



# Pre-Budget Analysis 2005

## **Irish National Organisation of the Unemployed**

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## **TIME TO SHARE THE WEALTH**

Overall the Irish National Organisation of the Unemployed looks quite favourably on Budget 2005. For it finally appears that the Government is making a step towards narrowing the gap between the rich and the poor. Certainly much of the additional exchequer finances available to Government is being targeted towards the disadvantaged, the low paid and the disabled.

Of particular note, the increase expenditure in the social welfare package is welcomed together with the increase of €14 in the lowest rate of social welfare. Also in recognition that the portion of the 'working poor' has been increasing consistently, the removal of the national minimum wage earners from the tax net is positive.

However, the Budget did not deliver in many areas. Particularly in the area of 'making work pay', that is easing the transition from welfare to work for those currently unemployed or in receipt of a social welfare payment. No assistance was given towards the cost of childcare, which continues to be a barrier to employment especially for women and those parenting alone. Also many of the anomalies / imbalances that exist between the welfare system and the tax system continue to exist trapping people into welfare because it is financially not worth while taking up low paid employment or a position in an active labour market programme. One such example is the threshold for the retention of secondary benefits remaining unchanged at €317.43.

Also the INOU is disappointed that the Minister for Social and Family Affairs failed to take the opportunity to rescind in full all of the 'Savage 16' welfare cuts. In fact only one has been fully rescinded while ten others have been amended slightly and five have remained unchanged. Full details of the changes made to the Savage 16 are available inside.

To conclude, although Budget 2005 is more equitable than previous Budgets, it is disappointing that not enough was done to fully address the needs of unemployed people both while they are on social welfare and accessing the labour market. This post Budget analysis concentrates on the main social welfare issues and how they impact on unemployed people.

### **ISSUES COVERED INSIDE:**

● **Savage 16 Analysis**

● **Social Welfare Rates 2005**

## 1 SOCIAL WELFARE PAYMENTS

### **INOU REQUEST:**

**Increase the lowest social welfare payment by €14.50 pw.**

### **BUDGET 2005 DELIVERS:**

**€14 increase**

The INOU welcomes this increase of €14 as it shows the Government's commitment to the NAPS target of setting the lowest rate of social welfare at €150 in 2002 terms by 2007. Budget 2006 and 2007 will require similar increases for this target to be attained.

### **Qualified Adults (QA)**

### **INOU REQUEST:**

**Raise QA payment rates to 70% of the personal rate**

### **BUDGET 2005 DELIVERS:**

**Basic incremental increase in line with the €14 increase**

The Government failed yet again to honour its Budget 2000 commitment to increase the QA payment rate to 70% of the personal rate over the course of three years. The QA rate remains at 66% of the personal rate.

### **Retention of Secondary Benefits**

### **INOU REQUEST:**

**Significantly increase the income limit for the retention of secondary benefits**

### **BUDGET 2005 DELIVERS:**

**Nothing**

This threshold of €317.43 for the retention of secondary benefits has remained unchanged since 1994. It adversely affects those in private rented accommodation wanting to participate on Active Labour Market Programmes such as Community Employment and Jobs Initiative and the long-term unemployed returning to work. With such emphasis being placed on employment as being the main route out of poverty, it is not acceptable that this threshold has remained unchanged yet again.

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## 2 ENDING CHILD POVERTY

### **Child Dependent Allowance (CDA)**

### **RECOMMENDATION**

**Standardise CDA payment rates by raising all rates to €21.60**

### **BUDGET 2005 DELIVERS:**

**Nothing**

The INOU is disappointed that the Government failed to increase the Child Dependant Allowance. These payments have been frozen since 1994 and therefore have devalued in worth. Although small increases were given to the Child Benefit payment, not enough was done to help 250,000 children living in poverty. Given that the CDA payment is a targeted mechanism to assist families dependent on welfare with the costs of raising children, this is another missed opportunity by the Government to make an impact on ending child poverty.

