Fiscal System and Female Employment in Ireland

UCD School of Social Justice Working Papers Series
Number 9(3):1-39

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April 2009

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External report commissioned by and presented to the EU Directorate-General Employment and Social Affairs, Unit G1 'Equality between women and men'

Introduction

The Irish economy was unique within the EU in recording particularly high levels of economic growth averaging at 7.2% per annum throughout the decade 1997-2007. However, over the last eighteen months the economic situation has changed quite dramatically and Ireland was the first EU member state to be officially defined as in recession in September 2008. According to many analysts, an over-reliance on construction and property-fuelled economic growth, combined with unregulated credit, accounts for the marked downturn in Ireland’s economic situation. Recession initially had particularly negative effects on employment in construction (a significant male-dominated sector) accounting for a large share of job losses. However, rapid employment decline has now spread right across the economy to manufacturing and services affecting both women and men workers, including a high proportion of migrant workers. Employment has declined sharply, unemployment is rising at a faster rate than anytime over the last twenty years and the rate of unemployment currently at 11% (April 2009) has doubled over the two year period from January 2007 to January 2009 and is forecast to be 12% (or higher) for 2009 (CSO 2009b, DSFA 2009).

This deepening crisis has severely affected Irish public finances as taxation revenues have collapsed, increased demands have been placed on public expenditure as unemployment has risen and the banking system has failed to provide credit to the business sector. This has created a new situation in which successive emergency budgets have been introduced to cut public expenditure and increase taxes. The fiscal system in Ireland is under extreme pressure and the current position is one of crisis management rather than fiscal reform. Moves towards increased tax individualisation during the early part of this decade which reduced the penal tax rates on women second earners have come to a halt. Within the welfare system household-based claimant systems and means testing continue to categorise significant numbers of women as dependants. Consequently many women are restricted to low paid, reduced hours and sometimes informal employment due to their concern about the potential negative impact on household income that additional earnings would have. Because of the lack of individual entitlement for many women under the Irish household-based welfare system, many women do not meet the criteria necessary to benefit from certain active labour market initiatives – a particularly crucial issue in this period of economic recession.

In the context of a decade of high growth gender trends on the Irish labour had undergone significant changes, reflected in a substantial increase in the proportion of women in paid employment and also in new immigrant labour. Between 1999 and 2008 women's employment rate increased from 45% to 61% while men’s employment rate was relatively stable. However, as recession took hold and employment declined sharply over the single year 2007-08 men’s employment rate fell a full five percentage points from 78% to 73%. Women’s employment rate, which had surpassed the Lisbon target to reach a level of 61% by the end of 2007, slipped under that target to 59% by the end of 2008. One result of these changes has been a narrowing of the gender gap in the employment rate between women and men.

Inequality persisted as a strong feature of Ireland's high growth decade and as a result poverty rates among women lone parents, those living in large families, the elderly and those reliant on low paid employment or welfare payments remains high. New policy proposals in relation to 'jobless households' (both lone parent and other welfare dependent households) indicate a likely change in government policy towards a compulsory engagement in paid employment by those whose youngest child has reached 5-7 years of age. Proposals for this change in direction have not been accompanied by a stronger commitment to comprehensive childcare supports or an extended elder care system, essential to the development of greater gender equality within Irish employment and social policy.
### Chapter 1. The national taxation system and its main ‘gender effects’

#### A The national tax-benefit system, 2007/2008

<table>
<thead>
<tr>
<th>Income Tax [Tax credits]</th>
<th>Description based on OECD-EU country file</th>
<th>Main changes in 2008</th>
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<tbody>
<tr>
<td><strong>Standard Tax Credits</strong>: Single person’s credit is €1,760 per year; a married person’s credit is €3,520 per year; and the single parent family credit is an additional €1,760.</td>
<td><strong>Standard tax credits</strong> for 2008, which remained the same for 2009: Single person/widowed person: €1,830; Married person: €3,660; additional One-Parent Family credit: €1,830;</td>
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<tr>
<td><strong>Band of Taxable Income</strong>: Single/Widow/er up to €34,000; Married couple (one income): up to €43,000; Married couple (two incomes): minimum €43,000 up to a maximum of €68,000 (threshold is increased by the amount of the lowest income to a maximum of €25,000); One-Parent families: up to €38,000</td>
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<tr>
<td><strong>Low Income Exemption</strong>: where total income is less than or equal to the income exemption limit, that income is exempt from tax. Single/Widowed: €5,210 (under 65), €17,000 (65 and over); Married: €10,420 (under 65), €34,000 (65 and over); one or two children: €575 for each child, subsequent children: €830</td>
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| **Levies** ([introduced in 2009])  
**Income Levy**: A new Income Levy was introduced in Budget 2009 payable on gross income from all sources before any tax reliefs, capital allowances, losses, pension contributions or PRSI. The rates of the Income Levy were doubled, and the income thresholds reduced following the Supplementary Budget in April, 2009 (effective from 1st May, 2009): 2%: Income between €15,028 and €75,036  
4%: Income between €75,036 and €174,980  
6%: Income in excess of €174,980 per annum | | |
| **Pension Levy** | | |
A public service pension levy was introduced in March 2009 involving a new deduction from the remuneration of public servants who are members of a public service pension scheme. Deductions are made according to the following rates: a 3% deduction on the first €15,000; 6% any excess of €15,000 and less than €20,000; and 10% on any amount over €20,000.

### Unemployment Benefits

- **Unemployment Benefit (Jobseeker’s benefit)** is a weekly payment for persons who have made social security contributions and are out of work.
- Flat rate payments are made for each week/day of unemployment. Where weekly earnings while in employment were below certain amounts reduced rates of payment are made. Increases are paid for dependent children and dependent adults.
- To receive Jobseeker’s benefit, certain PRSI contributions criteria need to be satisfied.
  - Weekly rate (2007): €185.8; Qualified Adult Increase: €123.3; Dependant Child Supplement: €22
  - Income and Earnings Disregards: reduced rate increase if spouse/partner has earnings/income of between €100 and €280 per week gross. The Child Dependant Supplement is not payable if spouse/partner has an income greater than €400 gross per week.
  - The first €13 per week of Unemployment Benefit payment and the dependant child element are disregarded for tax purposes.

#### One-Parent Family Payment (OFP):

- In 2007 the weekly benefit rate was €165.80 (maximum rate) if the weekly means were less than €7.60
- Income and Earnings Disregard: for those who are working there is a €146.5 per week disregard. Only half of any earned income (minus income and social security taxes) in excess of the disregard to a maximum of €400 earnings are counted as means. Where earnings exceed €400, half rate payment continues for a further 6 months.
- This benefit is taxable, but not liable to social security contributions.

### Social Assistance

- **Jobseeker’s Allowance** is paid to unemployed people who do not qualify for unemployment benefit or who have exhausted their entitlement to that benefit.
- It is income and asset-tested. Means include any income, pension, savings or property (except for own residence) which claimant or spouse might have.

#### Jobseeker’s Benefit

- Following the most recent Budget, the number of contributions applicants require to access Jobseeker’s Benefit has doubled, increasing from 52 to 104.
- The length of time anyone who has paid over 260 contributions can claim JSB has been reduced from 15 to 12 months; and for those with less than 260 contributions, the period has been reduced from 12 to 9 months.

Weekly rate increased to: €197.8 (2008) €204.3 (2009)
Qualified Adult Increase: €131.3 (2008); €135.6 (2009)
Dependant Child Supplement: €24 (2008); €26 (2009)

#### One-Parent Family Payment (OFP):

- In 2009 the weekly benefit rate was €204.3 and €26 for a child dependent
- To qualify for a OFP, a person must have earnings of €425 or less per week; be habitually resident, and not be co-habiting.
- Income and Earnings Disregard: the first €146.5 per week is disregarded. Half the remainder of earnings up to €425 per week is assessed as means.

Weekly rate increased to: €197.8 (2008) €204.3 (2009)
Qualified Adult Increase: €131.3 (2008); €135.6 (2009)

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1 Financial Emergency Measures in the Public Interest Bill 2009 (the Bill was passed in February, 2009)
2 INOU, Post-Budget Analysis 2009
Family Benefits - Working Family Tax credits

**Child Benefit**
Child Benefit is paid for each child under 16 years of age, and under 19 years if in full-time education. It is a non means-tested universal payment. Because it is a universal child support payment, it does not have any negative employment related impacts and is often viewed as a direct income support to women, particularly women outside paid employment. From April 2007, for each of the first two children, €160 monthly, for the third and subsequent children, €195 per month.

**The Early Childcare Supplement:**
This is a direct, non-taxable payment, paid monthly in arrears for each child under 5 years of age (from 1 March, 2009) who receives Child Benefit.

**Home Carer’s Tax Credit**
The Home Carer’s Tax credit can be claimed by a married couple (who must be jointly assessed) where one spouse cares for one or more dependent persons and the home carer’s income must not exceed €5,080 in the tax year. If income is between €5,080 and €6,880, reduced relief is granted. If the couple claim the Increased Standard Rate Cut Off Point for dual income couples, the Home Carer’s Tax Credit will not be due. In 2007 a tax credit of €770 was provided.

**Carer’s Allowance**
Carer's Allowance is a payment to people living in Ireland who are looking after someone who is in need of support because of age, physical or learning disability or

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1. [www.dsfa.ie](http://www.dsfa.ie), accessed 30th March, 2009
illness, including mental illness. The person being cared for must be:
- Over the age of 16 and so incapacitated as to require full-time care and attention or
- Aged under 16 years and in receipt of a Domiciliary Care Allowance.
If the carer is providing care to more than one person she may be entitled to an additional 50% of the maximum rate of Carer's Allowance each week.

| Social security contributions | Rate (2009): Caring for 1 person: €220.50; Caring for 2 persons: €330.75
|------------------------------| Carer’s Allowance is a means-tested payment, and since April 2008, €332.50 per week is disregarded, and for married/co-habiting couples, the first €665 of their combined weekly income is disregarded. |
| Pay Related Social Insurance | Pay Related Social Insurance
- Employees are exempt from Pay Related Social Insurance (PRSI) on the first €127 per week; employees earning less than €339 per week are exempt from social security contributions; employees earning less than €480 per week are exempt from the health contribution; an additional 0.5 per cent health levy contribution applies to income exceeding €1,925 per week
- Employees earning €352 or less per week in 2008 or 2009 are exempt from PRSI and Health Levy
- The employee’s annual earnings ceiling (above which no social insurance contribution is paid) increased to €75,036; PRSI is at 4 per cent for first €75,036
- The threshold for payment of the 4% Health Levy is €500 a week, which is an annual earnings threshold of €26,000.
- New rates of Health Levy were introduced, lower rate of 4% and a higher rate of 5%.
- The higher rate threshold was reduced from €100,100 to €75,036.
- Medical card holders, recipients of the One-Parent Family Payment do not have to pay the Health contribution – even if their pay is more than €500 per week.

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<th>Homemaker’s Scheme</th>
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The Homemaker’s Scheme introduced in 1994 allows for a person who has had to leave the workforce and spend periods caring to have those periods taken into account for pension purposes. A maximum of 20 years can be disregarded when calculating the claimant’s eligibility for a social insurance based pension. "Homemaker's credits" are awarded up to the end of the contribution year during which someone becomes a homemaker. If the person ceases to be a homemaker during the contribution year, homemaker's credits are awarded up to that date.

| Housing benefits |
Rent Supplement
- Rent Supplement is paid to tenants, habitually resident in the State, in receipt of a Social Welfare or Health Service Executive payment and with a housing need.
- Income and Earnings Disregards: Part-time earnings: the amount of additional income that can be earned over and above the SWA for part-time employment (i.e. less than 30 hours per week) is €60 per week with half of any additional income between €60 and
Rent Supplement
The minimum contribution recipients are required to pay towards the cost of their rent increased from €13 to €18.

