

Research Seminar, 9th December, 2008

Analysis of Budget 2009

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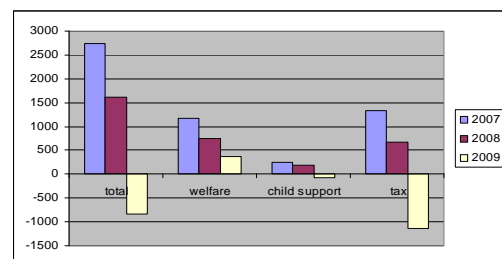
Approach

- What is 'poverty impact' of Budget?
- A statutory requirement under NAPSI (only partially done by DoF)
- Focus on tax/welfare policy changes, central to the income inequality and poverty
- Use SWITCH model to measure impact on representative sample of households
- Indicators are income distribution, 'at-risk-of-poverty' and household composition
- Comment on specific policy issues

Budget tax/welfare package

- **net revenue** of €840 million
 - €1,138m yield from income tax
 - €65m yield from child income support (including ECS)
 - additional €362m spent on welfare
- figures inclusive of spend and cuts
- official welfare package of €515m; net figure is €298m (less €125m SW + €93m ECS)
- additional CIS savings of €51m by 2011

Recent Budget tax/welfare packages

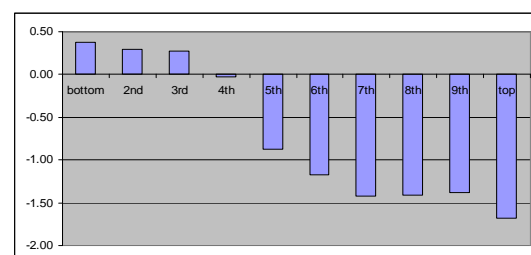


Distributive impact

- comparison is with 2008 Budget indexed in line with wage growth of 2.5% (similar to inflation rate)
- divide population into 10 equally sized groups ranked from poorest to richest
- measure percentage change (not cash amount)
- average incomes fall by 1.1% (=€7.40 pw)
- poorest households slightly better off: 0.4% unchanged; 5th to 10th deciles worse off by 1 to 1.7%
- €925m aggregate loss; 40% from richest decile

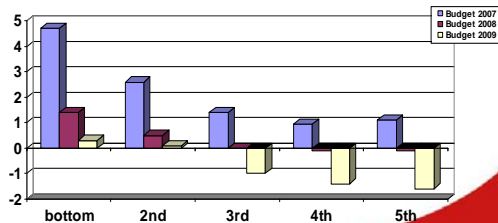
Distributive impact

(percentage change in disposable income by decile, against wage-indexed policy)



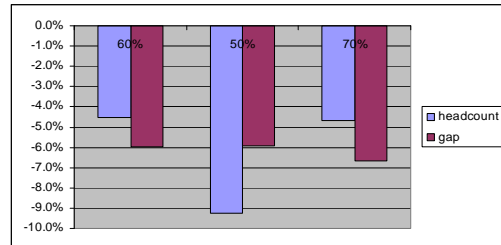
Distributive impact of Budgets 2007-09

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



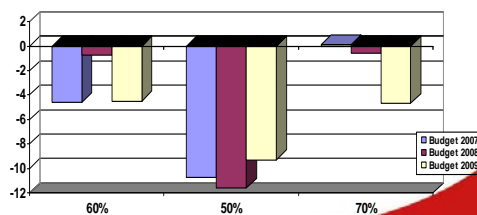
Impact on income poverty

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



Impact on income poverty Budgets 2007-9

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

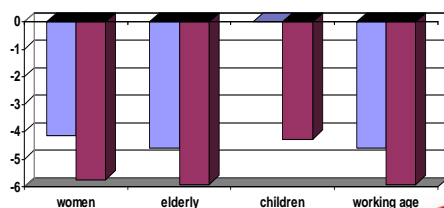


Impact on family income + poverty risk

- Current lifecycle focus of policy
- Look at employment status + composition
- Unemployed households gain; employed lose
- Little differentiation by children
- Earning couples do worst

Impact on income poverty

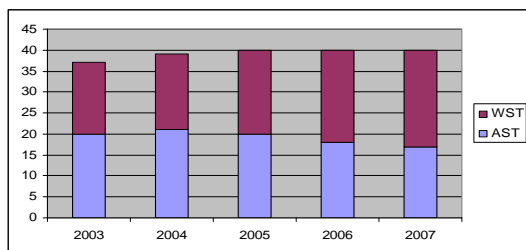
(percentage change at various median income thresholds, against wage indexed 2007 policy)