### **Back to School Clothing and Footwear Allowance (BSCFA)**

### **INOU REQUEST:**

**Raise the BSCFA income limits in line with those applying to FIS, and increase the payment rates to €125 and €190 (for younger and older children respectively)**

### **BUDGET 2005 DELIVERS:**

**Nothing**

BSCFA plays a vital role in addressing educational disadvantage in low-income households. The current payment rates are inadequate, as they do not reflect the current costs of sending children back to school. The failure to increase any of the payments this year means that the current value is depreciating further. Also the INOU called for the income limits to be in line with those applying to FIS, this was also not delivered.

### **Family Income Supplement (FIS)**

### **INOU REQUEST:**

**Raise the income limits for Family Income Supplement. Review the calculation of FIS.**

### **BUDGET 2005 DELIVERS:**

**€39 increase**

The INOU welcomes the increase of €39 in the income limits for FIS as it will increase the reward from work by providing low paid households with additional income. However, to ensure a discernible reward from work is maintained the INOU also called for the calculation of FIS to be re-examined. The Budget made no move in this matter.

## Increasing Income Guidelines for Medical Card Holders

### INOUE REQUEST:

Increase the income threshold of eligibility for the medical card.

### BUDGET DELIVERS:

7.5% increase on income guidelines and introduction of 200,000 GP only medical cards

The Government extended the coverage of the medical card to a further 230,000 individuals with 200,000 of these receiving a GP only card. The new card is aimed predominately for those in low paid employment. The income guidelines governing eligibility increased by 7.5% however, given that the lowest rate of social welfare increased by €14 there is still a strong possibility that some social welfare recipients will continue to be ineligible for a medical card. The INOU recognise that all those whose sole income is from means tested social welfare payments

are automatically entitled to the medical card, but call for this automatic entitlement to be extended to all social welfare recipients.

## 3. TAXATION

### INOUE REQUEST:

Remove all those on the national minimum wage out of the tax net.

### BUDGET 2005 DELIVERS:

Removal of all minimum wage earners (NMW) from the tax net.

The INOU welcomes the increases in personal tax credits and employee tax credits which will remove all NMW earners out of the tax net. However, with the NMW set to increase again in April 2005, there is a danger that these low paid employees will be again paying some portion of income tax.

## Savage 16 - Post-Budget Analysis

2004	2005	2004	2005
<b>Unemployment Benefit:</b> Underlying number of paid contributions from insurable employment increased from 39 to 52. Also applied to Disability Benefit and Health and Safety Benefit.	No change.	<b>SWA Rent/Mortgage Supplement:</b> Personal contribution increased by €1 to €13 per week.	No change.
<b>Unemployment Benefit:</b> Payment reduced from 390 days to 312 days where a person has less than 260 PRSI contributions paid since first entering employment.	No change.	<b>SWA Rent/Mortgage Supplement:</b> Where one partner is in full time employment, both are excluded from claiming.	No change. Referred to the Social Partners working group.
<b>Unemployment Benefit:</b> Weekly earnings threshold to qualify for UB raised from €88.88 to €150. Also applied to Disability Benefit	No change.	<b>SWA Rent Supplement:</b> Health Boards will be given the power to refuse supplement where the applicant has not already been renting for a period of six months.	Amended in 2005. The six-month rule will not apply to people who become ill or unemployed, or those assessed by a local authority as having a housing need.
<b>Unemployment Benefit:</b> Increase in the period where claims are linked with a previous claim. Previously was 13 weeks, increased to 26 weeks. Also applied to Disability Benefit.	No change.	<b>SWA Rent Supplement:</b> No longer paid to people who refuse offers of local authority accommodation or to people who leave local authority accommodation without reasonable cause.	Amended in 2005. Payment to continue unless third offer of local authority accommodation refused.
<b>Unemployment Benefit:</b> Payment of half-rate child dependant allowance discontinued where claimant's spouse/partner gross weekly income over €300 per week. Also applied to Disability Benefit, H&S Benefit.	<b>Change in income limit:</b> Gross weekly income limit increased by €50, to €350.	<b>SWA MABS Supplement:</b> To be discontinued.	Replaced. Details unclear, further clarification being sought.
<b>Unemployment Benefit:</b> Half-rate UB to be discontinued for those on Widow/Widowers Pensions or One Parent Family Payments. Also applied to Disability Benefit.	Fully rescinded in 2004.	<b>SWA Creche Supplement:</b> To be discontinued.	Amended in 2005. Payment to continue for existing recipients. Will accept new cases from Health Sector Personal Social Services Professionals.
		<b>SWA Diet Supplement:</b> To be phased out.	Amended in 2005. Awaiting findings from DSFA commissioned report by the Irish Nutrition & Dietetic Institute.
		<b>Back to Education Allowance:</b> The qualifying period increased to 15 months for the Third Level Option.	Amended in 2005. Reduced to 12 months.
		<b>One Parent Family Payment:</b> Transitional half rate payment discontinued where earnings are in excess of €293 per week.	Amended in 2005. Transitional half-rate payment to continue for 6 months where income exceeds €293 per week.