Budget April 2009
Entitlement to Rent Supplement restricted to people who are existing tenants for at least 6 months or who have been placed on a
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<th><strong>In Work Benefits</strong></th>
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<td><strong>Back to Work Allowance (BTWA):</strong></td>
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| - This provides a transitional payment for people who have been long term reliant on social welfare payments and who are returning to work.  
- People participating in the scheme retain a percentage of their social welfare payment (75% of weekly social welfare payment for the first year, 50% for the second year and 25% for the third year) along with secondary benefits for a period of up to three years. | **Back to Work Allowance (BTWA):**  
no change in 2008 or 2009 |
| **Family Income Supplement (FIS):** |  |
| This is only available to low income households with children. To qualify for a payment, the family must have a minimum of 19 hours paid employment a week – the hours of two partners can be added together to make up the required hours. The FIS received is 60% of the difference between net family income and the income limit, which applies to the family. In 2007, the income limits for a family with one child and two children were respectively, €480, and €550 | **Family Income Supplement:**  
Income limits from January, 2009 for a family with one child: €500, for two children: €590 |
| **Continued Child Dependent Payment (CCDP):** |  |
| If a person has been getting Jobseeker's Allowance or Jobseeker's Benefit for at least 12 months and a full-rate Increase for a Qualified Child, she can continue to get the Increase for a Qualified Child for 13 weeks if she takes up work that is expected to last at least 4 weeks. If a person is also eligible for FIS, she can choose to be paid the Increase for a Qualified Child for 13 weeks instead of FIS if this is more beneficial. | **Continued Child Dependent Payment**  
no change |
| **Part-Time Job Incentive (PTJI):** |  |
| This scheme is for people who have been receiving Jobseeker’s Allowance for 15 months or more where the recipient receives a flat rate weekly payment instead of Jobseeker’s Allowance. In 2007 this was a weekly allowance of €105 for a single person, and €174.10 for a couple. Once an entitlement to the payment is established, it is not affected by income. | **Part-Time Job Incentive:**  
No change in allowance rates |
| **Revenue Job Assist:** |  |
This is an additional tax allowance for people who have been unemployed for 12 months or more or single parents, who have been similarly unemployed and who are now returning to employment. A person must have been in receipt of a social welfare payment for the 12 months prior to the start date of the new job. A person can retain their medical card for three years, as well as secondary benefits such as rent/mortgage supplement subject to certain income limits and conditions. A person can also claim FIS, if their family income falls below a certain limit. Additional tax allowances can be claimed for 3 years and irrespective of your marital status.

<table>
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<tr>
<th>Other relevant components</th>
<th>In 2009, relief in the first year of employment is €3,180 plus €1270 for each child, reducing to two-thirds of that amount in Year 2, and one-third in Year 3.</th>
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<tbody>
<tr>
<td>Capital Gains Tax rate increased to 25% in respect of asset disposals made from midnight on 7 April 2009. Corporation tax continues at a level of 12%. Ireland has no comprehensive system of property tax other than stamp duty charged on property transaction. Capital Acquisition tax – inheritance tax – varies according to family relationship or ‘stranger’ in law.</td>
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<tr>
<th>IT</th>
<th>Income Tax - Tax credits</th>
<th>SC</th>
<th>Social security contributions</th>
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<tbody>
<tr>
<td>UB</td>
<td>Unemployment Insurance</td>
<td>HB</td>
<td>Rent assistance</td>
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<td>SA</td>
<td>Income Support</td>
<td>IW</td>
<td>In Work Benefits</td>
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<td>FB</td>
<td>Family Benefits + Working Family Tax credits</td>
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1.2 Gender Effects/Biases

Ireland’s Taxation and Social Welfare Systems

In the context of the deepening economic recession and the crisis in public finances there has been much focus over recent months on Ireland’s taxation system. Issues around equality and inequality in the system of taxation and in the distribution of income across Irish society are being hotly contested in policy debate and in the media. What is evident is that tax revenue has fallen very substantially due to the dramatic fall in property taxes and the increase in unemployment. New tax revenue is being sought primarily within the income tax system. Data on our income distribution system reveals a highly unequal society; 28.2 per cent of all income earned in 2008 was earned by just 6.3 per cent of the population; 6.0 per cent of all income was earned by just 0.22 per cent of the population. So while the taxation system is progressive as born out by the data for 2008, data on taxation needs to be viewed in the context of unequal income distribution; 32.8 per cent of all income tax was paid by the top 2.8 per cent of earners; 6.36 per cent of earners who earned more than €100,000 paid 42.5 per cent of all income tax and that the lowest 32.3 per cent of earners paid no income tax (Keena, 2009).

Data showing the distribution of income tax contributions across income bands are produced by the Revenue Commissioners and regularly referred to by the Department of Finance. A married couple earning two incomes is seen as a single tax case and is presented in the data as a single ‘earner’. When account is taken of the number of tax cases that are in fact dual-income married couples, the number of earners increases, and earners slip to lower income ranges. The effect is to produce an overall picture for income earners that is more concentrated in the low to middle income ranges. This means that more income tax comes from people on low to middle incomes than is indicated by the Revenue Commissioner’s statements based on ‘tax cases’ figures (Irish Time, 20/3/09). Married couples being counted as one tax unit means that no data on the number of dual-income couples are included and a distortion of data arises whereby the actual tax paid by lower income earners is higher than what is presented.

Ireland’s taxation and welfare system is primarily a ‘household-based’ system. The taxation system operates on an optional ‘joint assessment system’ which became partially individualised during the period 2000-03. Because the Irish social welfare system operates on a household basis, earnings of each individual adult can have a knock-on effect on the payments and benefits of another. Eligibility for important secondary benefits, such as the medical card, are based on household income and consequently there is a disincentive for women, for example whose spouses are unemployed, to attain earnings above a specific threshold. This means that many women take up low-paid part-time, often informal employment in order to ensure that households retain their benefits (Barry et al, 2004).

1.2.1 Income tax system

The Irish fiscal system is a hybrid model of taxation – partially individualised since 2000 – based on a system of personal tax credits, tax bands and two tax rates 20% and 41%. Married couples may opt for joint taxation and are allocated two sets of tax credits if both are earners and approximately one and half tax credits if one spouse is not in paid employment. Co-habiting couples only receive two sets of credits if both are earners. One parent families are allocated an additional tax credit during the time when the child is a dependent. Tax reliefs are available for health insurance payments, pension contributions, mortgage payments, medical expenses and other specific items and are increasingly available at standard rate of tax (other than pension contributions).

Income taxation liability in Ireland is calculated on a system of tax credits and income tax is deducted directly from a person’s salary by their employer or through a system of self-assessment by the self-
employed. Tax credits are the part of a person’s income which is not liable for tax and consist of various allowances and reliefs which may be claimed, depending on the specific circumstances. Every individual has their own personal tax credit and additional allowances for items such as private health insurance premiums and mortgage interest may be claimed. Income below the Standard Rate cut-off point (at €36,400 in 2008) is taxed at 20% and any income above that rate is taxed at 41%.

Budget 2009 – Tax changes, Income and Pension Levies: A new income levy was introduced in Budget 2009 and is payable on gross income from all sources before any tax reliefs, capital allowances, losses, pension contributions or PRSI. Unlike PRSI, the levy applies to gross income, i.e. before any deductions are made for certain pension contributions. As a result, the levy will have a far greater impact on net income than if for example the income tax or PRSI rates had been increased by this amount. The rates of the Income Levy are as follows:

2%: Income between €15,028 and €75,036  
4%: Income between €75,036 and €174,980  
6%: Income in excess of €174,980 per annum

Exemptions occur where an individual’s earnings do not exceed €18,304 or €352 per week; for over 65s where their annual income does not exceed €20,000 per annum for a single individual or €40,000 per annum for a married couple; for full medical card holders; and for those in receipt of social welfare payments. The levy is a separate charge to income tax and there are no deductions or credits due against it. Excess or unused tax credits cannot be used to reduce an individual’s liability to the levy (Revenue, 2009).

A new public sector pension levy was introduced in March 2009 affecting the gross pay of public sector workers who are members of a public service pension scheme. Deductions are made according to the following rates: a 3% deduction on the first €15,000; 6% on any excess of €15,000 and less than €20,000; and 10% on any amount over €20,000. This levy has been strongly criticised for the way it has been structured and implemented in that it has a particularly negative impact on the 92,000 lower paid public servants earning less than €35,000 per year (O’Toole, 2009).

Budget 2009 saw no change in tax credits which meant a fall in their real value. The modest increase in the standard rate band, while positive, is unlikely to be sufficient to fully preserve the value of the current rate band once inflation is taken into account. The modest increase in the standard rate band, while positive, is unlikely to be sufficient to fully preserve the value of the current rate band once inflation is taken into account. This decision in Budget 2009 to introduce an increase to the standard rate tax band, of €1,000 for a single person, and €2,000 for a married two earner couple has been criticised for not being the most progressive way of using available resources. Increasing tax credits is considered to be a more equitable option rather than widening the standard rate tax band.

Home Carer Tax Credit: The Home Carer Tax Credit is an allowance available to married couples who are jointly assessed where one spouse works in the home caring for a child, an elderly person or an incapacitated person. Only one allowance will be granted regardless of the numbers of children – in fact the allowance is paid in relation to a spouse based at home even where there are no children or other qualifying dependents. The carer spouse's income must be below €5,080 (if below €6,880, a reduced credit is available) and a credit of up to €900 at the standard rate of tax (20%) is available.

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4 not including those who hold a GP only medical card  
5 Financial Emergency Measures in the Public Interest Bill 2009 (the Bill was passed in February, 2009)  
6 http://www.rte.ie/money/budget2009/accountants/ernstandyoung.html  
Carer’s Allowance is not taken into account when determining the home carer’s income but it is a taxable source of income. Controversy over the move towards individualisation led to the introduction of this Home Carer Tax Credit which was viewed as compensating married couples with one earner who paid the higher rate of tax 41% at a threshold of €43,000, compared to married couples with two earners who paid the higher rate at a threshold of €68,000. Alongside this home carer’s credit a new Early Childcare Supplement payment was introduced in 2006 (payment of €996 per year from March 2009) for each child under five years across all households.

Indirect taxation in the form of Value Added Tax, recently increased from 21 per cent to 21.5 per cent in Budget 2009, is viewed as a regressive tax negatively impacting on the cost of living, and eroding any minimal increases in the social welfare rates (INOU, 2009b). Research by the Combat Poverty Agency has also indicated that indirect taxes have a disproportionate impact on low-income groups who advised that these taxes should be reduced on items essential to low-income families. Their preferred option would be to reduce the many discretionary tax reliefs that support property investment and private expenditure (Barrett and Wall, 2006).

1.2.2 Unemployment Benefits and Assistance

Unemployment Benefit/Jobseekers Benefit: Jobseeker’s Benefit is paid for a specified period linked to insurance cover (rates are graduated according to earnings in the relevant tax year) – a period that has been significantly reduced in Budget 2009. Where weekly earnings while in employment are below certain amounts reduced rates of payment are made. The doubling in the weekly wage band limit, from €150 to €300 will have particular implications for low income workers where a high proportion of women are located (INOU, 2009b).

The following changes have been introduced to the Jobseeker’s Benefit in 2009:

- doubling the number of contributions applicants required to access Jobseeker’s Benefit, increasing from 52 to 104
- reducing the length of time anyone who has paid over 260 contributions can claim Jobseeker’s Benefit from 15 to 12 months; and for those with less than 260 contributions, the period has been reduced from 12 to 9 months (INOU, 2009b).

