**Opening Statement by Donal de Buitleir, Director of Publicpolicy.ie to Joint Oireachtas Committee on Education and Social Protection on Wednesday 21 January, 2015**

**The Impact of Social Protection Payments on Income Distribution**

Evidence from the OECD shows that the distribution of income in Ireland before taxes and socialtransfers is the most unequal in the OECD; it is surprisingly, perhaps, a little more unequal than that in the United States.

We have the most progressive tax and transfer system in the OECD both absolutely and proportionately. As a result the post-tax and transfer system reduces income inequality to around the OECD average. The countries with the next most progressive systems are Finland and Denmark though these systems are considerably less progressive than ours.

While the income tax system is highly progressive, the social protection system plays a very important role.

The “at risk of poverty” rates pre-tax and transfers is 50.3% and this is reduced to 16.5% after taxes and transfers. (Source: Survey of Income and Living Conditions 2012, CSO)

In the case of the elderly, the state pension is very important particularly for low income retirees who get 90 % of their income from the state pension. For 26 % of these, their only source of income is the state pension. (Source : Nivakoski, S., & Barrett, A. (2012). “Supplementary Pensions and the Income of Ireland’s Retirees” Data from The Irish Longitudinal Study on Ageing [TILDA)](http://tilda.tcd.ie/).

The sustainability of the state pension is critically important.

**Bottom Decile**

Much attention is focussed on the bottom 10 % of the population. This Group has some puzzling features.

Only 60 per cent have medical cards compared to 74 percent in the third decile and their recorded expenditure is 186 % of their recorded income. (Source: Household Budget Survey 2009-10, CSO)

Their recorded income is less than theBasic Supplementary Welfare Allowance[[1]](#footnote-1) plus Child Benefit where appropriate.(Source: Own calculations)

As a result it is clear that those in the bottom decile are not in receipt of basic social welfare benefits. Possible reasons for this include.

* They are entitled to benefits but are not claiming them.
* They are not entitled to benefits because while their income is low they fail the means test due to their holdings of assets.
* They are self-employed and making very low incomes or losses during the survey period.
* They are in full-time education.

**Workless Households**

One of the disturbing features in Ireland is the very high proportion of workless households. This refers to households where the adults (aged up to 59) work less than 20% of their total work potential during the past year.

Almost one in four Irish households are in this category (23.4%). This is by far the highest in the EU and is over twice the EU average (10.7%). Even in 2008 the number was very high at 13.7% (almost 1 in 7). Adults in this category disproportionately have low education, are unskilled, are lone parents or carers or have a disability.

This is a complex issue and we need to increase our understanding of the barriers to work affecting this group if we are to tackle the problem.

1. Supplementary Welfare Allowance provides a basic weekly allowance to eligible people who have

   little or no income. This is a means tested payment and the provision of Basic SWA payment (BSWA)

   is very similar to the provision of primary payments such as Jobseekers Assistance. People with low incomes may also qualify for a weekly supplement payment under the Supplementary Welfare Allowance Scheme to meet certain special needs, for example, help with rent/mortgage interest payments or for urgent or exceptional needs. In 2013 supplementary welfare payments totalling €626.4 million were made to 304,492 recipients [↑](#footnote-ref-1)