## RATES OF PAYMENT 2005

€	Weekly Personal Rate	Qualified Adult Allowance	Each Child Full Rate
Unemployment Benefit	148.80	98.70	16.80
Unemployment Assistance	148.80	98.70	16.80
Supplementary Welfare Allowance	148.80	98.70	16.80
Farm Assist	148.80	98.70	16.80
Disability Benefit	148.80	98.70	16.80
Disability Allowance	148.80	98.70	16.80
Invalidity Pension under age 65	154.30	110.10	19.30
Invalidity Pension Age 65 or over	179.30	138.50	19.30
Carer's Allowance	153.60	—	16.80
Carer's Benefit	163.70	—	16.80
Widow's/Widowers' (Contributory) Pension 65 or under	154.30	—	21.60
Widow's/Widowers' (Contributory) Pension 66 or over	179.30	—	21.60
Widow's/Widowers' (Non-Contributory) Pension 65 or under	148.80	—	19.30
Widow's/Widowers' (Non-Contributory) Pension 66 or over	166.00	—	19.30
One-Parent Family Payment Age 65 or under	148.80	—	19.30
One-Parent Family Payment Age 66 or over	166.00	—	19.30

Fuel Allowance	€9.00 per week	(paid from early October to late April – 29 weeks)
Smokeless Fuel Allowance	€3.90 per week	(paid from early October to late April – 29 weeks)

Family Income Supplement (FIS)		Family income	Family income
You may qualify if:	You have:	is less than	You have:
	1 child	€446.00	5 children
	2 children	€472.00	6 children
	3 children	€497.00	7 children
	4 children	€522.00	8 children

### MEDICAL CARD GUIDELINES

Single Person Living Alone	Under 66 years	€153.50	66-69 years	€168.00
Single Person Living with Family	Under 66 years	€136.50	66-69 years	€144.50
Married Couple	Under 66 years	€222.00	66-69 years	€248.20
	70-79 years	€497.00	80 years and over	€522.50

### Allowances

Allowance for each of first two dependant children under 16 years	€31.50
Allowance for third and subsequent dependant children under 16 years	€34.00
Allowance for each of first two dependant children over 16 years	€32.50
Allowance for third and subsequent dependant children over 16 years	€35.50
Allowance for a dependant over 16 years in full time third-level education and not grant-aided	€65.00
Allowance for house expenses (rent/mortgage): in excess of	€26.00
Allowance for cost of travelling to work: in excess of	€23.00

Child Benefit	No. of Children:	Rate	No. of Children:	Rate
	1 Child	€141.60	5 Children	€815.10
	2 Children	€283.20	6 Children	€992.40
	3 Children	€460.50	7 Children	€1,169.70
	4 Children	€637.80	8 Children	€1,347.00