Social Protection and Ireland’s Crisis

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Dr Micheál Collins
NERI (Nevin Economic Research Institute)
Dublin
mcollins@NERInstitute.net
www.NERInstitute.net

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1. About the NERI

- A new economic research think-tank
- Established September 2011; launched March 2012
- Funding from various trade unions
- All island remit
- ‘Research for new economic policies’
- Focus:
  - Macroeconomy, Budget, incomes, earnings, fairness…
- Recurring publications on economy
- Focused research work on certain topics
- Web: www.NERInstitute.net

2. Ireland’s Crisis

![GDP 2001-2011 in €bn graph](chart.png)
Domestic Demand and its decline

- €11b per qtr
- €48b per year
- €10,500 per person

Employment Rates, 2001-2012 (% of 15-64 age group)
Unemployment: growth & level

Source: CSO, QNHS various editions

Long-term Unemployment

Chart 2.3 Rates of Long-term Unemployment (>12 months) as a % of total unemployment
However:

Chart 4.1 GDP per capita in the EU, 2011 in € and €PPS terms

Chart 4.3a Average Household Disposable Income, 2004-2010
3. Social Protection in theory

- Comprehensive system covering a large proportion of society across the lifecycle:
  - **Children** = universal child benefit
  - **Pensioners** = almost universal old-age pension
  - **Working age**:
    - unemployment benefit (social insurance)*
    - unemployment assistance (means tested post 12 months)
    - disability and illness benefit
    - widows benefit
    - single parent payment
    - carers payment
    - Family Income Supplement (limited effectiveness)
• Overall, a large proportion of the population already receives some form of a transfer/credit from the government (approximately €29.5bn):

<table>
<thead>
<tr>
<th>Category</th>
<th>Payment</th>
<th>€ per week</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td>Child Benefit (CB)</td>
<td>€32.22</td>
<td>1,129,032</td>
</tr>
<tr>
<td>Pensioners</td>
<td>OAP</td>
<td>€230.30</td>
<td>393,825</td>
</tr>
<tr>
<td>Unemployed</td>
<td>UB / UA</td>
<td>€188.00</td>
<td>385,307</td>
</tr>
<tr>
<td>Disabled/Ill</td>
<td>Pension (various)</td>
<td>€193.50</td>
<td>250,178</td>
</tr>
<tr>
<td>Widows</td>
<td>Widows pension</td>
<td>€193.50</td>
<td>125,415</td>
</tr>
<tr>
<td>Carers</td>
<td>Carers allowance/benefit</td>
<td>€205.00</td>
<td>52,219</td>
</tr>
<tr>
<td>Single Parents</td>
<td>One parent payment</td>
<td>€217.80</td>
<td>92,326</td>
</tr>
<tr>
<td>Workers</td>
<td>Tax credits* / allowances</td>
<td>€63.50</td>
<td>1,821,300</td>
</tr>
</tbody>
</table>

Notes: Table and its contents have been generalised to facilitate presentation
* not all earners will have income high enough to experience the value of these tax credits.

4. Social Protection in practice

• Big increases in key social welfare payment for the unemployed over years 2005-07
  o 30% of Gross Average Industrial Earnings
  o Despite subsequent cuts, ‘benchmark’ is still being held

• Impact is interesting to see on the effectiveness of social welfare payments
  o something that needs more study, but some insights:
• So an important tool in income support
  o To a certain degree it hides underlying divides in income etc within society
  o Of course, that is the role of redistribution
• Threat to decreasing scale and nature of SW
  o Fiscal pressures
  o Labour market access concerns
  o Ideology
• Threat to the sustainability of the social insurance aspect of the SW system
  o Expensive…maintaining and extending entitlements will require higher contributions…from whom?

• Plus a domestic demand impact:
  o SW recipients tend to spend all their income
  • less than the minimum income standard
  • so any cuts impact hard on the economy
5. Reforming Gov. Finances

- Three possible pathways

- Spending cuts
- Tax increases

- 66%
- 33%
6. Reforms to Social Protection

- **In the short-term**: Budgetary Pressure and Troika programme
  - Threats to the SW budget
  - Reforms have been occurring
  - Reforms planned:
    - Child Benefit restructure
    - Self Employed to pay more PRSI
    - Single-parent reforms
  - Calls for broader cuts:
    - e.g. a % across the board to all payments
• **Considering these:**
  - impact on families, poverty, domestic demand and other state supports
  - Worthwhile?
  - Plus need for enhanced focus on LT unemployed
    - Skills mismatch; Community Employment schemes…

• **In the long-term: other routes:**
  - Demographics will drive up spending
  - Low-tax economy model…sustainable?
  - Some increases needed…tax and social insurance
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