

1: Budget 2006

This section looks at how Budget 2006 impacts the welfare to work transitions.

1.1 Budget 2006 & welfare to work transitions

Tables 1 & 2 in the main report detail the range of assessments of earned income and welfare to work supports; the tables below summarise changes introduced to these in Budget 2006.

Table 1 Earned income assessments

		Change in Budget 2006	Date effective
Deductions from earnings	PRSI & Health Levy	The weekly threshold for liability for employee's PRSI was increased by €13 to €300 The threshold for liability for the Health Levy was increased by €40 to €440 pw	January 2006
	Income tax	Personal tax credits were increased as follows: Single person up €50 to €1,630 Married couple up €100 to €3,260 Lone parent up €50 to €1,630 PAYE credit up €220 to €1,490 Standard rate tax bands were increased as follows The band for single people, lone parents and married couples with one income went up €2,600 to €32,000, €36,000 and €41,000 respectively. The band for married couples with two earners was increased by €5,200 to €64,000	January 2006
Basic weekly social welfare payments	Unemployment Assistance & Benefit: claimant	Personal rate of payment increased by €17 to €165.80	January 2006
	Unemployment Benefit: qualified adult	IQA rate of payment increased by €11.30 to €110 Increases in thresholds for entitlement to a full IQA and at which entitlement to an IQA is lost, as follows: 1. Increased by €11.12 to €100 pw 2. Between €100 and €250 pw 3. Increased by €30 to €250 pw 4. Over €350 pw	January, May, July & September 2006
	Unemployment Assistance: qualified adult	Thresholds and rate of payment increased as above for UB Earned income disregards increased as follows: • Working 1-3 days, increased by €11.91 to €50 • Working 4 days or more, increased by €11.12 to €100	January, May, July & September 2006
	One Parent Family Payment	Personal rate of payment increased by €17 to €165.80 Upper earned income threshold increased by €82 to €375 pw	January & June 2006

		Change in Budget 2006	Date effective
Child payments	Child Benefit	Rates of payment increased as follows 1 st two children up €8.40 to €150 (€1.94 pw) 3 rd & subsequent children up €7.70 to €185 (€1.78 pw)	April 2006
	Early childcare supplement	New payment (not taxable) of €250 per quarter for all children aged 0-5 (€19.23 pw)	Mid 2006 (2 nd quarter)
Secondary Benefits	Fuel Allowance	Rate of payment increased by €5 to €14 (average over year €2.79 pw)	January 2006
	SWA Rent Supplement	Earned income disregard increased by €30 to €90pw; tapered withdrawal rate of 50% introduced for earnings between €60-90	January 2006
	SWA Back to School Clothing & Footwear Allowance	Earned income ceiling increased by €64 for lone parents and by €73.30 for couples Rate of payment increased by €40 to €120 for children 2-11, and to €190 for 12-22 year olds	June 2006

Table 2 Welfare to Work supports

	Change in Budget 2006			Date effective
Family Income Supplement	<i>Family size</i>	<i>Increased by</i>	<i>New limit</i>	January 2006
	1 child	€19	€465	
	2 children	€38	€510	
	3 children	€68	€565	
	4 children	€108	€630	
	5 children	€151	€705	
	6 children	€195	€775	
	7 children	€244	€845	
8 children	€282	€905		
Back to Work Allowance (Employee & Enterprise strands)	Qualifying period for those in receipt of unemployment payment reduced from 5 to 2 years Periods in receipt of SWA or on Direct Provision can be included in qualifying time			March 2006

These measures are detailed below.

1.2 Income Tax & PRSI

1.2.1 PRSI & Health Levy

The thresholds at which employees become liable for PRSI and the Health Levy were raised from €287 to €300 and from €400 to €440 respectively. These changes don't impact on the specific examples illustrated: the changes fall between the wage levels used as examples.

For a person earning €300pw, raising the PRSI threshold is worth €6.92pw; for an individual earning €440pw, raising the Health Levy threshold is worth €12.52.

1.2.2 Income tax

Personal tax credits were increased by a small amount: by €50pa for single people, and by €100pa for married couples and lone parents; there was a more substantial increase of €220pa in the PAYE credit.

The level of the standard rate band was increased more significantly: for single people, lone parents and married couples with one income, the band was increased by €2,600, while for married couples with two incomes the band was raised by €5,200.

To illustrate the impact of these changes, an individual working full-time for the NMW will see their tax bill fall by €270 (€50 + €220), while one earning twice as much, €32,000, will benefit by over three times as much, €892 (€50 + €220 + €572 i.e. €2,600 @ 22%).