These changes to the rules applying to Jobseeker’s Benefit following Budget 2009, have been criticised for pushing more people into applying for Jobseekers’ Allowance (a means-tested payment) as well as for not supporting the employment concept of ‘flexicurity’, which aims to encourage flexible labour markets while at the same time providing good social protection. This has implications for young people living at home, and for people who are, for example, saving for a mortgage deposit, as any savings over €20,000 are taken into account (INOU, 2009b).

Unemployment Assistance/Jobseekers Allowance: Jobseekers Allowance is a means-tested payment paid to unemployed people who do not qualify for unemployment benefit or who have exhausted their entitlement to that benefit. It is income and asset-tested - means include any income, pension, savings or property (except for own residence) which claimant or spouse might have. If a recipient is working part-time or casually (up to 3 days per week) an earnings disregard is applied resulting in payment of UA for the full week less 60% of average net weekly earnings. A household-based system is applied in that a reduced rate is paid if the spouse/partner has earnings or income of between €100.00 and €280.00 gross per week. The personal rate of Jobseeker’s Allowance and basic Supplementary Allowance is reduced for new claimants under 20 years of age to €100 per week from the first week of May 2009. The Qualified Adult rate payable to a Jobseeker’s Allowance/ basic Supplementary Welfare Allowance claimant aged under 20 years will also be €100 per week. The decision was also
made to remove the provision for a Christmas bonus payment in 2009, which effectively cuts unemployment assistance by 2 per cent.

1.2.3 Family Benefits / Tax Credits

There are a range of different elements within the Irish taxation and benefit system that operate on a family or household basis, are based on a ‘male-breadwinner’ model and carry inherent structural gender biases and discriminations. The National Women’s Council of Ireland (NWCI, 2008) highlight where direct and indirect gender based discrimination and structural inequalities occur within the social welfare system, often reflecting traditional gender roles in society with regard to family, work and domestic responsibilities. The main issues they have identified within the current social welfare system in relation to family benefits are:

**Qualified Adult Status**: In 2007 there were 125,938 qualified adults in the Irish welfare system. The overwhelming majority of qualified adults are women, e.g. in 2004, 95% of claimants were women⁸. In effect this means that large numbers of women do not have direct access to their share of household welfare payments. The Qualified Adult payment is approximately 70 per cent of the full adult allowance in these households is paid to the primary claimant – predominantly men. In order to pay the qualified adult payment directly, both partners need to agree to this. Only in 1,100 households are payments received to each adult individually⁹. ‘Defining women as ‘qualified adults’, means deriving women’s rights through their husband’s contribution record and receiving a reduced payment on their behalf’ (NWCI, 2008). The system is gender discriminatory and reinforces women’s economic dependency on men. It has a number of other important consequences including negatively impacting on women’s activation as live register eligibility is required for access to certain training, education and labour market supports; higher risk of poverty, particularly for older women, incomplete access to PRSI coverage as well as increased vulnerability to domestic violence (Murphy, 2003). A system based on gender equality would mean that each adult should have an individual payment for both social assistance and social insurance payments. This is critical for women’s equal participation in society. Data needs to be collected on those in receipt of qualified adult payments to inform policy including information on age, care responsibilities, educational background and participation in training and education.

**Household means-testing**: The means test is currently based on household income and is a family-based system. According to Murphy (2003) there are inequities in the way earned income is assessed within the household and across different households. There are different types and levels of income disregards across payments for qualified adults, main claimants, lone parents and people with disabilities. The means-test reduces the incentive for a woman to claim in her own right or to find employment with a higher earning potential (NWCI, 2008). It has been recognised that the over-reliance on means-testing, the multiplicity of means tests used for different payments and the different assessments of income used for different means test makes it difficult to identify the problematic areas in welfare to work transitions (OPEN, EAPN, ?). The National Women’s Council of Ireland (NWCI) have argued that the lack of recognition of parenting and care work as a contingency within the social welfare system is indirectly discriminating against women. The reality that women spend more time compared to men engaged in care work has meant that women will have lower social insurance contribution records for all social welfare payments. The NWCI has recommended the recognition of women’s unpaid care work for social insurance contributions (NWCI 2008).

**Two Year Rule**: One way that women’s employment and care patterns are not facilitated by social security regulations is the rule (S57 S1 312 1996) which states that a person with no social insurance

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⁸ NWCI (2006)
⁹ NWCI, as above
record for more than 2 years must have 26 paid contributions before credits can be awarded. Women are regarded as new entrants if they have not contributed to the social insurance system for the previous two years. This affects women who cared for their children and who now wish to return to work.

*Homemaker’s Scheme:* The Homemaker’s Scheme introduced in 1994 contributes to recognising care work by assisting women qualify for an Old Age Contributory Pension. It allows people caring for children under the age of 12 or an incapacitated person on a full-time basis, to ‘disregard’ up to 20 years when calculating their pension contributions. However, this system gives no value for short-term payments and slightly lower yearly average than if credits were awarded. The NWCI argues for a system that would provide full social insurance credits for time spent in care work and that it should be retrospective to ensure that all older women currently at pension age are not discriminated against because of years spend in unpaid care work and are entitled to full contributory pensions in their own right (NWCI 2008).

*Limitation Rule:* The limitation rule means that in households where a man and a woman are both unemployed and eligible for Jobseeker’s Allowance the maximum payment cannot exceed that of an adult and adult dependent payment. This has been identified as a clear example of the continuing adherence to the male breadwinner model, where couples who claim unemployment assistance are both paid 50 per cent of 1.7 times the adult payment rather than two separate adult payments. This rule does not apply where both adults in the household are separately eligible for disability benefit or for contributory old-age pensions, in which case, both adults will receive a full adult amount of the relevant payment (Murphy, 2003). According to Murphy (2003) the limitation rule effectively means there is no direct financial incentive for both adults to prove eligibility for a payment. The rule has led to a greater number of women being classed as adult dependants and not declaring their own specific eligibility for a social welfare pension (Murphy, 2003). In addition, as women are not recognised as part of the labour force, they can be excluded from a range of subsequent employment schemes and training programmes, participation in which is dependent on being on the live register. The rule has been the cause of further poverty traps and has also led to barriers to household formation for low income couples who found that they lost almost half of an adult payment (OPFP) on cohabitation or marriage (O’Connor and Murphy, 2008). Removing the limitation is considered to be critical to the goal of eliminating indirect discrimination on the basis of gender in the social welfare system (NWCI, 2008).

*Availability to Work Full-Time:* At present a person seeking part-time work is ineligible for Jobseeker’s Allowance because she/he is unable to declare that she/he is available for, and seeking, full-time work. This represents a significant barrier for women in accessing this social welfare payment. The rule particularly affects women who predominantly take on the caring role and are therefore, less likely to be available for full-time work. The system does recognise part-time unemployment when a person seeking full-time work can find only part-time work but does not include a payment that recognises the reality that for many women with children the only viable option is part-time work. Barriers to education, training and labour market supports occur for women as a result of this requirement. In the Government Discussion Paper on proposals for supporting lone parents (DSFA, 2006), the government recommended that a person should only have to prove availability to work for 19.5 hours a week to recognise the care work done by women.

*Lone Parents:* There were 85,084 recipients of the One Parent Family Payment (OPFP) in 2007 and almost 98 per cent of these were women (DSFA, 2007). Tax treatment of one-parent families include a one-parent family tax credit (€1,830) (in addition to the personal tax credit) which essentially means that one-parent families are allocated the same tax credits as a single-earner married couple. Lone

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parents also benefit from a higher standard cut-off point within the taxation system (€40,400 per annum) and an earnings disregard on the OPFP. Secondary benefits such as the medical card and rent supplement can also be retained subject to certain conditions.

The main component of the employment support policy for lone parents in receipt of the OPFP is the earnings disregard. The disregard means that a lone parent can earn up to €146.50 per week without loss of payment with income between that and €425 per week assessed at 50 per cent (DSFA, 2006). The intention of the earnings disregard is ‘to cover employment related expenses including childcare and to enable lone parents more easily assess the implications of taking up employment/training’ (DSFA, 2000: 41). No such earnings disregard exists for those in receipt of Jobseekers Allowance, while lower disregards are in place for Qualified Adults and recipients of Disability Allowance.

Just over 44 per cent of lone parents are in employment, a low rate compared to most other EU countries (QNHS, 2008). A recent Government Discussion on Lone Parents paper considered that while the earnings disregard played a role in facilitating lone parents to enter the workforce it may also have had the effect of trapping lone parents in part-time low paid employment in order to keep their earnings below the threshold (DSFA, 2006). They also observed that the earnings levels of those in employment (based on a review of earnings administrative data for 2003) suggest an employment trap may exist at the upper earnings thresholds. They note that these disincentive affects are not only caused by the OPFP, but are also due to the complexity of the system, the difficulties involved in assessing the impact of take up or extension of employment as well as lack of accessible childcare, educational disadvantage and the security of social welfare income. According to OPEN (2009), the earnings ceiling at which entitlement to payment is withdrawn has failed to keep pace with growth in earnings, and therefore, constitutes a poverty trap. They therefore, recommended an increase in the earnings ceiling for the OPFP (by €75) to €500.

There are a number of other child benefits and income supports that are focused on families, particularly those with young children.

**Child Benefit** : Child benefit is a universal non-means-tested payment to parents of young and dependent children up to and during their period in full-time education. It is paid on a monthly basis, usually to the mother, and at a higher rate in relation to third and subsequent children. Child Benefit is paid for each child under 16 years of age, and under 19 years if in full-time education. Changes to the payment were introduced from January 2009, where half rate Child Benefit will be paid in respect of children aged 18, and from January 2010, Child Benefit will not be paid in respect of children aged 18. Because it is a universal child support payment, it does not have any negative employment related impacts and is often viewed as a direct income support to women, particularly women outside paid employment. It is the government’s intention to either means-test or tax Child Benefit from 2010.

**Child Income Support** : The Early Childcare Supplement (ECS) introduced in 2006, is a cash support allowing the parent or parents to choose whether to use the money to help purchase paid childcare or to use it as a financial support for a parent to undertake the care. The Early Childcare Supplement monthly payment is to be halved to €41.50 per child with effect from 1 May 2009 and abolished at end of 2009. It will be replaced in January 2010 with a pre-school Early Childhood and Education Scheme (ECCE) for all children between the ages of 3 years 3 months and 4 years 6 months. A capitation grant will be payable to service providers who provide free pre-school services.

Callan et al’s analysis (2007) suggested that changes in child income supports led to a reduction of 4.2 percentage points in the incidence of child income poverty (using the 60 per cent median cut-off). The OECD recommended in its Economic Surveys that childcare support such as the ECS should be linked to employment status or to the use of formal childcare (OECD, 2008). The report criticised the policy of increasing Child Benefit and the ECS without making them more targeted, as these payments are
cash transfers that are paid whether parents are working or not and regardless of whether they are actually using childcare services. OECD considered that it was important to demonstrate to the public that the tax-benefit system support mothers at work through linking support to employment, job search or the use of formal childcare services. Other organisations such as the NWC, INOU and trade unions have strongly argued for the importance of the retention of universal Child Benefit to women in particular and for the development of comprehensive childcare services and supports.

*Family Income Supplement (FIS)*: FIS gives extra financial support to around 23,000 households on low pay. It is a weekly tax-free payment to households with children who are on low pay and working 19 or more hours per week. To qualify for FIS net average weekly family income must be below a certain amount according to family size. The FIS received is 60% of the difference between net family income and the income limit applying to that family. The combined income of a couple (married or unmarried) is taken into account and income from any source is taken into account as means, except for example, childcare payments, Carer’s Allowance and Supplementary Welfare Allowance. FIS cannot be claimed where a person is taking part in a Community Employment Scheme (CE) or any other FÁS training schemes or are on Jobseekers Benefit, Allowance or State Pension.

