-8

(percentage change in disposable income by quintile, against wage-indexed policies)



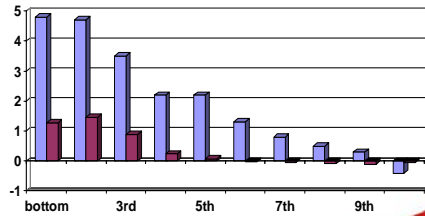
Effect on income poverty of Budgets 2007-8

(percentage change at various median income thresholds, against wage indexed policies)



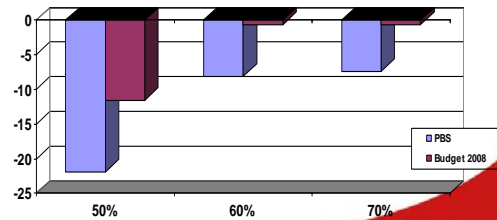
Distributive impact of Combat Poverty PBS and Budget 2008

(percentage change in disposable income by quintile)



Effect on income poverty of Combat Poverty PBS and Budget 2008

percentage change at various median income thresholds, against wage indexed policies



Summary

- neutral Budget, little spend over indexation
- above-average gains for low-income groups; small losses for middle to high income groups
- poverty reduction mainly at lowest threshold; fall in poverty gap across all thresholds
- poverty impact concentrated among elderly, little change in child poverty
- similar focus as in Budget 2007, but less scale (parallel with Budgets 2003 and 2004)

Medium term issues

- How to source additional resources to make bigger poverty impact
- Implications of pension benchmark (€300) for lowest welfare rates
- Mechanisms for child income support
- Possible introduction of carbon tax
- Outstanding commitments for tax reductions

Other issues

- Impact of rising living costs
 - low-income groups spend quarter of income on food
 - effect of higher medical charges
- Reduction on stamp duty on payment cards will assist with financial exclusion, but other barriers remain
- Changes in medical card eligibility deferred

Delivering child income support

