

# The distributional impact of Budget 2020 tax and welfare measures

## DATE

11<sup>th</sup> October 2020

## AUTHOR

Karina Doorley



# Choosing a benchmark

Wages and prices are set to increase in 2020 (4.5% for wages, 1.4% for prices)

We compare Budget 2020 to an indexed 2019 Budget

- Both applied to the forecasted 2020 population
- Direct taxes and benefits are indexed in line with wage growth
- Indirect taxes are indexed in line with price growth

This benchmark is one which keeps inequality & the size of the state constant over time but is **not a policy prescription.**

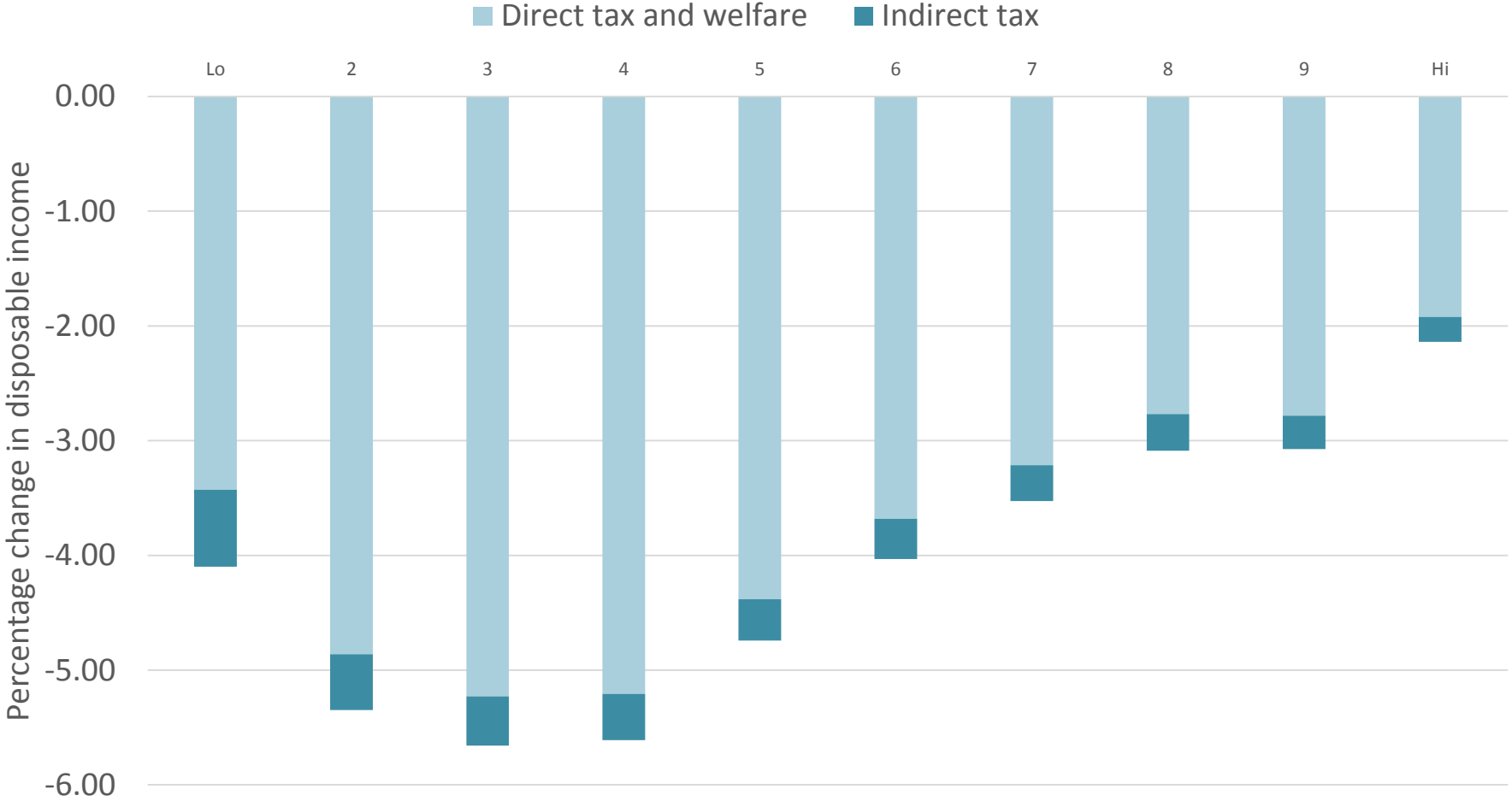
# Income will be lower in 2020 compared to a wage-indexed 2019 Budget