Lower paid workers do not earn enough to benefit from increases in the standard rate band, this kind of tax cut benefits middle to higher earners. Cutting tax by increasing personal credits benefits (almost) all workers, and is more effective in improving welfare to work transitions. However, it is important to remember, that some low paid workers don't earn enough to pay any tax, and so tax cuts will not benefit them.

1.3 Social welfare

1.3.1 Increases in rates of payment

Personal rates were increased by €17pw on all of the lower rates of social welfare, including Unemployment Assistance/Benefit and the One parent Family Payment; in addition the rate paid for a Qualified Adult was increased by €11.30.

In Budget 2001, a commitment was made to raise Child Benefit rates to €150 and €185 in the following two years; these levels will finally be reached following Budget 2006. This budget also introduced a new universal and non-taxable payment for all children aged 0-5: the Early Childcare Supplement; the supplement is paid quarterly and is equivalent to €19.23pw.

Finally, there were also increases in the Fuel Allowance - €5pw for the 29 weeks of the year in which it is paid - and in rate of payment for the Back to School Clothing and Footwear Allowance was increased by €40 per eligible child.

These increases mean that the households illustrated here should be above the 50% relative income poverty line (with one exception), but remain below the 60% line¹.

¹ Poverty lines for 2003 up-rated by the Consumer Price Index for 2005 as published by the Central Statistics Office.



1.3.2 Social welfare: changes to means tests and eligibility requirements

Budget 2006 made a number of changes to means assessments and eligibility requirements, which can potentially have a significant impact on welfare to work transitions. Increases in rates of payment benefit those who are already entitled to a benefit, changes to means assessments and eligibility requirements can increase the number of people who benefit.

These changes are outlined below, but it must be borne in mind that the final impact of these reforms can only be assessed when they are considered together - the complexity of the system means that it's easy for a gain in one element of the income package to be clawed back by a loss elsewhere.

i) Unemployment Payments: Qualified Adults

A number of changes were made to the earned income assessment for qualified adults:

- The gross income ceiling for entitlement to a full IQA is to be increased to €100pw, and the ceiling for entitlement to a reduced IQA is to be increased in two phases, first by €20 to €240, and subsequently by a further €10 to €250. These changes apply to both Unemployment Assistance and Benefit
- The number of bands determining the reduced rate of IQA payable are also to be reduced when the increased ceilings become operative.
- The earned income disregards applying to Unemployment Assistance claims are to be increased to €50 (3 days work or less) and €100 (4 or more days work).

These changes will increase, to a small extent, the return from employment in such households. The various ceilings and disregards have been rounded up to more user-friendly numbers, but the same structure of assessment remains, so that the changes do not reduce the overall complexity of the assessments - indeed, even the manner in which the changes will be introduced is complex!

It remains possible to arrive at three slightly different outcomes, for the same household earning the same amount, depending on the basis of assessment.

ii) One Parent Family Payment

The upper gross earnings ceiling for entitlement to a reduced rate of One Parent Family Payment will be increased to €375pw. This moves the ceiling clear of the NMW at €306pw, and makes a significant difference to those whose earnings range from €293-375.

iii) Supplementary Welfare Allowance

There were changes to means assessments in two of the allowances paid under the SWA scheme.

- The earned income disregard for the Rent Supplement payment was increased to €90, and an assessment of 50% introduced for earnings between €60-90. This means an extra €15pw week for part-time workers in receipt of Rent Supplement. While it does represent an easing of the assessment, it is relatively small given rent levels, and introduces a further layer of complexity to the assessment. The threshold for assessing means is also raised by virtue of the increase in the basic SWA rate.
- The income ceilings for entitlement to Back to School Clothing and Footwear Allowance are to be increased significantly - by €64 for lone parents and by €73.30 for couples. Together with the increased payment rates, this is a welcome improvement in this scheme. However, while the higher increase for couples means that they can remain entitled to payment up to earnings levels approaching full-time at AIE, for lone parents entitlement is still lost at the lowest earnings levels.

iv) Family Income Supplement

The ceilings for entitlement to FIS were also raised, with the biggest increases for larger families. In 2005, the ceiling for a family with 3 children was *below* the 60% poverty line, so this is a welcome reform, as FIS can potentially play an important role in welfare to work transitions. However, as will be seen in the examples illustrated below, for a couple with one child, the increase in the threshold was not sufficient to protect gains in basic social welfare rates.

v) Eligibility for Back to Work Allowance

Budget 2006 eased eligibility restrictions for the Back to Work Allowance introduced in recent years: unemployed people will be eligible after two years unemployment, a significant reduction from the previous five year requirement. In addition, periods spent in receipt of SWA or Direct Provision can be included in the qualifying time. The Back to Work Allowance is a valuable component of welfare to work provision, and this easing of the eligibility criteria means those experiencing labour market exclusion can access support at an earlier stage when better able to benefit from it.