Family income limits for 2009 were: one child: €500; two children: €590; three children: €685; four children: €800. INOU have recommended that the income limits for FIS should be raised by a further €20 per child. They also argued for increasing the daily income disregard to €25 or three hours work at the minimum wage and reducing the deduction (of net wages) from the welfare payment from 60 per cent to 45 per cent where a claimant has child dependants. Take-up of FIS has been reported as being low. Callan et al (2005) suggest that take-up of this benefit for low income working families is not much higher than 30 to 40 per cent. The higher the take up of such an in-work benefit, the lower the replacement rates would be. Those eligible must have at least one child under 18 years of age or between 18 and 22 years of age and in full-time education who usually resides with them. To qualify for FIS, the net average weekly family income must be below a certain amount for the family size and the person must be working nineteen or more hours per week.

As the OPFP scheme allows lone parents to earn between €146.5 and €425 and still qualify for a maximum or reduced rate OPFP payment, the same family will also be eligible for FIS. The Government Discussion Paper (DSFA, 2006) point out that the availability of FIS to OPFP recipients provides an incentive to increase hours of employment to over the 19 hour threshold, while at the same time retaining the OPFP. OPEN suggest that FIS thresholds are not high enough to compensate for the loss of basic social welfare payments, for example, FIS does not address the poverty trap created by the OPFP earnings ceiling. They note that for smaller families in particular, FIS is playing a minimal role in making work pay. They also argue that the current economic climate means that wage increases for low paid workers are likely to be minimal, and that such workers have benefited little from tax cuts in recent years. In order that the increases to FIS are sufficient to provide at least as much of an increase to low paid working families as those reliant on social welfare payments, and in order to improve incentives to take-up employment, they proposed that the income thresholds for FIS increase by €100 per week, and increase the rate of payment to 70 per cent (OPEN, 2009).

*In Work Poverty*: The INOU (2009a) has argued for improved access to the FIS as a means of addressing in-work poverty. In-work poverty is an issue that has emerged in recent years, reflected in data from the SILC in Ireland (CSO, 2008) which showed:

- An at-risk of poverty rate of 6.7 per cent for people at work
- That despite low poverty rates, persons at work accounted for 10.2% of all persons who were in consistent poverty and 16.8% of all persons at risk of poverty
- That 33% of persons who were in consistent poverty lived in a household where there was at least one person at work
Carer’s Allowance (2009): Carer’s Allowance is a payment to people who are looking after someone who is in need of support because of age, physical or learning disability or illness, including mental illness. Around 33,000 people are in receipt of Carer’s Allowance, 80% of whom are women. The Carer’s Allowance is mainly aimed at carers on low incomes who live with and look after people who need full-time care and attention. Rates of payment are for one person €220.50 and for 2 persons: €330.75. Carer’s Allowance is a means-tested payment, and since April 2008, €332.50 per week is disregarded - for married/co-habiting couples, the first €665 of their combined weekly income is disregarded.

Habitual Residence Condition: This is a relatively new legal requirement which has been imposed on certain social welfare assistance payments since May 2004. The condition was introduced when the 10 states acceded to the European Union in 2004. It was designed to limit the availability of certain social welfare payments including Unemployment Assistance, various non-contributory payments, One Parent Family payment and most Supplementary Welfare Allowance payments as a response to the fear of ‘welfare tourism’ in the context of EU enlargement. Child Benefit has also been subjected to the condition, although not for EU/EEA workers, but still for workers from outside these countries. Although it applies to all applicants for social assistance payments, the regulations guiding its implementation make it particularly difficult for migrant workers to satisfy the condition. Migrant women in situations of domestic violence are particularly vulnerable – women who are in Ireland as dependent spouses and not entitled to work, frequently find themselves in a position of being either forced to stay in the abusive relationship or forced into homelessness and poverty (NWCI, 2008).

Families in Direct Provision Accommodation: For the past 8 years the system of accommodating asylum seekers in Ireland has been administered through what is called ‘Direct Provision’. Asylum seekers receive full-board accommodation and a small allowance of €19.10 per adult and €9.60 per child. The allowance has stayed at the same rate since its introduction, creating a severe poverty trap for all households and individuals subjected to this system, and particularly women who hold the primary responsibility for family care. Asylum seekers with children ceased to be entitled to receive Child Benefit payments in May 2004, putting asylum seekers’ children at further risk of poverty.

1.2.4 Social Security Contributions

Pay-Related Social Insurance: Most employers and employees (over 16 years of age) in Ireland pay compulsory social insurance contributions into Ireland’s national Social Insurance Fund. As well as paying into the Social Insurance Fund there is also a Health Contribution paid to the Department of Health and Children, which is charged at 2 per cent on all earnings up to €100,000 and 2.5 per cent on all earnings above that figure. Those earning less than €500, who are on certain payments (OPFP, Widow/widower’s pension etc), who are over 70 years of age or who are on medical cards do not pay the Health Contribution.

The amount of social insurance paid is earnings related and varies depending on the type of work. Social insurance contributions are divided into different categories, known as classes or rates of contribution. Most employees in Ireland pay Class A PRSI linked to the full range of social insurance payments that are available from the Department of Social and Family Affairs, if you meet the qualifying criteria. Self-employed people pay Class S social insurance contributions. Other classes of insurance are paid at a lower rate which means fewer entitlements to social insurance payments. In certain circumstances it is possible to make voluntary contributions. There are a wide range of benefits that are available to people who have paid social insurance, for example jobseekers and maternity benefits and invalidity and state (contributory) pensions. Entitlement to these benefits is dependent on a number of conditions other than the social insurance contribution requirement.
Employees earning €352 or less per week in 2008 or 2009 are exempt from PRSI and Health Contribution. In any week in which an employee is subject to full rate PRSI, the first €127 of weekly earnings is disregarded. The employee’s annual earnings ceiling (above which no social insurance contribution is paid) increased to €75,036 and PRSI is at 4 per cent up to €75,036. New rates of the Health Levy were introduced, a lower rate of 4% and a higher rate of 5%. The higher rate threshold was reduced from €100,100 to €75,036. The threshold for payment of the Health Levy is €500 a week, which is an annual earnings threshold of €26,000. Medical card holders, recipients of the One-Parent Family Payment do not have to pay the Health contribution – even if their pay is more than €500 per week.

Medical card holders, recipients of the One-Parent Family Payment do not have to pay the Health contribution – even if their pay is more than €500 per week. The employee’s annual earnings ceiling (above which no social insurance contribution is paid) has increased from €50,700 to €52,000 (2009); PRSI is at 4 per cent for first €52,000.

A third of those who live in consistent poverty live in working households where at least one person is employed (CSO, 2008). Many of these households do not earn enough to be liable for income tax, but continue to pay PRSI. OPEN (2009) in their pre-budget submission for 2009, proposed that in order to reduce deductions from low wages, the PRSI exemption threshold should be raised to €400 and the disregard to €150.

*Homemaker’s Scheme*: This scheme was introduced in 1994 and allows for a person who has had to leave the workforce and spend periods caring to have those periods taken into account for pension purposes. A maximum of 20 years can be disregarded when calculating the claimant’s eligibility for a social insurance based pension. "Homemaker's credits" are awarded up to the end of the contribution year during which someone becomes a homemaker. If the person ceases to be a homemaker during the contribution year, homemaker's credits are awarded up to that date.

1.2.5 Housing Benefits

*Rent Supplement*: This is paid to tenants, habitually resident in the State, in receipt of a Social Welfare or a Health Service Executive payment and with an identified housing need. To access rent supplement gross household income must not exceed €317.43 per week. Child Benefit, PRSI, reasonable travel expenses, and any childcare allowance payable on training courses can also be disregarded in the assessment of the weekly income limit. €75 of any ‘additional household income’ above the Supplementary Welfare Allowance (SWA) applicable to the applicant’s household circumstances is also not taken into account. Additional household income includes Family Income Supplement, Back to Work Allowance, Back to Enterprise Allowance, Community Employment (CE) or FAS course. This threshold for the retention of secondary benefits including Rent Supplement, Back to School Clothing and Footwear allowance and fuel allowance has remained unchanged at €317.43 (£250) since 1994 neither keeping pace with inflation or wages. This is a weekly figure and if income from social welfare payments and employment exceed this threshold then secondary benefits are lost (Barry et al, 2004). The minimum contribution for those in receipt of Rent Supplement or Mortgage Interest Supplement increased by €5 to €18, which effectively negates the increase in the Adult Social Welfare Rate (INOU, OPEN).

OPEN (2009) the national network of one parent families, estimates that rental costs for lone parents are relatively high, given the fact that they need at least two-bedroom accommodation, but have to meet this cost from only one income. For lone parents who rely on the Rent Supplement, it remains one of the most significant unemployment and poverty traps in the social welfare system, as earned income is often not adequate to cover both childcare and rent costs. In their submission on Budget 2009, they proposed that government build on important structural changes to the way entitlement to
Rent Supplement is calculated, by allowing working recipients of the supplement to retain more of their earnings, i.e. increase the earnings disregard for Rent Supplement to €100, and reduce the assessment rate to 60%. One parent families made up 38 per cent (16,795) of all households on the waiting list for social housing. Recipients of the OPFP comprised the highest proportion of recipients of Rent Supplement in 2007 (24 per cent), followed by those in receipt of Long-Term Jobseeker’s Allowance (14.4 per cent), and recipients of Disability Allowance (13.5 per cent) (DSFA, 2007).

A Report by the OECD (2008) argues for a policy more in the way of income support and that the emphasis should be more on means-tested housing benefits or vouchers that households can use either to pay a mortgage or rent, along the lines of the Rental Accommodation Scheme (RAS). The Rental Accommodation Scheme (RAS) pays private landlords for long-term accommodation for those who have been receiving rent supplement for more than 18 months. The low marginal tax rates facing low income households increase the scope to introduce such an element of means testing while maintaining good incentives to work (OECD 2008).

1.2.6 In-work benefits

Back to Work Allowance/Back to Education Allowance: The Back to Work Allowance (BTWA) introduced in 2000, provides a transitional payment to people who have been long term reliant on social welfare payments and who are returning to work. The Back to Education Allowance (BTEA) is a similar scheme, which allows those in receipt of a social welfare payment to return and pursue a second or third level programme of education. Participants receive a standard rate of payment which is not means tested and are allowed to keep any secondary benefits already held.

To be eligible for the BTWA an individual must have been registered as unemployed for 2 years, and have an entitlement to Jobseeker’s Allowance. If in receipt of the One-Parent Family Payment, Disability Allowance, Carer’s Allowance, this eligibility criterion is reduced to 15 months. While on the Scheme, secondary benefits can be kept for 3 years, provided the household income (including spouse or partner’s income) is less than €317.43 gross weekly household income limit. Alternatively, to be eligible for the BTEA, an individual must have been in receipt of a social welfare payment for 1 year for the Third Level Option, and 6 months for the Second Level Option, and in the case of Illness Benefit, a person must be in receipt of this payment for 2 years. A person can qualify for the BTEA, if they are in receipt of an unemployment payment for 9 months, provided have been assessed by FAS under the National Employment Action Plan process.