# Income will also be lower in 2020 compared to a price-indexed 2019 Budget



# What about compared to a wage-indexed 2016 Budget?



# Budget 2020 disproportionately impacts welfare recipients compared to a wage-indexed 2019 Budget

---

## Change in disposable income compared to a wage indexed benchmark

	2019-2020	2016-2020
Singles	-1.54	-3.06
Lone parents	-2.66	-3.46
Couples with kids	-1.43	-3.06
Couples without kids	-1.24	-2.28
Single, retired	-2.00	-4.78
Couple, retired	-2.72	-5.34

---

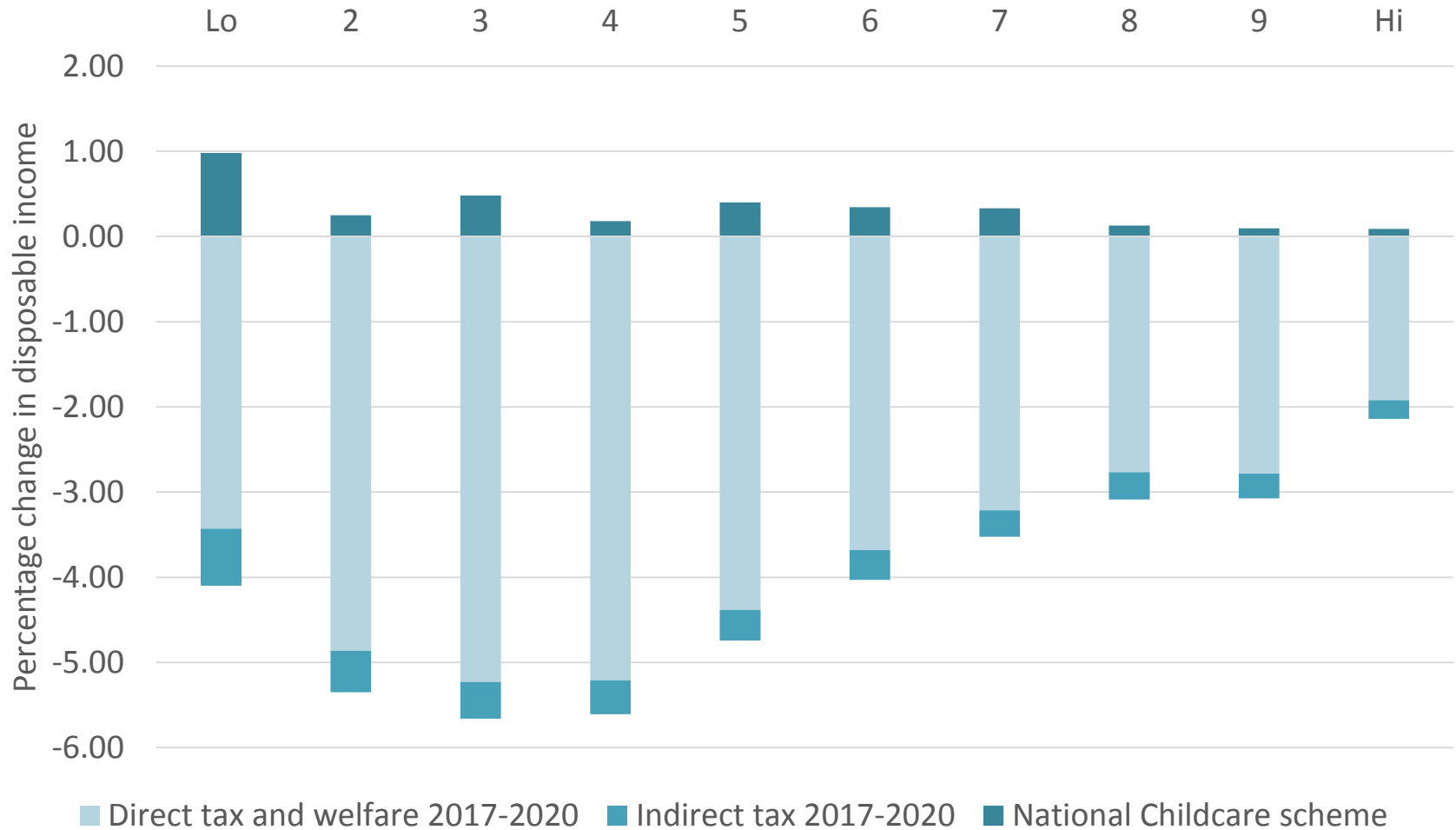
## Budget 2020 will increase poverty compared to a wage- indexed 2019 Budget