1.4 Impact of Budget 2006 on different household types

The next section illustrates how these changes combine to impact on welfare to work transitions for the range of household types and earnings levels illustrated in the report.

The examples look *only* at the changes implemented in Budget 2006; for example, there were no changes to Medical Card eligibility, either in terms of changes to the guidelines for eligibility, or in terms of knock-on effects from increases elsewhere, so Medical Card eligibility is not included in the examples illustrated below.

The new Early Childcare Supplement is included for the households with children: one Supplement is allocated per household, including the examples for the family with three children, as the Supplement only applies to children aged 0-5.

All other assumptions and costs are as in the main report.

Outcomes for each household type are summarised in a table, and illustrated with a graph, as in the main report.

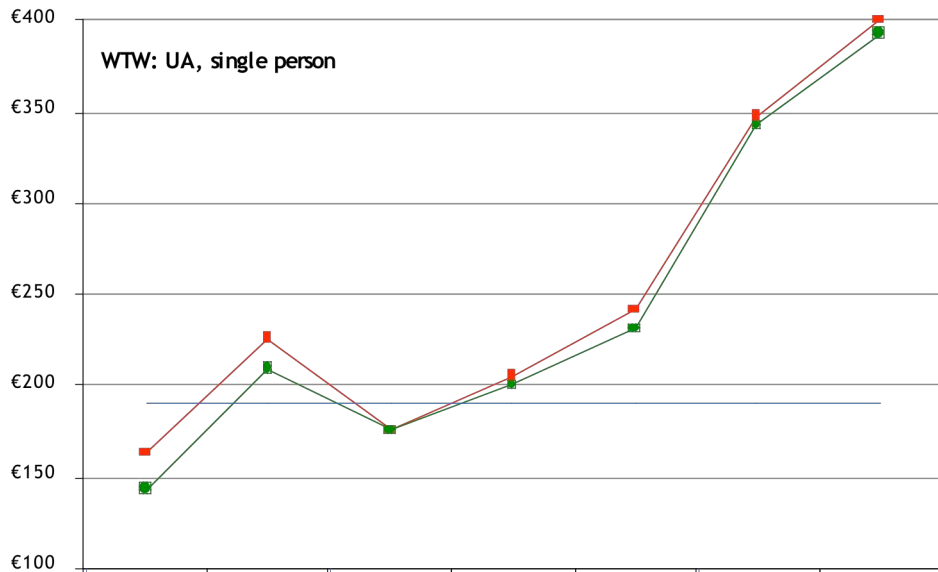
Each table provides a 'sub-total', breaking down where the main benefits arise from Budget 2006 i.e. through the tax or social welfare systems². Where a social welfare payment is taxable, i.e. Unemployment Benefit and One parent Family Payment, increases in the basic payment are reflected in the 'sub-total' for the tax system.

More detailed analysis of the factors contributing to the gains for different household types is set out following the graphs.

² For convenience, the Early Childcare Supplement is included under the social welfare heading.

