Some Thoughts on Budget 2013 & onwards

SVP Pre-Budget Event, October 25th 2012

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A sweep through a few views, findings and suggestions:

1. Minimum Incomes
2. ‘Making Ends Meet’
3. The Cost of Work
4. Taxes: some room?
5. Government Choices
Overall

- Low incomes are more common than perceived
- Many living below the minimum
- Recession has hit all; felt more at the bottom
- Work is a challenge for low income households
- There is room for tax increases: income and elsewhere
- Budget 2013: shift the adjustment structure away from expenditure cuts
- Further public services cuts hit poor hardest

1. Minimum Incomes

- Joint project with VPSJ
- Three questions:
  - What is a basic standard of living?
  - How much does it cost?
  - How much income do you need to afford this?
- 5 Household Types Examined:

www.misc.ie
www.tcd.ie/policy-institute
2. Making Ends Meet

- An increasing challenge given the recession: job losses, price changes, uncertainty, wage cuts, tax rises

- The experience of the SVP…


- Looked at ‘cutbacks’ and ‘financial adjustments’
### Cutbacks

<table>
<thead>
<tr>
<th>PES of Household Reference person</th>
<th>At least one cutback</th>
<th>Average no. of cutbacks (mean)</th>
<th>Financial adjustments</th>
<th>At least one adjustment</th>
<th>Average no. of adjustments (mean)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At work</td>
<td>84</td>
<td>3.1</td>
<td>75</td>
<td>1.7</td>
<td></td>
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<tr>
<td>Unemployed</td>
<td>94</td>
<td>3.6</td>
<td>88</td>
<td>2.6</td>
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<tr>
<td>Student</td>
<td>80</td>
<td>3.1</td>
<td>76</td>
<td>2.1</td>
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<tr>
<td>Home duties</td>
<td>68</td>
<td>1.9</td>
<td>65</td>
<td>1.3</td>
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<tr>
<td>Retired</td>
<td>54</td>
<td>1.4</td>
<td>56</td>
<td>0.9</td>
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<tr>
<td>Others</td>
<td>78</td>
<td>2.4</td>
<td>72</td>
<td>1.8</td>
<td></td>
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<tr>
<td>All Households</td>
<td>79</td>
<td>2.8</td>
<td>72</td>
<td>1.6</td>
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</tr>
</tbody>
</table>


### 3. The Cost of Work

NERI Working Paper Series

The Cost of Work: Insights from Minimum Income Standards
Research for Ireland

Michaël L. Collins, Beredette Mac Mahon, Gráinne Weld and Robert Thornton.

May 2012

NERI WP 2012/No 3
Unemployed → 1FT work

↑ €20.41 per week

1FT work → 1FT + 1PT work

↑ €96.52 per week

NERI
Research for informed economic policy
Urban 1 Adult and 2 Child Household

PT → FT work

↑ €147.89 per week

4. Taxes: Some room?

Taxation as a % GDP, 1995-2009

- Ireland
- EU-27
- EU-17
• Effective tax rates in recent years

Effective taxation rates 2008-2012

<table>
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<tr>
<th>Gross Income</th>
<th>2008</th>
<th>2009</th>
<th>2009e</th>
<th>2010</th>
<th>2011/12</th>
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<td>€15,000</td>
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<td>0.0</td>
<td>2.7</td>
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<td>€25,000</td>
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<td>10.3</td>
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<td>31.7</td>
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<td>33.4</td>
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<td>€100,000</td>
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<td>34.6</td>
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5. Government Choices

• Budget 2013: three possible pathways

[Diagram showing budget choices: 33% spending cuts, 66% tax increases]
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