Data on the main in-work benefits which can be claimed under the current Irish system are detailed in the following table:

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Total Number of Recipients</th>
<th>Women %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back to Work Allowance</td>
<td>4828</td>
<td>27</td>
</tr>
<tr>
<td>Back to Work Enterprise Allowance</td>
<td>4305</td>
<td>41</td>
</tr>
<tr>
<td>Back to Education Allowance</td>
<td>5,980</td>
<td>46</td>
</tr>
<tr>
<td>Part-Time Job Incentive Scheme</td>
<td>210</td>
<td>47</td>
</tr>
<tr>
<td>Family Income Supplement</td>
<td>22,823 (58% are One Parent Families)</td>
<td>62</td>
</tr>
</tbody>
</table>

11 2005 Assessment of Housing Need – Department of the Environment, Heritage and Local Government
12 DSFA (2007) as above
Recent criticism of the BTWEA (and other back-to-work incentives and benefits) have focused on the system of eligibility criteria which necessitate an applicant be two years on the Live Register before benefiting from such schemes. In the context of rapidly rising unemployment many commentators argue that such criterion should be relaxed. Schemes like the Back to Work Allowance (BTWA) and the Back to Work Enterprise Allowance (BTWEA) have played an important role in supporting welfare recipients to move into employment. According to the INOU, eligibility criteria are too restrictive; the timeframe for accessing such schemes should be reduced to one year maximum to help offset the movement of people into long-term unemployment (INOU, 2009a). Participants on the Back to Work Enterprise Allowance also should be able to apply for Family Income Supplement (FIS) (INOU, 2009a).

Long-Term Unemployed Programme: This Allowance incorporates an additional payment of €44.44 per week for up to six weeks compulsory training with an employer followed by an automatic transfer to the BTWA when the person takes up regular employment. The programme is targeted only at those who are at least five years on the Live Register.

Part-Time Job Incentive: This scheme is for people who have been in receipt of an unemployment payment for 15 months or more. It allows them to take up part-time work and get a Part-time Job Allowance, of €105 per week for a single person, and €174.10 per week if the person is getting an increase for a qualified adult.

Revenue Job Assist: Revenue Job Assist, introduced in 1998, is an additional tax allowance for people in Ireland who have been unemployed for 12 months or more and who are now returning to employment. The tax allowance can be claimed for 3 tax years and may begin with either the tax year in which the employment commences or the following tax year. Those eligible for Revenue Job Assist are either in receipt of Jobseeker’s Benefit or Jobseeker’s Allowance for 1 year or more; a lone parent in receipt of the One-Parent Family Payment, or recipients of Disability Allowance for 12 months or more. The allowances provided are as follows:

- Year One: extra allowance of €3,810 and €1,270 for each qualifying child
- Year Two: reducing to two-thirds of this amount, that is, €2,540 and €847 for each child
- Year Three: one-third of amount allowed in year one i.e €1,270 and €423 for each child

Accessing Secondary Benefits: The INOU has called for the income threshold for accessing a medical card to meet the National Minimum Wage level or a total of €18,300, i.e. strive to keep it consistent with the tax system specifically where low paid workers start to pay tax. Such a development would ensure that the income limit would increase alongside the single tax credit.

From a gender perspective an important factor to take into account when assessing certain schemes and initiatives is that women are under-represented among those registered as long-term unemployed in Ireland. This is due to the household nature of the welfare system, the fact that only those available for full-time work are entitled to register, and the tendency for women who are not in paid employment to be categorised as ‘inactive’ rather than unemployed, particularly in the longer term (Barry et al, 2004). In the absence of any real movement towards individualisation, women in welfare dependent households are less likely to be eligible for either the BTWA or the BTEA as both are based mainly on long-term registration as unemployed or receipt of a welfare payment.

1.3 Impact of taxation on gendered patterns of employment and unemployment

Looking at the labour market situation of Irish women and men over the last decade it is evident that change has been both significant and rapid, reflected in a particularly marked increase in paid
employment among women. More favourable tax treatment combined with improved remuneration, different expectations, increased job opportunities and stronger equality legislation have all contributed to the increase in women’s employment rate. Changes in the taxation system have been one factor that has contributed to a different labour market position among women in Ireland. A more individualised tax system has had a particularly beneficial impact on married and co-habiting women who had previously been subjected to a highly penalising marginal tax rate. This is evident in the way in which the growth in the level of women’s employment has been accompanied by a significant change in its composition.

Between 2001 and 2008 women’s employment rate increased from 55% to 59%. The strongest growth in women’s paid employment rate has taken place in the 35-44 age group (from 63% in 1999 to 66% in 2008) and particularly in the 45-54 age group (from 54% to 64% over the same time period) (CSO, 2006, 2008). These figures reflect the way in which the pattern of increasing employment rates has been working its way through different generations of Irish women. The gap between the employment rate of younger and middle age groups of women has narrowed significantly and even in the older age group a similar pattern of change is emerging. Among Irish men, employment rates are generally stable, although there has been a lowering of the rate among younger men (linked to higher educational participation) and an increased rate of employment among older men. Together these changes have led to a very significant narrowing of the gender gap in the employment rate between women and men (among those aged 15-64) from 21.5 in 2001 to 13.6 in 2008, similar to the EU average. There has been a corresponding drop in the non-employment rate (or ‘inactivity rate’) among women in the middle and older age groups.

Table 2: Employment Rates by Sex and Age 2001; 2004; 2007; 2008

<table>
<thead>
<tr>
<th>Employment Rates (ILO) %</th>
<th>Age group</th>
<th>2001</th>
<th>2004</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Females</td>
<td>15-19</td>
<td>22.2</td>
<td>21.1</td>
<td>23.1</td>
<td>18.6</td>
</tr>
<tr>
<td></td>
<td>20-24</td>
<td>65.6</td>
<td>66.8</td>
<td>67.2</td>
<td>62.0</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>74.5</td>
<td>73.7</td>
<td>74.8</td>
<td>72.8</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>62.8</td>
<td>63.6</td>
<td>66.6</td>
<td>66.0</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>54.2</td>
<td>59.7</td>
<td>65.8</td>
<td>64.5</td>
</tr>
<tr>
<td></td>
<td>55-59</td>
<td>36.3</td>
<td>43.3</td>
<td>47.0</td>
<td>49.0</td>
</tr>
<tr>
<td></td>
<td>60-64</td>
<td>20.2</td>
<td>23.6</td>
<td>31.8</td>
<td>30.3</td>
</tr>
<tr>
<td>Total Females</td>
<td>55.1</td>
<td>57.2</td>
<td>60.8</td>
<td>59.0</td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>15-19</td>
<td>29.1</td>
<td>24.9</td>
<td>24.2</td>
<td>17.3</td>
</tr>
<tr>
<td></td>
<td>20-24</td>
<td>71.8</td>
<td>71.7</td>
<td>74.2</td>
<td>63.3</td>
</tr>
<tr>
<td></td>
<td>25-34</td>
<td>89.4</td>
<td>88.5</td>
<td>87.2</td>
<td>82.9</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>90.7</td>
<td>90.2</td>
<td>86.6</td>
<td>85.2</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>84.9</td>
<td>85.6</td>
<td>86.2</td>
<td>82.8</td>
</tr>
<tr>
<td></td>
<td>55-59</td>
<td>73.8</td>
<td>72.5</td>
<td>74.6</td>
<td>72.5</td>
</tr>
<tr>
<td></td>
<td>60-64</td>
<td>54.4</td>
<td>55.7</td>
<td>59.3</td>
<td>56.7</td>
</tr>
<tr>
<td>Total Males</td>
<td>76.1</td>
<td>76.0</td>
<td>77.1</td>
<td>72.6</td>
<td></td>
</tr>
<tr>
<td>Total persons</td>
<td>65.6</td>
<td>66.7</td>
<td>69.0</td>
<td>65</td>
<td></td>
</tr>
</tbody>
</table>


While rates of recorded unemployment are similar between Irish women and men, non-employment rates or so-called ‘inactivity rates’ are significantly higher among women reflecting women's traditional roles as primary carers and their attachment to the labour market (Barry and Sherlock 2008). A study on ‘Gender Inequalities in Time Use’ (McGinnity and Russell 2008) reveals significant inequalities between women and men in the distribution of unpaid work in the household, particularly where there are children. Women, continue to experience disadvantage on the labour market linked to their unequal position within the household. In general, the reason that women choose part-time
employment is because of their caring responsibilities, especially in a context where good childcare remains both expensive and in short supply (Barry and Sherlock 2008). The importance of policies to support women’s paid employment during childrearing years, such as childcare, family friendly and flexible workplace policies has been emphasised by the Consultative Group established by government to analyse and suggest ways to address the gender pay gap (Consultative Group on Male/Female Wage Differentials 2002, Indecon, 2004).

The employment rate of lone parents in this country is low by OECD standards; which has implications in terms of the social costs associated with child poverty (OECD, 2008). Working lone parents are often restricted to part-time work because of the high cost of childcare. The report highlights that in the past the problem has been a hands-off welfare system that does not encourage lone parents to work part-time combined with a high effective marginal tax rate if they shift from a part-time to a full-time job (OECD, 2008: 34). In this regard, the Community Childcare Subvention Scheme (CCSS) targeted at disadvantaged families and helping to provide childcare through grants to community providers should be a useful support for lone parents.

Gender differences are very marked in that men’s employment rates are largely unaffected by the presence of children in the household. The taxation and benefit system are hugely important affecting the level of remuneration women expect from employment and also creating a ceiling on potential earnings in the context of a household-based system. The significance of part-time work among women – accounting for 32% of women’s employment compared to 7% of men’s employment – is also a reflection in part of the fiscal and social constraints on women’s economic activity. Key central issues in relation to women’s access to employment are the lack of a proper care infrastructure and poor provision for flexible employment for both men and women. Broader policies to support women and men’s paid employment during childrearing years are critical (leave entitlements and flexible workplace policies) which are framed within a legal and institutional system which provide for security of employment (Barry and Sherlock 2008).

In the context of a lack of available and affordable childcare however, employment trends do continue to show a steep decline in women’s labour force participation depending on factors such as the age of their youngest child. Gender differences are very marked as the following table reveals:

**Table 3 : Employment Rates of Men and Women (%) aged 20–44 by family status, 2004**

<table>
<thead>
<tr>
<th>Family Status</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>No children</td>
<td>94.4</td>
<td>87.2</td>
</tr>
<tr>
<td>Youngest child aged 0 - 3</td>
<td>90.1</td>
<td>52.4</td>
</tr>
<tr>
<td>Youngest child aged 4 - 5</td>
<td>91.9</td>
<td>54.3</td>
</tr>
<tr>
<td>Youngest child aged 6 +</td>
<td>91.5</td>
<td>63.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>91.7</td>
<td>62.5</td>
</tr>
</tbody>
</table>

Source: IBEC/ICTU 2005

This increased higher level of women's paid employment has brought with it new tensions in public policy. While the majority of women are now in paid employment outside the home, there has been no corresponding change in the system of care provision. Women continue to be the primary carers, whether as full-time carers in the home, or in taking responsibility for organising care arrangements for the household. From a traditional situation in which the majority of couple households were based on a single earner, dual earner households have become the norm. There has also been an increase in the proportions of lone parents (primarily women) in paid employment, training and education.
Gender differences are very evident in the pattern of employment on the Irish labour market, particularly when hours of work are examined on a gender basis. In 2008, 34 per cent of women worked part-time (up to 29 hours per week), compared to just over 7 per cent of men. In contrast, more men have longer working hours - 41 per cent of men worked over 40 hours per week compared to only 9 per cent of women. The gender gap in the average number of weekly working hours of nearly 9 per cent is very significant and has been relatively stable over recent years at 8.8 (2006) and 8.9 hours (2008). Diverse studies have highlighted the availability of childcare and other work-family reconciliation measures as key factors in relation to women’s work patterns\(^{13}\) (NWCI 2008, Barry and Sherlock 2008, NWCI 2003, Fine Davis 2005, Drew 2006).