Table 3 Unemployment Assistance, single person

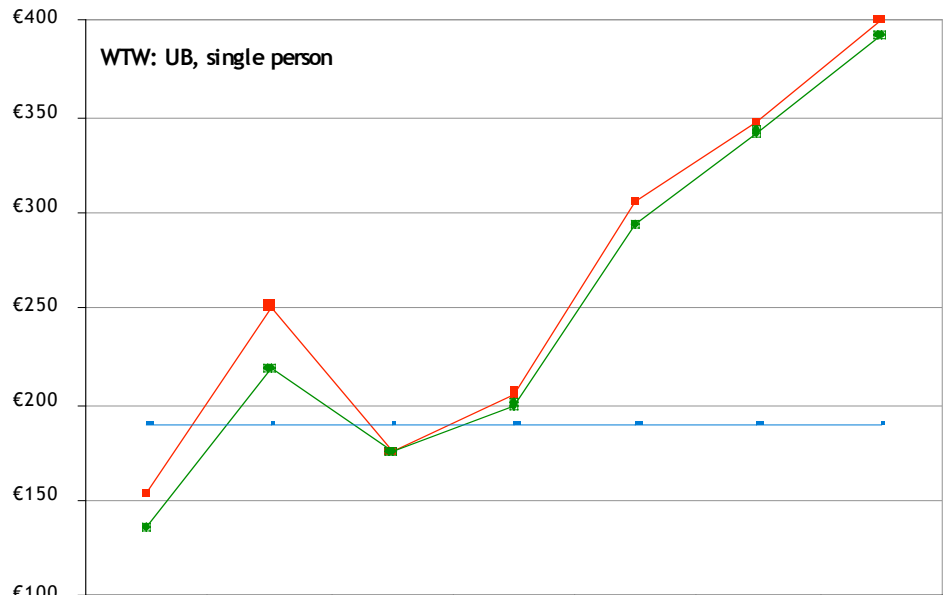
<i>Income level</i>	<i>Full UA</i>	<i>24 hrs NMW</i>	<i>35 hrs NMW</i>	<i>40 hrs NMW</i>	<i>24 hrs AIE</i>	<i>35 hrs AIE</i>	<i>40 hrs AIE</i>
<i>Income tax & PRSI</i>							
PRSI & Health Levy		€0.00	€0.00	€7.16	€8.79	€25.27	€29.60
Tax due (tax - tax credit)		€0.00	€0.00	€62.40	€486.72	€2,139.80	€2,891.20
Income net of tax & PRSI		€183.60	€267.75	€297.64	€328.65	€439.34	€492.80
<i>Impact of Budget 2006</i>		€0.00	€0.00	€5.19	€5.19	€5.19	€7.97
<i>Social welfare</i>							
Unemployment Assistance	€165.80	€55.64			€0.00		
Rent Supplement	€79.31	€79.31			€5.10		
Fuel Allowance	€9.98						
<i>Impact of Budget 2006</i>	€19.79	€17.00	€0.00	€0.00	€5.10	€0.00	€0.00
<i>Income after key living expenses</i>							
Gross earned income		€183.60	€267.75	€306.00	€346.80	€505.75	€578.00
Net income (excluding RS) 2006	€175.78	€239.24	€267.75	€297.64	€328.65	€439.34	€492.80
Net income (excluding RS) 2005	€155.99	€222.24	€267.75	€292.45	€323.46	€434.14	€484.83
<i>2004 60% poverty line CPI uprated</i>	€193.98	€193.98	€193.98	€193.98	€193.98	€193.98	€193.98
Income after housing costs 2006	€162.78	€226.24	€175.44	€205.33	€241.44	€347.03	€400.49
Income after housing costs 2005	€142.99	€209.24	€175.44	€200.14	€231.15	€341.83	€392.52
<i>Impact of Budget 2006</i>	€19.79	€17.00	€0.00	€5.19	€10.29	€5.19	€7.97



	Full UA	24 hrs NMW	35 hrs NMW	40 hrs NMW	24 hrs AIE	35 hrs AIE	40 hrs AIE
Income after housing costs 2006	€162.78	€226.24	€175.44	€205.33	€241.44	€347.03	€400.49
Income after housing costs 2005	€142.99	€209.24	€175.44	€200.14	€231.15	€341.83	€392.52
2003 60% poverty line, CPI uprated	€190.12	€190.12	€190.12	€190.12	€190.12	€190.12	€190.12

- This example illustrates how low paid workers can end up benefiting from neither social welfare increases nor tax cuts. At 35hrs at the NMW, this worker wasn't liable for tax in 2005, and so doesn't benefit from the increase in tax credits, or in social welfare payments.
- The poverty trap caused by withdrawal of Rent Supplement remains, although changes to the means assessment mean that part-time workers on AIE benefits by becoming eligible for €5.10 in Rent Supplement.

Table 4 Unemployment Benefit, single person							
<i>Income level</i>	<i>Full UB</i>	<i>24 hrs NMW</i>	<i>35 hrs NMW</i>	<i>40 hrs NMW</i>	<i>24 hrs AIE</i>	<i>35 hrs AIE</i>	<i>40 hrs AIE</i>
Unemployment Benefit	€165.80	€82.90			€82.90		
Income tax & PRSI							
PRSI & Health Levy		€0.00	€0.00	€ 7.16	€ 8.79	€25.27	€29.60
Tax due (tax - tax credit)	€0.00	€0.00	€0.00	€62.40	€1,213.68	€2,139.80	€2,891.20
Income net of tax & PRSI, per week	€165.80	€266.50	€267.75	€297.64	€397.57	€439.34	€492.80
Impact of Budget 2006	€17.00	€ 8.50	€0.00	€ 5.19	€11.99	€ 5.19	€ 7.97
Social welfare							
Rent supplement	€79.31	€53.61			€0.00		
Impact of Budget 2006	€0.00	€23.50			€0.00		
Income after key living expenses							
Gross earned income		€183.60	€267.75	€306.00	€346.80	€505.75	€578.00
Net income (excluding RS) 2006	€165.80	€266.50	€267.75	€297.64	€397.57	€439.34	€492.80
Net income (excluding RS) 2005	€155.99	€222.24	€267.75	€292.45	€323.46	€434.14	€484.83
<i>2004 60% poverty line CPI uprated</i>	€193.46	€193.46	€193.46	€193.46	€193.46	€193.46	€193.46
Income after housing costs 2006	€152.80	€250.80	€175.44	€205.33	€305.26	€347.03	€400.49
Income after housing costs 2005	€135.80	€218.80	€175.44	€200.14	€293.27	€341.83	€392.52
Impact of Budget 2006	€17.00	€32.00	€0.00	€5.19	€11.99	€5.19	€7.97

