



Tracking the Distributive Effects of Budget 2016



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1. Introduction

Each year, on the day after the annual Budget is announced, *Social Justice Ireland* produces an analysis and critique of that Budget. Included in that document is an assessment of the direct distributive impact of the measures announced by Government. These principally capture changes to income taxes, welfare payments and other universal payments/entitlements.

This document reproduces the most recent analysis, following Budget 2016, and also provides more details on the approach taken by *Social Justice Ireland* to generate these results.

2. Budget 2016 Distributive Analysis¹

Budget 2016 marked the fifth and final Budget of the current Government. Here we track the cumulative impact of changes to income taxation and welfare over the Government's five Budgets since 2011.

At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT), other charges (such as prescription and water charges) and property taxes. Similarly, it does not capture the impact of changes to the provision of public services – changes which, as we note elsewhere in this document, have been severe given the scale of the expenditure reductions introduced. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. However, as we have demonstrated in previous editions of our *Budget Analysis and Critique*, these changes have been predominantly regressive – impacting hardest on households with the lowest incomes.

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households. Within those households which have income from a job, we include workers on the minimum wage, on the living wage, workers on average earnings and multiples of this benchmark, and families with incomes ranging from €25,000 to €200,000. In the case of working households, the analysis is focused on PAYE earners only and therefore does not capture the changes in Budget 2016 targeted at the self-employed. The analysis here complements our assessments of the current Budget on pages 8 and 9 of Budget 2016 *Analysis and Critique*.

Over the years examined (2011-2016) all household types recorded increases in their disposable income (after taxes and welfare payments). However, the gains have been skewed towards those with the highest incomes.

Among households with jobs (see chart 2), the gains experienced over the past five years range from €4.53 per week (for single parent households on €25,000 and single earners on €25,000) to twelve times as much, €54.97 per week, for couples with 2 earners and an income of €200,000. Overall, across these households the main gains have flowed to those on the highest incomes.

Among households dependent on welfare, the gains have ranged from €4.63 per week (to single unemployed individuals) to €14 per week to pensioner couples - see chart 1.

Our analysis points towards the choices and priorities the Government has made. Budget by Budget these choices, whether cuts or increases, have favoured the better-off in our society.

¹ This analysis was first published in Social Justice Ireland's *Analysis and Critique of Budget 2016* on October 14th 2015. That document is available on the *Social Justice Ireland* website www.socialjustice.ie

Chart 1: Cumulative Impact on Welfare Dependent Households, 2011-2016

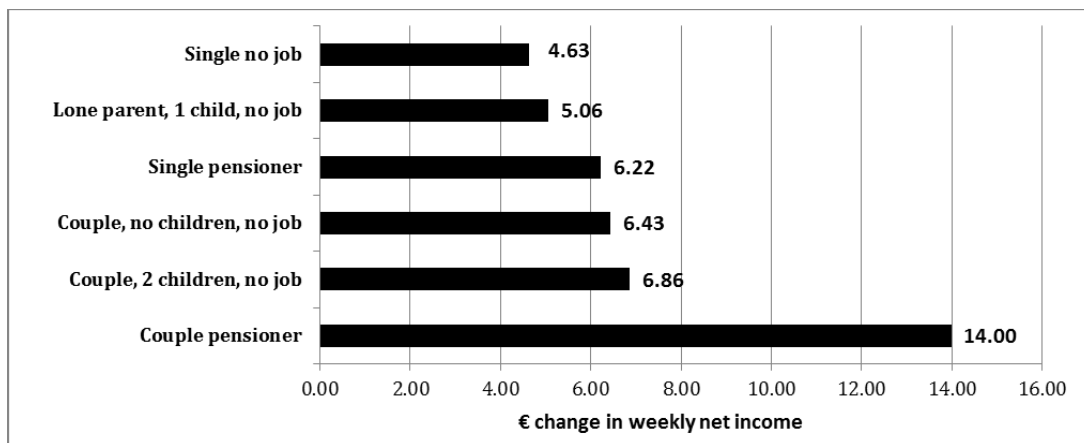
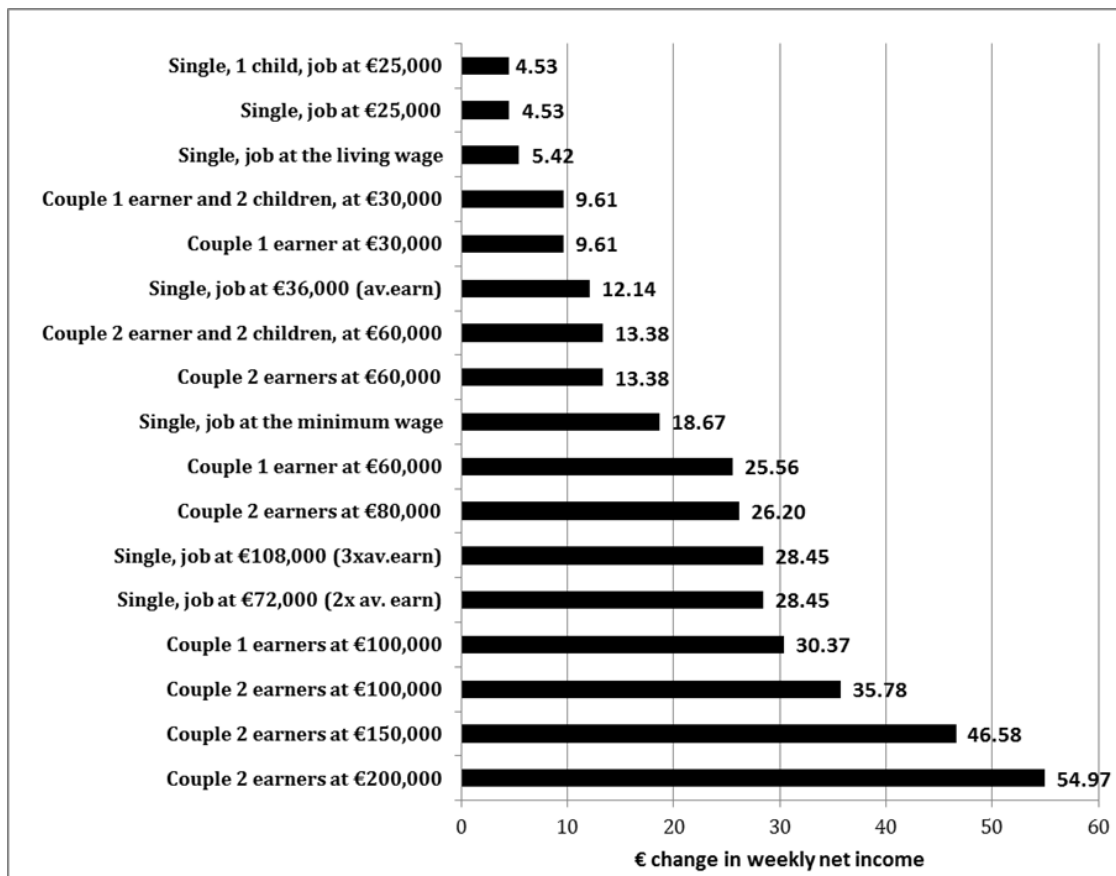