Table 4  Men and Women in Employment (ILO) by usual hours of work, 2006, 2008

<table>
<thead>
<tr>
<th>Usual hours of work per week</th>
<th>2006 %</th>
<th>2008 %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Females</td>
<td>Males</td>
</tr>
<tr>
<td>1-9 hours</td>
<td>2.7</td>
<td>0.5</td>
</tr>
<tr>
<td>10-19</td>
<td>9.7</td>
<td>1.6</td>
</tr>
<tr>
<td>20-29</td>
<td>20.0</td>
<td>3.7</td>
</tr>
<tr>
<td>30-34</td>
<td>6.4</td>
<td>1.6</td>
</tr>
<tr>
<td>35-39</td>
<td>38.1</td>
<td>36.3</td>
</tr>
<tr>
<td>40-44</td>
<td>13.2</td>
<td>24.6</td>
</tr>
<tr>
<td>45 &amp; over</td>
<td>3.5</td>
<td>16.1</td>
</tr>
<tr>
<td>Variable hours (includes ‘not stated’)</td>
<td>6.1</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Average hours per week</strong></td>
<td><strong>31.8</strong></td>
<td><strong>40.6</strong></td>
</tr>
</tbody>
</table>

Source: QNHS, 2008

Supports for households and individuals combining paid employment with care responsibilities are low in Ireland. Statutory leave entitlements are at the lower end of the EU spectrum and public support for childcare is minimal. On the private market, child and other care services are expensive and limited in availability. Reliance on extended family and community care supports plays a significant role but changes in women's economic position means that the availability of such care services is unlikely to continue at current levels into the future.

“Current employment policy is oriented towards increasing participation rates for all groups, including carers, and current health policy is predicated on continued availability of informal carers to provide the vast bulk of care and support in the community" (Equality Authority, 2004).

Chapter 2  Responsiveness of the labour supply to taxation

Studies of the responsiveness of the Irish labour supply to taxation which have incorporated a gender perspective have been carried out at different times over the last fifteen years by the Economic and Social Research Institute, primarily by Tim Callan. Callan’s work has paid particular attention to the way in which the tax treatment of married couples, households and families have impacted particularly on women. He has also analysed the way in which changes to the taxation system have created new conditions for women on the labour market over more recent years.

For example, in one study Callan et al (2003) found that in line with other findings for Ireland and internationally, the labour supply of married women is significantly more responsive to an increase in their wage rate than married men’s labour supply with respect to the male average wage. For both men and women, increased participation accounts for the major part of the response, with increases in hours of work playing a lesser role. This analysis deals with desired or preferred hours of work at the wage rate the individual currently commands. Their research also examined what labour supply response could be expected in Irish circumstances from married men and women to a number of forms of tax cuts and to structural reforms of the tax treatment of husband and wife. Results across the different forms of tax cuts (each with the same Exchequer cost), were quite similar but the response of married women to a top rate tax cut or to band widening was more than twice as strong as that of men, and more than twice as big as the women’s response to a standard rate tax cut or allowance increase. Their evidence also demonstrated that simple ‘tax cutting’ policies have less impact than restructuring of the tax treatment of couples, which acted to reduce the effective marginal tax rate on married women, one of the more responsive elements of the potential labour force.

**Tax Treatmen of Married Couples** : In their central finding Callan et al (2007a) demonstrated that changing the tax treatment of couples would have a substantially greater impact on labour market participation by married women than would a general tax cut costing the Exchequer the same amount. The authors note that over time a number of countries have moved from systems involving ‘income-splitting’ or extensive transferability of allowances between spouses to systems involving greater independence in the tax treatment of married couples, and correspondingly more restricted transferability of allowances and/or bands. The Irish tax system initially treated married couples as a unit for income tax purposes, with the wife’s income being aggregated along with that of the husband’s. Married couples were permitted to minimise their tax liabilities by assigning allowances and rate bands freely to either partner. This structure operated from 1980 up to 2000 (Callan et al, 2007a). More recently, the tax system in Ireland has introduced a degree of independence in the tax treatment of couples, with the individualisation of the standard rate tax band, restricting the extent to which tax bands are transferable between spouses.

**Work Incentives and Replacement Rates** : In another important part of their study Callan et al examine the incentive to take up employment or to remain in employment as measured by the replacement rate, measuring the ratio of net family income when unemployed to net family income in employment (Callan et al, 2007). A person on Unemployment Assistance (UA) gets a personal rate of UA, and receives additional payments for a qualified adult and child dependents. Their research shows that the highest replacement rates tended to be benefited by unemployed persons with children. Focusing on ‘cash’ replacement rates facing the unemployed, their microsimulation evidence indicated a rise in the incidence of high replacement rates at the average industrial wage between 2000 and 2005 with the growth in Unemployment Benefit and Assistance payment rates outpacing growth in net earnings over the period.

However, as Callan et al demonstrate, if the earnings of the partner of a UA recipient increase over a specific (relatively low) level, the amounts received in respect of qualified adults or child dependents payments fall, resulting in a higher EMTRs. The authors use a simulation methodology calculating net incomes for a ‘base’ income and an alternative increased income based on adding €61.20 per week to the earnings of each individual, which was the gross pay for 8 hours work at the 2005 minimum wage. In another important finding Callan et al (2007) found that some spouses or partners of welfare recipients are among those with very high effective marginal tax rates (EMTRs). The effective marginal tax rate, as defined in their study, measures what part of additional earnings is ‘taxed away’ through the combined effect of increasing tax and full or partial withdrawal of benefit.

**Tax Treatment of Couples** : The Qualified Adult Allowance (QAA) under the Unemployment Assistance/Jobseekers Assistance Scheme following Budget 2009 remains at 66 per cent of the full
adult payment. Calls have been made by women’s organisations and other community and voluntary organisations for the QAA to be raised to 100 per cent of the full claimant rate, effectively creating an individualised system rather than a household-based system (NWCI 2003). According to the OECD (2008: 34) the income tax system in Ireland contributes to reducing the incentives for second-earners to work full-time. Ireland, they argue, has a hybrid income tax system that is somewhere between individual and joint taxation of household members, with the consequences that second earners can pay the highest marginal tax rate (48 per cent, including social contributions) at a relatively low income level (OECD, 2008).

One Parent Families: Callan et al’s research on effective marginal tax rates (EMTRs) has also demonstrated that many of the cases with high EMTRs were lone parents (2007:37). They note that the One Parent Family Payment is set up so that many such parents qualify for full, reduced or no payments depending, among other things, on whether their earnings are below, between or above certain limits. If the additional income of €61.20 per week moves a recipient above the earnings threshold, then the increased earnings may be more than offset by the loss of the social welfare payment, leading to an EMTR of over 100 per cent.

Secondary Benefits: Measures of replacement rates in Ireland have tended to focus on standard cash benefits (Unemployment Benefit and Unemployment Assistance). Studies by Callan et al (2007) have gone further than this and incorporated the important question of entitlements to key secondary benefits building into their models eligibility for a medical card, and entitlements under the Rent and Mortgage Interest Supplement scheme (RMIS). Their study explored how the rules governing both the medical card and the Rent and Mortgage Interest Supplement Scheme (RMIS) may affect the financial incentive to work. RMIS raises out-of-employment income compared to in-work income and so tends to raise replacement rates. When the value of the RMIS and the medical card are included in their microsimulation modelling exercise, the incidence of high and very high replacement rates experienced by those receiving unemployment compensation increases sharply. In particular, the RMIS had a greater impact on the incidence of the highest replacement rates (over 100 per cent). The authors argue that given that their figures did not include travel to work costs or childcare costs, their findings indicated potentially severe obstacles to taking up employment. However, some recent policy changes have addressed in part these obstacles. The Rental Accommodation Scheme means that those with a long-term housing need are transferred from the Rent and Mortgage Supplement Scheme to a system more like the local authorities’ differential rent scheme, where the implicit tax rate on taking up employment is less severe. In relation to the medical card scheme, the ‘Doctor Visit Card’ (General Practitioner only medical Card) for those with incomes up to 20 per cent higher than the income limit for the full medical card means that the withdrawal of the benefit of the medical card is no longer as sharp. Instead of losing the full benefit at the medical card income limit, a part of the benefit (dealing with prescription drug costs) is withdrawn, with the remainder of the benefit (relating to GP visits) being withdrawn at a higher income level (Callan et al, 2007).

Chapter 3. Reforms of the national taxation and benefit system over the last 10/15 years

This chapter reviews actual and proposed tax and benefit reforms enacted over the past 10/15 years and the main reforms that have been proposed and publicly discussed.

3.1 Recent developments in the national tax and benefit system:

Minimum Wage: A statutory National Minimum Wage (NMW) was introduced in 2000 one of the most important pieces on employment protection legislation over the last ten years. Regulation and
enforcement of the Minimum Wage is particularly important for women who make up the majority of those on low income. A decision was taken in Budget 2005 to remove those on the minimum wage from the tax net; this decision which was updated in subsequent budgets has an important positive impact on the growing numbers of working poor. As the minimum wage increases it will be important that tax credits are adjusted to retain this situation (Cori Justice, 2008). A new agency, the National Employment Rights Agency was established in 2007, under the terms of the Towards 2016 social partnership agreement creating a stronger labour inspectorate aimed at greater enforcement of the NMW and other conditions of employment (Barry 2008).

Community Childcare Subvention Scheme: In terms of tackling child poverty, the Community Childcare Subvention Scheme came into operation in 2008 and is a support scheme for community childcare services to enable them to charge reduced childcare fees to parents who are disadvantaged or on lower incomes. An allocation goes directly to the service and is used to reduce the cost of the childcare place to the parents by the relevant subsidy. There are three ‘bands’ (Band A: recipients of social welfare payments; Band B: applies to recipients of FIS, FAS training allowance and the Part-Time Job Incentive Scheme, and Band C: for low income working parents who are above the FIS threshold) under which parents are eligible for subvention and different rates apply depending on the age of the child, and the length of the service provided. The structure of the CCSS has been criticised for acting as a barrier to progression (INOU, 2009a). The INOU has proposed that the implementation of the CCSS be reviewed and address the welfare to work issues arising. To support the participation of lone parents and other parents, it is essential that they can access affordable quality childcare.

One Parent Family Payment: Another important and relevant area of policy development is in relation to lone parents. Over the period 2006-2008 it was proposed to develop a more integrated programme of measures to support the movement of lone parents into more full-time and quality employment, which it is stated will comprise the following elements:

- Reform of income support schemes
- Expanded availability and range of education and training opportunities for lone parents
- Extension of the National Employment Action Plan to focus on lone parents
- Focused provision of childcare, and
- Improved information services for lone parents.

A strong indication of this new policy approach towards lone parents has been evident since the publishing of a Government Discussion Paper: Proposals for Supporting Lone Parents in May 2006. Although presented as new policy developments to be directed specifically towards lone parents, these policies are likely in practice to be equally significant for other low income, welfare dependent households, for example those in receipt of unemployment payments. Lone Parents have been the focus of much attention in terms of reforms of the conditions under which the payment is made, particularly when a child reaches a certain age (DSFA, 2006). The proposal which has been in the public domain since 2006 (and is partially being implemented) is for the contingency of lone parenthood to be abolished and instead a payment to be made to all parents with young children on low income; parenting is recognised within the system regardless of family type. The emphasis would then be on improving targeted educational and training supports in tandem with the implementation of new proposals. The problem remains of the disincentive effect of taking up paid employment due to the withdrawal of rent supplement which occurs as income rises (DSFA, 2006a). The review of the supplementary welfare allowance scheme carried out by the Department of Social and Family Affairs, in 2006 recognised this disincentive effect to increase the number of part-time hours worked, or to enter full-time employment. The report considered that these issues can be addressed through the transfer of those with a long-term housing need to the Rental Accommodation Scheme (RAS) irrespective of duration on rent supplement.
For the large number of lone parents (over 90% of whom are women) there are clear indications that their right and entitlement to long term welfare payments under the One Parent Family Payment is to undergo significant change in future policy development. This will potentially have a major impact on a large number of women, many of whom may benefit from additional training and employment opportunities but others of whom may find their opportunities for long term supported parenting seriously curtailed. Organisations representing Lone Parents have strongly stated that employment participation should be a choice rather than an imperative and that the critical issue of the provision of a comprehensive childcare system should underpin such choices.