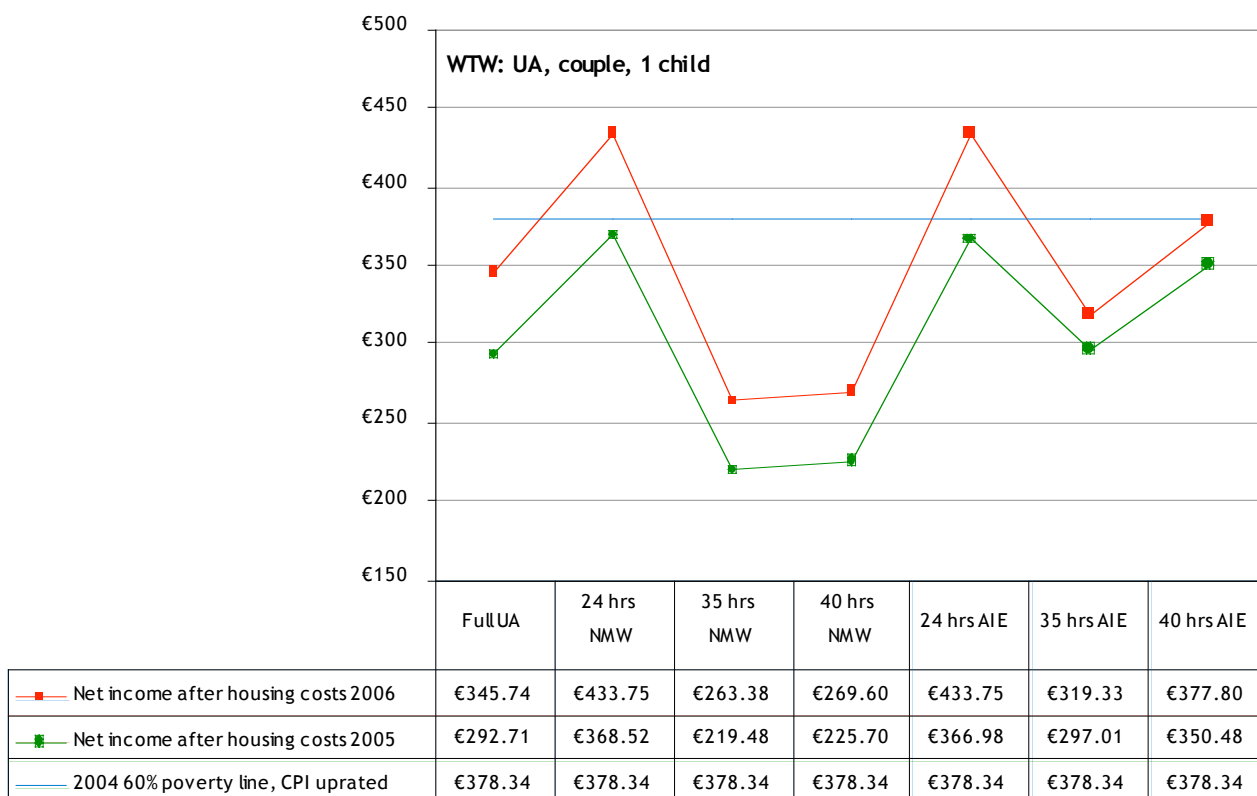


	Full UB	24 hrs NMW	35 hrs NMW	40 hrs NMW	24 hrs AIE	35 hrs AIE	40 hrs AIE
Income after housing costs 2006	€152.80	€250.80	€175.44	€205.33	€305.26	€347.03	€400.49
Income after housing costs 2005	€135.80	€218.80	€175.44	€200.14	€293.27	€341.83	€392.52
2004 60% poverty line, CPI uprated	€190.12	€190.12	€190.12	€190.12	€190.12	€190.12	€190.12

- The example of a part-time worker on AIE illustrates how a number of changes interact together to impact on welfare to work transitions. Most of the overall increase- €23.50 - is in Rent Supplement, a combination of the changes to the assessment of earned income, and the increases in the means threshold i.e. the €17 increase in the basic SWA rate