---

	2016 indexed policies	2019 indexed policies	2020 policies
At risk of poverty rate	15.9%	15.9%	16.6%
Poverty gap	3.2%	3.2%	3.4%
At risk of poverty rate - children	19.2%	18.5%	19.6%

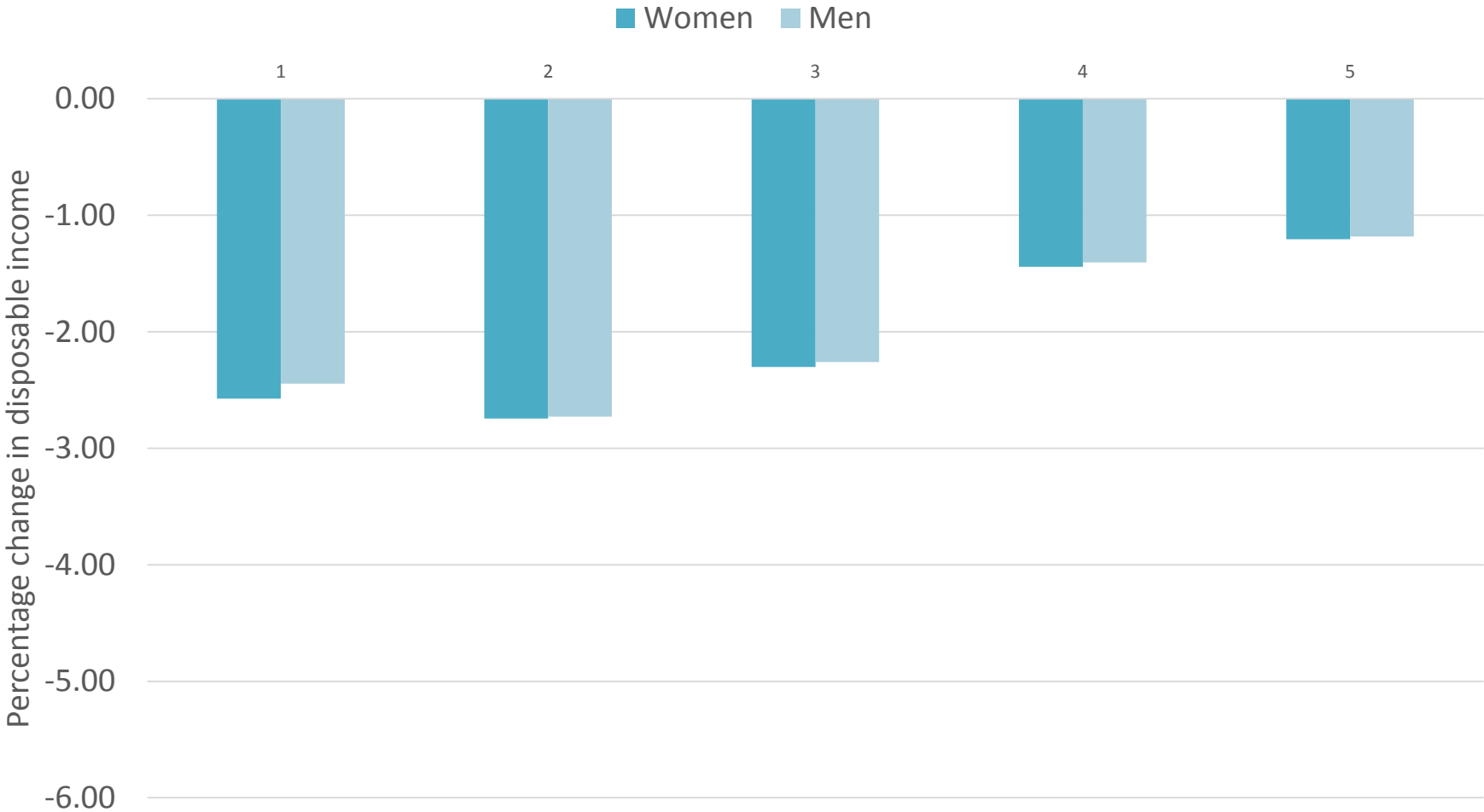
---

# Increased spending may counteract some income losses





# Budget 2020 was gender neutral



# Conclusions

- Challenging time for budgeting given Brexit uncertainty
- Indexation of tax and welfare parameters costly (c. €1.5bn) and results in less money for capital/other expenditure
- Household disposable income to be lower in 2020 compared to an indexed 2019 Budget (-1.7% for wage indexation, -0.5% for price indexation)
- Likely to be partly offset by expenditure in other areas
  - E.g. Health expenditure (hard to value)
  - National Childcare Scheme (up to 1% of disposable income)
- Gender neutral budget, continuing the post-recession trend

Thanks!  
Questions?