The core element of this change in policy is to ensure that a greater proportion of lone parents, and both parents in welfare dependent households, enter training and employment once their youngest child reaches between 5 and 7 years of age. A recent Report on the situation of lone parents highlights that around 43% are estimated to be in employment and recognises that many of those are in part-time employment, due in part to the workings of the earnings disregard system which is set at a level that has the effect of restricting many lone parents to low-paid, part-time employment. The need for incentives to lone parents to take up full-time employment, education and training opportunities, including income and childcare supports are emphasised among whom poverty rates are high and attachment to the labour market is weak (OPEN 2004).

Early Childcare Supplement: Budget 2006 saw the introduction of new financial supports for parents of young children, increases in child benefit and additional resources towards childcare facilities. Annual EURO 1000 payment in respect of each child up to six years of age to all households irrespective of their labour market status commencing in 2006. Early Childcare Supplement: was introduced in Budget 2006, it has been criticised though as it is not targeted at the use of childcare services and has not assisted in making choices regarding reconciling work and family life (NWCI, 2008).

Childminder’s Tax Relief: A new tax relief was introduced for income from childminding, conditional on the notification of the service. A new tax relief on those earning incomes up to EURO 10,000 was introduced in Budget 2006 available to those minding up to three children in their own homes. No data is yet available on the take up of this relief.

New Childcare Investment Programme: In the context of a new National Development Plan 2007-2013, the EOCP was replaced by the National Childcare Investment Programme 2006-2010 (NCIP) with a target of 50,000 new childcare places. The key element of change in the funding system which was introduced in 2007 was a move away from funding staff salaries in community based crèches and towards direct funding for parents on welfare. The rationale behind this change was to create a more targeted system and to ensure that households on middle level incomes could not avail of publicly supported childcare. The impact of this most recent policy change has been huge, and largely negative. Childcare providers in disadvantaged communities no longer receive subsidies towards staffing and find it increasingly difficult to plan and develop their services. Households with access to those services are now increasingly welfare dependent rather than the socio-economic mix which had characterised those services previously. Under the EU programme which part funded the EOCP a specified ratio of 60% disadvantaged and 40% from non-welfare families had been laid down. This system had been based on the principle of applying charges according to income levels (a system which did have some problems in establishing appropriate charges for relevant income levels). Some of those involved in childcare provision in disadvantaged areas argue that the lack of staff supports may mean that they will be forced to recruit less qualified and less trained staff at lower wage levels.

In replacing the EOCP with the NCIP the system for funding childcare services underwent significant changes – changes that have been strongly criticised as limiting access to services to households dependent on social welfare and excluding many low and middle income households.
“The decision to change the system of funding community crèches threatens to ghettoise the service and is symptomatic of a childcare policy which is failing Irish children and their parents.” Kathy Sheridan, Irish Times 19 January 2008.

In their analysis of Irish childcare policy key commentators have highlighted how policy is trapped by the historical situation of low funding, due to an assumption of full-time unpaid carers in the home (women). As a result policy tends to focus on the number rather than the quality of childcare places, driven by a policy of increasing women’s labour force participation.

**Homemaker’s Scheme and Carer’s Allowance**: A Homemakers Scheme was introduced in 1994 and allows for a person who has had to leave the workforce and spend periods caring to have those periods taken into account for pension purposes. A maximum of 20 years can be disregarded when calculating the claimant’s eligibility for a social insurance based pension. A Carer’s Allowance was introduced for the first time in 2000 which provided a payment to those looking after ill or disabled adults or children in their own home who require full-time care.

### 3.2 Proposed reforms - employment impact

Different organisations involved in the policy-making process have proposed a range of different reforms of the benefit and taxation system and these are summarised below:

**Additional Active Labour Market Schemes**: In the context of the current growing unemployment crisis calls have been made by the INOU, among others, to increase the available number of places on Active Labour Market Programmes including Community Employment and other schemes (INOU, 2009a).

**Tax credits not tax bands**: According to the CORI Justice organisation any future income tax changes should be concerned with changes to either tax credits or tax bands rather than tax rates in the context of achieving fairness, for example, through increasing tax credits rather than decreasing tax rates or through increasing tax credits rather than widening tax bands, which has the advantage of helping to address in work poverty (Cori Justice, 2008).

**Refundable tax credits**: Refundable tax credits has been put forward by a number of organisations. If a person does not earn enough to use up her/his full tax credit than she/he will not benefit from any tax reductions introduced by government in its annual budget. Therefore tax credits should be made refundable where the part of the tax credit that an employee did not benefit from is ‘refunded’ to her/him by the state. According to Cori Justice (2008) the major advantage of making tax credits refundable would lie in addressing the disincentives currently associated with low-paid employment; the main beneficiaries of refundable tax credits would be low-paid employees (full-time and part-time). OPEN (2009) have also proposed an evaluation of the introduction of a system of refundable tax credits targeted specifically at low paid workers (similar to the Working Tax Credit and a Child Tax Credit in the UK system) as their targeted nature allows tax benefits to be distributed only to those who need them the most; they can reinforce the value of employment and reduce association with the social welfare system and can also provide support with participation costs which can significantly reduce returns from employment, e.g. childcare costs or specific supports for people with disabilities.

**Reliefs at standard rate**: All discretionary tax reliefs/expenditures should be available only at the standard 20% per cent rate of tax only in the view of Combat Poverty Agency 2009 and CORI Justice, 2008. The OECD review of the Irish economy has also emphasised that income tax measures, such as discretionary tax reliefs and incentives, are a regressive feature of the tax system as they violate the
principle of equity and they have recommended the following as ways to increase the yield from income tax:

- increasing the income levy especially at the higher income range
- abolish the ceiling for employee’s PRSI
- curtail tax expenditures on pensions, health insurances, mortgage interest relief and various investment relief
- Incentives for second earners to work full-time should be sharpened further (OECD, 2008)

Atypical Work: Specific reforms around atypical work should be introduced for job seekers, seasonal and casual workers and the ‘relatives assisting’ category for spouses of self-employed and farmers.

- A new part-time unemployment benefit for parents with children aged 0-12 years should be introduced so that women seeking part-time work can have that part-time unemployment recognised. Murphy (2003) has recommended the introduction of a part-time unemployment assistance which would be paid when a person, because of childcare commitments, was available only for part-time work but could not find such work. The social welfare system should include a payment that recognises the reality that for many women with children the only viable option is part-time work. Jaumotte (2003) emphasises that a low supply of affordable childcare or parental leave paid for short periods make full-time work difficult and part-time work a more attractive option.
- Allowing those seeking part-time employment, because of caring responsibilities in the home, to register as seeking work. The ability of people to build up credits within the insurance system should be explored.” (NESC, 2003)
- Women who have worked in part-time, casual and seasonal employment have broken social insurance records. The substantial loss of earnings rule requires a person to have lost substantial employment before becoming re-eligible for employment benefit. This rule means that people in part-time atypical work cannot rely on unemployment benefit to subsidise their earnings. This rule may be causing involuntary part-time unemployment. The need to develop a comprehensive social insurance system that could recognise the varied work patterns of individuals within a modern economy has been suggested.
- Allow people working in family businesses to make social insurance contribution.
- Recognise care work as a job, so that women can build up a social insurance record and qualify for a full contributory pension.

3.3 Reforms from a gender perspective

Different studies and reports by organisations have identified a number of key features of the predominantly family-based benefit and taxation system and also the kind of reforms that would strengthen gender equality:

Individualisation: In terms of reforming the social welfare system, the NWCI has highlighted the need to make women more financially independent by facilitating women’s access to direct payments for many years. Murphy argues that the social assistance scheme should enable women to make the transition into employment and broad labour market participation, a key anti-poverty strategy, and should also facilitate new forms of family formation (Murphy, 2003). In particular, Murphy (2003) recommended abolishing the limitation rule whereby in households in which both adults have eligibility for a social welfare payment in their own right (for example, both are unemployed) the total payment to the household is limited or reduced to 1.7 times the rate of two adult payments. Removing the limitation rule is considered to be critical to the goal of eliminating indirect discrimination on the
basis of gender in the social welfare system. In addition Murphy argues that the household means test to an individualised means system (Murphy 2003; NWCI 2008).

**Social Welfare Rates**: The INOU sought an increase of €15 in the adult social welfare rate in their pre-budget submission 2009, given the inflationary increases in basic food and other items; such an increase is also required if the State is to achieve its target of eliminating consistent poverty by 2016. Meanwhile, the Combat Poverty Agency sought an increase of 5.8 per cent on welfare payments, the equivalent of an additional €12 in the minimum welfare rate and €14 per week in the pension rate.

**Basic Social Welfare Rate**: Under the most recent comprehensive social partnership agreement ‘Towards 2016’ it was argued that the basic social welfare rate should be moved towards a level of 30% of Gross Average Industrial Earnings (GAIE), a level which would significantly benefit women who make up the majority of those on social welfare. Given the target set within the National Action Plan for Social Inclusion (NAPSI) to eliminate consistent poverty by 2016, the basic social welfare rate should be moving towards a higher percentage of GAIE according to the INOU. The INOU is not alone in making this call, the ESRI in another report which looked at the levels social welfare payments should be set at in order to address issues of poverty recommended moving the social welfare payment up to €230 which would currently equate with 35% GAIE (Callan et al 2008). According to the INOU, persuading Government to undertake this course of action in the current climate, even to meet their own NAPSI goal will prove to be a considerable challenge. With the deepening economic recession and the collapse in the social partnership process over the last year these targets are unlikely to be more than aspirations over the short-term future.

**Abolition of ‘Qualified Adult Status’**: Each adult should have an individual payment for both social assistance and social insurance payments, critical to ensure women’s equal participation in society (Murphy 2003). To support this outcome, data needs to be collected on those in receipt of qualified adult payments to inform policy reform including information on age, care responsibilities, educational background and participation in training and education.

**Part-time unemployment payment**: The social welfare system should include a payment that recognises the reality that for many women with children the only viable option is part-time work. In the Government Discussion Paper on proposals for supporting lone parents (DSFA, 2006), the government recommended that a person should have to prove availability to work for 19.5 hours a week to recognise the care work done by women.

**Child Income Support**: In relation to Child Benefit, the Combat Poverty Agency (2009) has recommended that in the context of the current economic situation, the approach to restricting the payment, if that is necessary is that it should be taxed, rather than means-testing the payment or reducing its rate. The main instruments of targeted child income support – qualified child allowances, family income supplement, clothing and footwear allowances and in-school supports should not be altered. If cutbacks are necessary in child income support the Agency argue that it is the early childcare supplement that should be targeted rather than Child Benefit, as the early childcare supplement could be better targeted to directly fund access to pre-school provision for low income children aged 3-4 years; this would require an enhanced payment of €3,000 per child per annum to enable low income families purchase pre-school education from their choice of service provider (Combat Poverty Agency, 2009).

**Parental Allowance**: There should be a means-tested Part-Time Parental Allowance for all low income parents of children aged 8 – 14 introduced and a means-tested Full-Time Parental Allowance for all low income parents of children up to the age of 8 years introduced (NWCI, 2008).