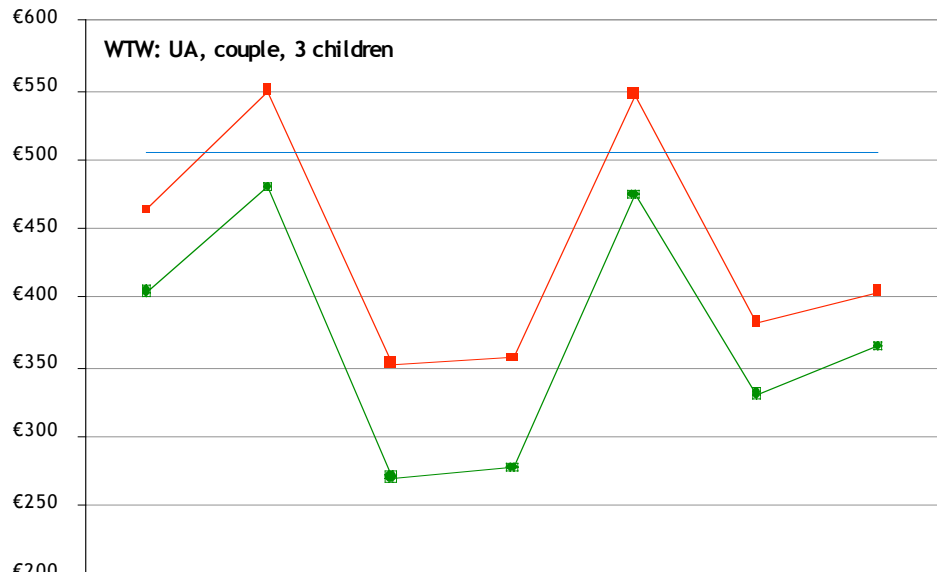
Table 5 Unemployment Assistance, couple with 1 child

<i>Income level</i>	<i>Full UA</i>	<i>24 hrs NMW</i>	<i>35 hrs NMW</i>	<i>40 hrs NMW</i>	<i>24 hrs AIE</i>	<i>35 hrs AIE</i>	<i>40 hrs AIE</i>
<i>Income tax & PRSI</i>							
PRSI & Health Levy	n/a	€0.00	€0.00	€7.16	€8.79	€25.27	€29.60
Tax due (tax - tax credit)	n/a	€0.00	€0.00	€0.00	€0.00	€0.00	€491.20
Income net of tax & PRSI	n/a	€183.60	€267.75	€298.84	€338.01	€480.49	€538.95
<i>Impact of Budget 2006</i>	n/a	€0.00	€0.00	€0.00	€0.00	€1.15	€6.15
<i>Social welfare</i>							
Unemployment Assistance	€292.60	€127.30	€90.33	€74.78	€41.70	€0.00	€0.00
Family Income Supplement	n/a	€92.46	€64.16	€54.83	€51.18	€0.00	€0.00
Child Benefit	€34.62	€34.62	€34.62	€34.62	€34.62	€34.62	€34.62
Early Childcare Supplement	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23
Rent Supplement	€202.00	€189.24	n/a	n/a	€161.72	n/a	n/a
Back to School Clothing Footwear Allowance	€2.31	€2.31	€2.31	€2.31	€2.31	€0.00	€0.00
Fuel Allowance	€9.98	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
<i>Impact of Budget 2006</i>	€53.03	€65.24	€43.90	€43.90	€66.78	€21.17	€21.17
<i>Income after key living expenses</i>							
Gross earned income		€183.60	€267.75	€306.00	€346.80	€505.75	€578.00
Net income (excluding RS) 2006	€358.74	€459.51	€478.38	€484.60	€487.04	€534.33	€592.80
Net income (excluding RS) 2005	€305.71	€416.99	€434.48	€440.70	€442.98	€512.01	€565.48
<i>2004 60% poverty line CPI uprated</i>	€386.02	€386.02	€386.02	€386.02	€386.02	€386.02	€386.02
Net income after housing costs 2006	€345.74	€433.75	€263.38	€269.60	€433.75	€319.33	€377.80
Net income after housing costs 2005	€292.71	€368.52	€219.48	€225.70	€366.98	€297.01	€350.48
<i>Impact of Budget 2006</i>	€53.03	€65.24	€43.90	€43.90	€66.78	€22.32	€27.32



- This household type provides another illustration of how changes in different elements of the system can interact. This household gets a proportional increase in basic social welfare payments (until entitlement is lost at 35hrs AIE), but this is partially clawed back by a reduction in their entitlement to FIS. Although the FIS threshold was raised, it was not increased by enough to prevent clawing back some of the gains elsewhere.
- Gains from tax cuts are minimal, as there is no liability for tax until the two highest earnings levels illustrated.
- These factors are offset by gains in other elements of the family's income package. They benefit from a number of child-related payments: Child Benefit, the new Early Childcare Supplement, and from the changes to the Back to School Clothing and Footwear Allowance, for which eligibility will be retained until the part-time at AIE level.
- Part-time workers benefit from the changes to the Rent Supplement assessment, and the increased means threshold arising from the increase in the basic SWA rate.
- On balance, all income levels benefit in overall terms, however, there are bigger gains for the two part-time examples than there are for those working full-time (35 & 40 hrs) at the NMW.