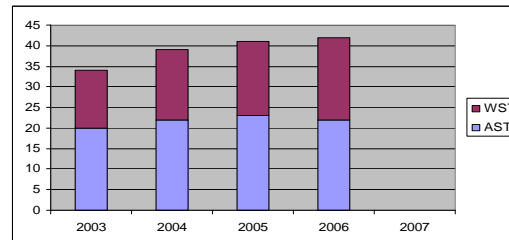
Findings from EU SILC 2003-07

- have recent tax/welfare changes translated into less income inequality and poverty reductions?
- go behind headline figures to see policy impact, as measured by poverty rate pre and post social transfers
- EU comparison
- trend in 'poverty reduction effect' (Ireland & EU)

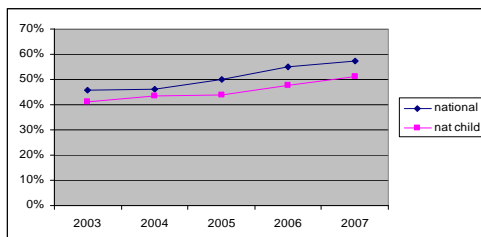
Poverty trends, before and after social transfers, 2003-2007



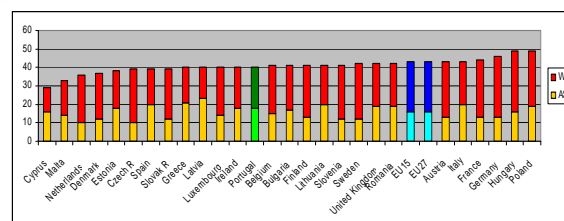
Child poverty trends, before and after social transfers, 2003-2007



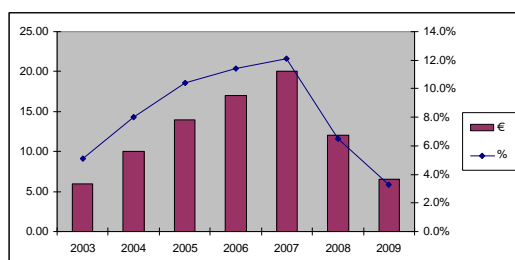
Poverty reduction effect of social transfers, 2003-2007



EU poverty rates, before and after social transfers, 2006

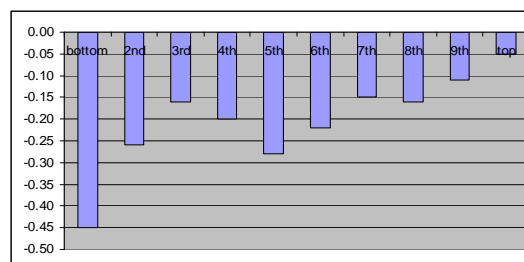


Trends in basic welfare rate, 2003-2009

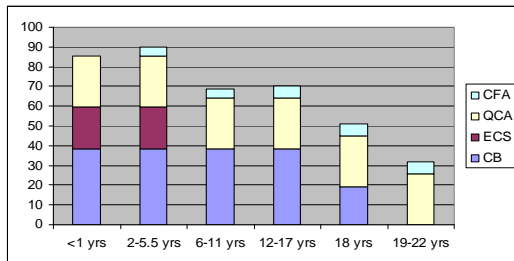


Distributive impact of child income support changes in Budget 2009

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



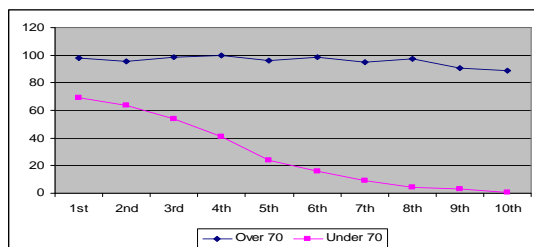
Structure of child income support post Budget 2009



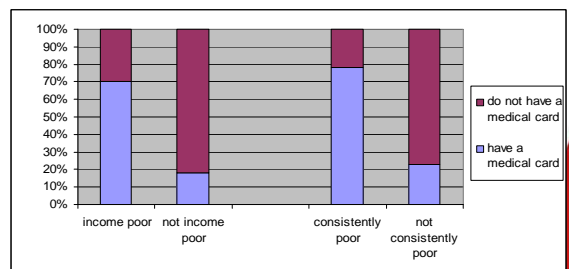
Access to medical card

- major policy debate about reversal of universal entitlement for people aged 70 and over
- no attention on eligibility for under 70s, despite continuation of contrasting approaches
 - Under 70s: €184 for single person; €266.50 couple
 - 70 and over: €700 for single person; €1,400 couple
- look at income and poverty profile of medical card holders

Medical card coverage by income decile, 70 + years and under 70



Medical card coverage by poverty status



Conclusions

- Low-incomes protected, with fall in income poverty
- Concern about position of children
- Financial deterioration will limit scope for further welfare improvements, unless new revenue sources are identified
- Threat from rising unemployment