**Pension Reform**: The balance between payment rates for pensions and for other welfare payments needs to be reconsidered. Callan et al’s analysis (2008) suggests that a package which raised the State
Pension to the target level, with other payment rates increased to close the gap currently existing between pension and non-pension rates, would be a more effective way of reducing the ‘at risk of poverty’ rates. The level of the state pension is particularly important in preventing old age poverty among women, as women are less likely to have pension income. Mandatory state earnings-related pensions are argued to be more helpful than private pensions for women (NWCI, 2008). The principles of economic autonomy; labour market equality; facilitating atypical work and ethic of care; equal sharing of care obligations; pension equality and retrospective pensions justice underpin reforms needed in this area. The following paragraph summarises the key reforms required from a gender equality perspective:

- Provision of an adequate state pension - offering income replacement levels significantly above the poverty line
- Reforms should focus on an enhanced state pension in the context of a more limited use of tax allowances for supplementary pensions
- If a second tier pension is to be introduced it should take the form of a state-earnings related pension
- Ensuring that the qualified adult of old age pensions reaches 100 per cent of the non-contributory old-age pension adult rate
- Ensuring as many women as possible have access to social insurance-based pensions
- As regards provision for older women without individual pension rights, 100 per cent of the Qualified Adult Allowance (QAA) should be paid directly to women until full pension coverage for women can be assumed in 2020
- Retrospective credits for all women engaged in care, so that most women will have direct rights to pensions before 2020 (Murphy, 2003)

**Balance of state expenditure**: Callan et al (2008) have proposed a policy package of reform aimed at reducing ‘at risk of poverty’ rates, a critical issue for women who are the majority of those living in poverty in Ireland. This package encompasses:

- uniform social welfare rate across all schemes of €230 per week in 2007 terms.
- income-tested Child Benefit Supplement
- reorientation of the state’s total expenditure on state pensions away from tax expenditures for private pensions and towards the state pension

The package is proposed to be financed by restricting tax relief on superannuation contributions to the standard rate of tax. Standard rate taxpayers would be unaffected by the change, while top rate taxpayers see their tax liabilities rise. This aspect of the package can be seen as rebalancing state support for pensions in favour of greater universal support, and less support towards the higher end of the income distribution (Callan et al, 2008). Standard rate taxpayers gain from the increased universal support, and are unaffected by the standardisation of relief on superannuation contributions. This package the authors note needs to be complemented by further measures encouraging activation of welfare recipients. The authors also propose a reorientation of the state’s total expenditure on state pensions away from tax expenditures for private pensions and towards the state pension (Callan et al 2008). Other organisations have argued for the maintenance of a universal non-means-tested child benefit, a payment that has traditionally been of great significance to women, particularly to those who are home carers (NWCI 2008; INOU 2009a)

**Summary and final considerations**

The Irish fiscal system is under enormous pressure at the present time due to the scale of the economic recession in the country and the particular crisis in the public financial system. There is a serious need
to bridge an ever widening deficit in public expenditure due to a combination of a collapse in property taxes and a rapid growth in unemployment. The Irish fiscal system is a hybrid model of taxation – partially individualised since 2000 – based on a system of personal tax credits, tax bands and two tax rates 20% and 41%. Married couples may opt for joint taxation and are allocated two sets of tax credits if both are earners and approximately one and half tax credits if one spouse is not in paid employment, whereas co-habiting couples only receive two sets of credits if both are earners. One parent families are allocated an additional tax credit during the time when the child is a dependent. Tax reliefs are available for health insurance payments, pension contributions, mortgage payments, medical expenses and other specific items and are increasingly available at standard rate of tax (other than pension contributions). Controversy over the move towards individualisation led to the introduction in 2003 of a Home Carer tax Credit which was viewed as compensating married couples in which one partner chose to be a home carer. Alongside this home carer’s credit a new Early Childhood Supplement payment was introduced in 2006 for each child under five years across all households.

Gender biases and discriminations are evident in the way the tax, and particularly the benefit systems are structured, evident in the household nature of both systems which continues to be based in a critical manner on an assumption of a ‘male breadwinner’. Households are assumed to have ‘adult dependents’ (not by virtue of illness or incapacity) which the data show are overwhelmingly women who, on the basis of this categorisation are frequently not allocated an independent status within the welfare system. Women’s organisations, trade unions and others have argued for an individualised system of benefits which would establish full individual entitlements to, and and payments of pensions and other welfare benefits.

Disincentives to paid employment are revealed in research on women second-earners and on lone parents who are likely to be subjected to high marginal tax rates. There is also evidence that women in low income households only access low paid and low hours of work (or informal work) in order to avoid the negative impact of their earnings on welfare payments to other members of the household. An additional issue linked to the dependent status of many women in low income households is the limited eligibility they established to labour market and training schemes. Lone parents have improved their eligibility for such schemes resulting from new pressures to change the traditional long-term welfare claimant status of many lone parents. New policies have emerged which are moving towards a system in which lone parents would be expected to take up training or employment once their youngest child reaches 7 years of age.

Examining the patterns of employment on a gender basis it is evident that fundamental changes have taken place over the last fifteen years in Ireland. The majority of women are now in paid employment and the employment rate of women had reached the Lisbon target of 60%, although has slipped back as the overall unemployment rate has increased to nearly twelve per cent. Womens’ responsibilities for the majority of household-based caring is reflected in different patterns of paid employment. Significantly more women then men work part-time and work fewer overall hours than men. Women parents rates of recorded ‘inactivity’ are very much higher than those of men parents. The presence of one or more children in a household has no measurable effect on men’s employment whereas women’s employment rate falls on each additional child in the household.

A deepening crisis in Irish public finances has developed as taxation revenues have collapsed, increased demands have been placed on public expenditure as unemployment has risen and the banking system has failed to provide credit to the business sector. This has created a new situation in which successive emergency budgets have been introduced to cut public expenditure and increase taxes. The fiscal system in Ireland is under extreme pressure and the current position is one of crisis management rather than fiscal reform. Moves towards increased tax individualisation during the early part of this decade which reduced the penal tax rates on women second-earners have come to a halt. Within the welfare system household-based claimant systems and means testing continue to categorise
significant numbers of women as dependants. Consequently many women are restricted to low paid, reduced hours and sometimes informal employment due to their concern about the potential negative impact on household income that additional earnings would have. Because of the lack of individual entitlement for many women under the Irish household-based welfare system, many women do not meet the criteria necessary to benefit from certain active labour market initiatives – a particularly crucial issue in this period of economic recession.
## Grid B(i) Summary of Empirical Studies on labour supply elasticities

<table>
<thead>
<tr>
<th>Country</th>
<th>Authors (year)</th>
<th>Data Series</th>
<th>Sample: characteristics of sampled individuals</th>
<th>Representativeness of sample:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Characteristics of the sample</td>
<td>Characteristics of earnings</td>
</tr>
<tr>
<td>Ireland</td>
<td>Callan, T., van Soest, A. &amp; Walsh, J.R. (2007)$^{14}$</td>
<td>1994 Living in Ireland Panel Survey</td>
<td>1,296 married couples in the age group 18 to 65</td>
<td>gross hourly wages; information on preferred hours of work used;</td>
</tr>
</tbody>
</table>

### Own wage elasticity
- Defined as the % change in total desired hours of group of people (husbands and wives) if all before tax wage rates (of husbands or wives) in that group rise by 1 

<table>
<thead>
<tr>
<th>Characteristics of the sample</th>
<th>Characteristics of earnings</th>
<th>No of observations</th>
<th>Value of elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Men 0.25</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(if all gross wage rates of the men in the sample increased by 1 %, while women’s wage rates remain unchanged, men’s total desired hours would increase by 0.25%)</td>
</tr>
<tr>
<td>Cross elasticity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For female spouse</td>
<td></td>
<td></td>
<td>-0.35</td>
</tr>
<tr>
<td>For male spouse</td>
<td></td>
<td></td>
<td>-0.07</td>
</tr>
</tbody>
</table>

$^{14}$ Callan et al ‘Tax Structure and Female Labour Market Participation: Evidence from Ireland’, IZA Discussion Paper No. 3090
<table>
<thead>
<tr>
<th>Country</th>
<th>Authors (year)</th>
<th>Data Series</th>
<th>Sample: characteristics of sampled individuals</th>
<th>Representativeness of sample:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Characteristics of the sample</td>
<td>Characteristics of earnings</td>
</tr>
<tr>
<td>Ireland</td>
<td>Doris, A. (2001)</td>
<td>1998 Living in Ireland Survey</td>
<td>Individuals aged 22 years and over</td>
<td>hourly gross wage rate</td>
</tr>
</tbody>
</table>

**Own wage elasticity**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Characteristics of the sample</th>
<th>Characteristics of earnings</th>
<th>No of observations</th>
<th>national</th>
<th>regional</th>
<th>local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualified women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unqualified women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualified men</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unqualified men</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross elasticity</th>
<th>Value of elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>For female spouse</td>
<td>no data for cross elasticity</td>
</tr>
<tr>
<td>For male spouse</td>
<td>no data for cross elasticity</td>
</tr>
</tbody>
</table>

---

Appendix

Table a  Women and Men in Employment (ILO), aged 15 years and over Sep – Nov, 2006, 2008,

<table>
<thead>
<tr>
<th></th>
<th>% Employed</th>
<th>% Employed Full-time</th>
<th>% Employed Part-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Females</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>44.1</td>
<td>36.6</td>
<td>76.1</td>
</tr>
<tr>
<td>2006</td>
<td>42.4</td>
<td>35.2</td>
<td>78.1</td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>55.8</td>
<td>63.3</td>
<td>23.8</td>
</tr>
<tr>
<td>2006</td>
<td>57.5</td>
<td>64.7</td>
<td>21.8</td>
</tr>
</tbody>
</table>

Source: QNHS, Q4, 2008

Table b  Women and Men classified by ILO Economic Status, 2008

<table>
<thead>
<tr>
<th></th>
<th>% Employed</th>
<th>% Unemployed</th>
<th>% Inactive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Females</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(as a % of total persons aged 15 years and over)</td>
<td>25.6</td>
<td>1.5</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(as a % of total persons aged 15 or over)</td>
<td>32.3</td>
<td>3.3</td>
<td>13.7</td>
</tr>
<tr>
<td><strong>Females</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(as a % of total females aged 15 years and over)</td>
<td>50.7</td>
<td>2.9</td>
<td>46.3</td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(as a % of total males aged 15 years and over)</td>
<td>65.4</td>
<td>6.7</td>
<td>27.8</td>
</tr>
</tbody>
</table>

Source: QNHS

Over 50 per cent of women were in employment in 2008, almost 3 per cent were unemployed, and over 46 per cent of women of working age were not in the labour force.

Table c  Women and Men aged 15 years and over classified by duration of Unemployment (ILO), 2008 (as a % of all persons unemployed)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008(^{16})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Females</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term Unemployed(^{17})</td>
<td>31.1</td>
<td>30</td>
<td>24.9</td>
</tr>
<tr>
<td>Long-Term Unemployed(^{18})</td>
<td>7.8</td>
<td>7</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Males</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-Term Unemployed</td>
<td>38.6</td>
<td>42.2</td>
<td>50</td>
</tr>
<tr>
<td>Long-Term Unemployed</td>
<td>22</td>
<td>20.3</td>
<td>18.4</td>
</tr>
</tbody>
</table>

\(^{16}\) Percentages do not add up to 100 as category of ‘not stated’ was not included
\(^{17}\) Less than one year
\(^{18}\) 1 year and over

—. 2009a. "Industrial Production & Turnover." Dublin: CSO.


—. 2008a. "Indicators for Monitoring the Employment Guidelines Including Indicators for Additional Employment Analysis." EC.