Table 6 Unemployment Assistance, couple with 3 children							
<i>Income level</i>	<i>Full UA</i>	<i>24 hrs NMW</i>	<i>35 hrs NMW</i>	<i>40 hrs NMW</i>	<i>24 hrs AIE</i>	<i>35 hrs AIE</i>	<i>40 hrs AIE</i>
<i>Income tax & PRSI</i>							
PRSI & Health Levy	n/a	€0.00	€0.00	€7.16	€8.79	€25.27	€29.60
Tax due (tax - tax credit)	n/a	€0.00	€0.00	€0.00	€0.00	€0.00	€491.20
Income net of tax & PRSI, per week	n/a	€183.60	€267.75	€298.84	€338.01	€480.49	€538.95
<i>Impact of Budget 2006</i>	n/a	€0.00	€0.00	€0.00	€0.00	€1.15	€6.15
<i>Social welfare</i>							
Unemployment Assistance	€326.20	€160.90	€107.13	€91.58	€58.50	€0.00	€0.00
Family Income Supplement	n/a	€132.30	€114.08	€104.75	€101.10	€50.71	€15.63
Child Benefit	€111.92	€111.92	€111.92	€111.92	€111.92	€111.92	€111.92
Early Childcare Supplement	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23
Rent Supplement	€262.00	€209.40	n/a	n/a	€188.60	n/a	n/a
Back to School Clothing & Footwear Allowance	€8.27	€8.27	€8.27	€8.27	€8.27	€0.00	€0.00
Fuel Allowance	€9.98	€0.00	€0.00	€0.00	€0.00	€0.00	€0.00
<i>Impact of Budget 2006</i>	€58.28	€70.49	€82.98	€82.98	€76.45	€55.59	€40.51
<i>Income after key living expenses</i>							
Gross earned income	n/a	€183.60	€267.75	€306.00	€346.80	€505.75	€578.00
Net income (excluding RS) 2006	€475.61	€616.22	€628.37	€634.59	€637.02	€662.35	€685.74
Net income (excluding RS) 2005	€417.33	€355.45	€277.65	€252.77	€215.88	€126.27	€106.27
<i>2004 60% poverty line CPI uprated</i>	€514.05	€514.05	€514.05	€514.05	€514.05	€514.05	€514.05
Income after housing costs 2006	€462.61	€549.62	€351.37	€356.59	€546.62	€382.35	€404.74
Income after housing costs 2005	€404.33	€480.13	€270.40	€276.61	€474.17	€330.60	€364.07
<i>Impact of Budget 2006</i>	€58.28	€69.49	€80.98	€79.98	€72.45	€51.74	€40.67



	Full UA	24 hrs NMW	35 hrs NMW	40 hrs NMW	24 hrs AIE	35 hrs AIE	40 hrs AIE
Income after housing costs 2006	€462.61	€549.62	€351.37	€356.59	€546.62	€382.35	€404.74
Income after housing costs 2005	€404.33	€480.13	€270.40	€276.61	€474.17	€330.60	€364.07
2004 60% poverty line, CPI uprated	€503.82	€503.82	€503.82	€503.82	€503.82	€503.82	€503.82

- This household type illustrates a different kind of claw-back than the smaller family in the previous example. This household benefits from the larger increases in FIS thresholds for larger families, at all income levels. This gain is partially clawed back by a reduced entitlement to Rent Supplement for the part-time examples at both wage levels, despite the changes in the means assessment for this payment.
- This family will also benefit from the changes in child-related payments, including Back to School Clothing and Footwear Allowance, for which entitlement is retained at all but the top two wage levels illustrated. One Early Childcare Supplement is included, as this payment is restricted to children under 6.
- As with the previous example, there are minimal gains from tax cuts, as most of the wage levels illustrated have no liability for tax.
- The greatest gains are for 35/40hrs at the NMW, although where the family lives in the private rented sector, a substantial poverty trap would remain.