Chart 2: Cumulative Impact on Households with Jobs, 2011-2016



3. Social Justice Ireland's Model

Over the past few years *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budget's on households across Irish society. Our analysis tracks changes from year to year (pre and post a Budget) and across a number of recent years (the lifetime of a Government etc). In this section, we describe the components of the model as it currently stands. We plan to continue to develop this model over time and details of these updates will be included in future editions of this document.

There are currently 23 household types included in the model. These have been selected on the basis of their representativeness in the income distribution and their importance for policy analysis. While some households (e.g. high income ones) are uncommon, there is a relevance in tracking the benefits or losses they incur as a result of policy measures. Household with and without children are included. Households at key points in the earnings distribution are included:

- at the minimum wage
- at the living wage
- at average earnings
- at twice and three times average earnings

The households examined divide into those with a job and those who are dependent on welfare income. The full set of households currently tracked by this analysis is outlined in **Table 1**.

The sources of income and welfare included in the analysis are outlined in **Table 2**. For many households, such as working households with children, income is received from both work and welfare and this composition of income is reflected in the analysis. Following Budget 2015 we also includes the 'water conservation payment'. As the model is tracking income changes over time, there are a number of welfare payments included in the analysis that do not current exist, for example the Early Childhood Supplement.

Finally, **Table 3** details the income taxation and social insurance measures that are included. Again, as the model is tracking income changes over time, there are a number of income taxation measures included in the analysis that do not current exist, for example the income levy.

Table 1: List of Households Included in the Analysis

Households with a Job
<i>Household type - single</i>
Single, job at the minimum wage
Single, job at the living wage
Single, job at €25,000
Single, job at €36,000 (av.earn)
Single, job at €72,000 (2x av. earn)
Single, job at €108,000 (3xav.earn)
<i>Household type - lone parent</i>
Single, 1 child, job at €25,000
<i>Couple - 1 earner</i>
Couple 1 earner at €30,000
Couple 1 earner and 2 children, at €30,000
Couple 1 earner at €60,000
Couple 1 earners at €100,000
<i>Couple - 2 earners (65%/35%)</i>
Couple 2 earners at €60,000
Couple 2 earner and 2 children, at €60,000
Couple 2 earners at €80,000
Couple 2 earners at €100,000
Couple 2 earners at €150,000
Couple 2 earners at €200,000
<u>Welfare Dependent Households</u>
<i>Working age Welfare Dependent</i>
Single no job
Couple, no children, no job
Couple, 2 children, no job
Lone parent, 1 child, no job
<i>Retired Welfare Dependent</i>
Single pensioner
Couple pensioner

Table 2: Sources of Income and Welfare Included in the Analysis

Households with a Job
Earnings
Child Benefit (where applicable)
Early Childhood Supplement (where applicable)
Water Conservation Payment
Welfare Dependent Households
Jobseekers Benefit - over 25yrs
Jobseekers Benefit with qualified adult - over 25yrs
One Parent Family Payment - with 1 qualified child under 7yrs
State Pension - Contributory and under 80yrs
State Pension - Contributory and under 80yrs couple with qual adult 66+
Qualified child
Child Benefit 1st child
Child Benefit 2nd child
Child benefit 3rd child
Early Childhood supplement (per child up to 6yrs / 5.5yrs from Oct 2008)
Living alone allowance
<i>The Christmas Bonus is applied to these welfare payments as appropriate</i>
Water Conservation Payment

Table 3: Income Taxation and Social Insurance Measures Included in the Analysis

<i>Income Taxation</i>
Standard rate
Higher rate
Standard band couple one earner
Standard band couple two earners
Standard band lone parent
Tax credits:
Personal
PAYE
Couple/civil partnership
Home Carer
Single person child carer credit
<i>Universal Social Charge (USC)</i>
USC and its predecessors (income levy, training levy etc) are included
various USC thresholds
various USC rates
USC surcharge for Self Employed
<i>Pay Related Social Insurance (PRSI)</i>
PRSI exemption for low earners PAYE
PRSI rate PAYE
PRSI low income exclusion: Self-employed
PRSI rate Self Employed
Minimum PRSI contribution Self Employed

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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