Table 7 One Parent Family, 1 child							
<i>Income level</i>	<i>Full OFP</i>	<i>25 hrs NMW</i>	<i>35 hrs NMW</i>	<i>40 hrs NMW</i>	<i>25 hrs AIE</i>	<i>35 hrs AIE</i>	<i>40 hrs AIE</i>
One Parent Family Payment	€185.10	€170.10	€130.10	€112.60	€85.10	€0.00	€0.00
Income tax & PRSI							
PRSI & Health Levy	n/a	€0.00	€0.00	€7.16	€9.37	€25.27	€29.60
Tax due (tax - tax credit)	€0.00	€0.00	€0.00	€0.00	€0.00	€509.80	€1,261.20
Income net of tax & PRSI, per week	€185.10	€361.35	€397.85	€411.44	€436.98	€470.68	€524.15
<i>Impact of Budget 2006</i>	€17.00	€17.00	€17.00	€112.60	€85.10	€6.15	€6.15
Social welfare							
Family Income Supplement	n/a	€62.19	€40.29	€32.14	€16.81	€0.00	€0.00
Child Benefit	€34.62	€34.62	€34.62	€34.62	€34.62	€34.62	€34.62
Early Childcare Supplement	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23	€19.23
Rent Supplement	€202.00	€53.56	n/a	n/a	€23.31	n/a	n/a
Back to School Clothing & Footwear Allowance	€2.31						
Fuel Allowance	€9.98						
<i>Impact of Budget 2006</i>	€24.73	€28.17	€22.37	- €34.99	- €39.93	€21.17	€21.17
Income after key living expenses							
Gross earned income		€191.25	€267.75	€306.00	€361.25	€505.75	€578.00
Net income (excluding RS) 2006	€251.24	€477.39	€491.99	€497.42	€507.64	€524.53	€577.99
Net income (excluding RS) 2005	€209.51	€438.02	€452.62	€419.81	€441.03	€497.20	€550.67
<i>2004 60% poverty line CPI uprated</i>	€257.99	€257.99	€257.99	€257.99	€257.99	€257.99	€257.99
Net income after housing & childcare 2006	€238.24	€315.95	€186.99	€192.42	€315.95	€219.53	€272.99
Net income after housing & childcare 2005	€196.51	€270.78	€147.62	€114.81	€270.78	€192.20	€245.67
<i>Impact of Budget 2006</i>	€41.73	€45.17	€39.37	€77.61	€45.17	€27.32	€27.32



- The main impact of Budget 2006 from a lone parent perspective is the increase in the maximum earnings ceiling for entitlement to a reduced One parent Family Payment. This makes a very substantial impact on the examples showing 40hrs at the NMW, and at the next level of income, 24hrs at AIE. These gains are partially clawed back by a reduced entitlement to Family Income Supplement, however a significant gain remains.
- The increase in the FIS threshold for families with one child were sufficient to realise a small gain at lower earnings levels.
- Increases in child-related payments are particularly important for lone parent families, who will benefit from the increase in Child Benefit, and the Early Childcare Supplement will make a small contribution to the childcare cost of very young children. However, despite the increase in the income ceiling for Back to School Clothing and Footwear Allowance, entitlement is still lost at the lowest earnings level.
- Where the household is living in the private rented sector, a significant poverty trap remains, making such households better off financially working part-time.

1.5 Conclusion

Budget 2006 contained some significant improvements in both payment rates, and in relation to changes made to income assessments and eligibility requirements. For example:

- The increase in the earnings threshold for the OFP will generate some significant gains for lone parents earning within the increased band;
- The large increases in Family Income Supplement thresholds for bigger families can make an impact on households at high risk of poverty - if the take-up rate can be improved.
- The new Early Childcare Supplement will provide some support to families with young children, and the improvements in the thresholds for Back to School Clothing & Footwear Allowance will particularly benefit couples.
- Easing the eligibility requirements for Back to Work Allowance will benefit those most excluded from the labour market, allowing support for welfare to work transitions at a stage when individuals are more likely to benefit than was the situation previously.

Nonetheless, the system remains a very complex and fragmented one. As can be seen from the examples, gains under one heading can often be off-set by losses in another part of the income package. The impact of a change in one area, and how it will interact with other elements in the system, is often difficult to assess.

The areas for reform identified in the main body of the report remain relevant: a multiplicity of means tests remain, using different assessments of income. Progress has been made in updating some disregards, but room for further improvement remains if more of those in need are to benefit. The 100% withdrawal rate for Rent Supplement has been ameliorated, but at the cost of a further layer of complexity to the means test. How 'unemployment' is defined remains out of step with current labour market developments. Welcome changes have been made to the eligibility requirements for the BTWA, but poverty traps remain in the scheme. There is still plenty of scope for simplified and streamlined administration, and enhanced information provision.

Some work done, more to do.