



Symposium on Good Practices in Gender  
Mainstreaming  
*Gender Impacts of National Budgets*

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**26<sup>th</sup> July 2011**

This project is co-funded by the European Union's PROGRESS Programme (2007-2013)  
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THE EQUALITY AUTHORITY  
AN tÚDARÁS COMHIONANNAIS



FOR DIVERSITY  
AGAINST DISCRIMINATION



# TASC

*'TASC is an independent progressive think tank dedicated to addressing Ireland's high level of economic inequality and ensuring that public policy has equality at its core'*



This project is supported by the European Union Programme for Employment and Social Solidarity PROGRESS (2007-2013)





# 6 Research Programmes

- A Vision for Sustainable Development
- Governance, Democracy and Reform
- Monitoring Inequality
- Equality Budget
- Progressive Economics
- Progressive Social Policy



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# Influencing Policy

- Public education
- Generate debate by hosting events
- Advocacy
  - Political system (government and opposition)
  - Government departments & other State Bodies
  - Trade unions
  - Civil society organisation



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## Context - Recession

- Failure of banking regulation at Irish and European level
- Design failure of the Euro area
- Inappropriate use of tax expenditures and pro-cyclical fiscal policy
- Irrational exuberance driving an unsustainable asset price boom leading to...
- Massive overleveraging by the financial sector
  - followed by a lack of liquidity and
  - a collapse in demand



## The Result?

- EU/IMF support required
- Double-digit deficit (12% (32% when bank recapitalisation is included))
- Biggest bank bailout in the history of the developed world (€100bn)
- Unemployment crisis (13.5%)
- Major cuts in public spending and public services (health, education, social protection)
- Growing inequality



# The Fall: Collapsing GDP

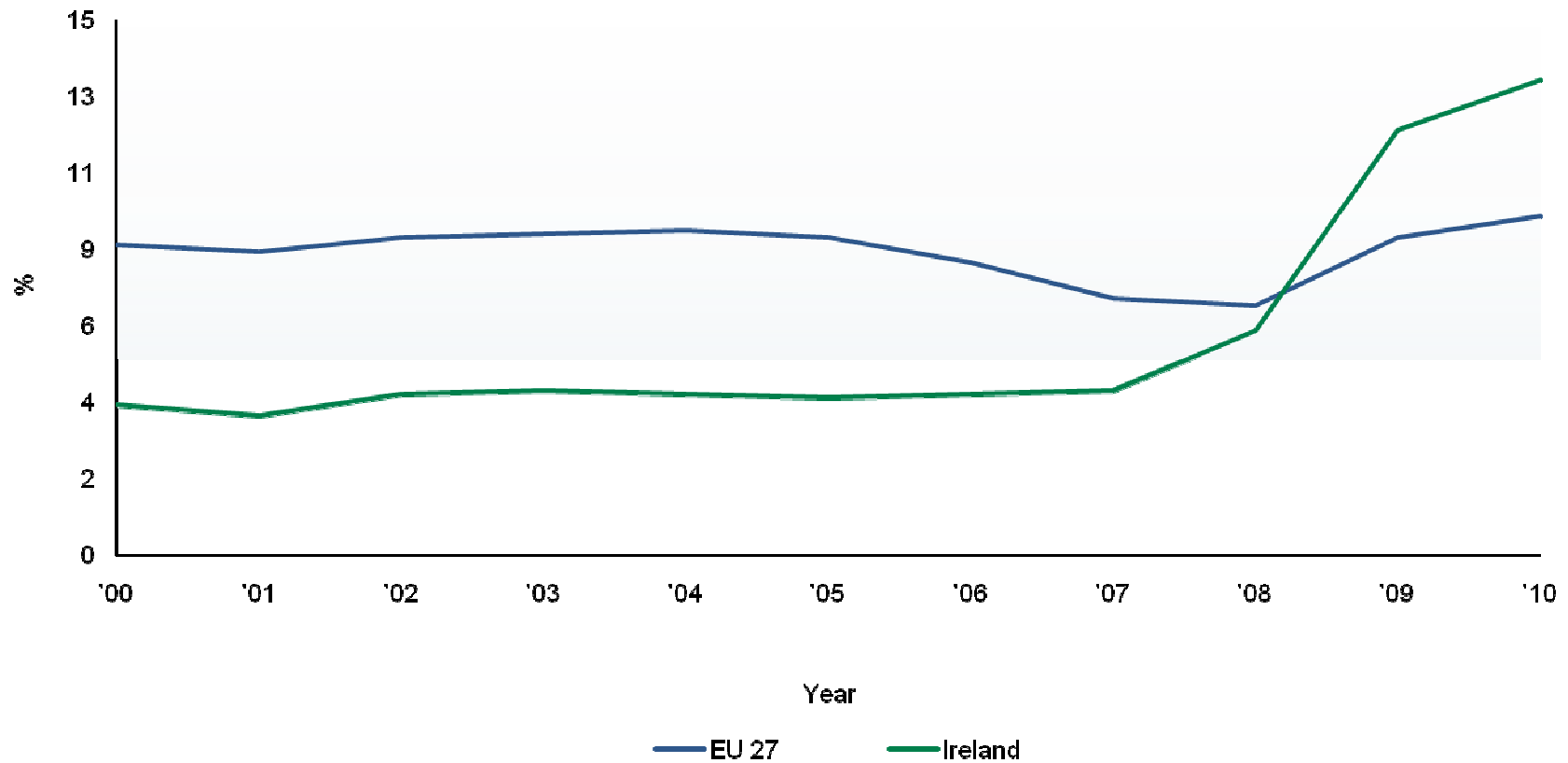


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# The Fall: Unemployment Crisis

Harmonised Unemployment Rate



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# Age of Austerity

- Taken together, the cumulative size of fiscal tightening over 2008-2010 amounts to **€14.6 billion**, which is 9.3% of 2010 GDP.
- In November 2010, the government announced a four-year fiscal plan for 2011-2014 which would involve a further **€15.5 billion** in fiscal tightening.
- Under current IMF forecasts, this fiscal austerity package is projected to stabilise the debt/GDP ratio by 2014 at around **120 percent of GDP**.
- The austerity measures will have absorbed 19% of GDP by 2014.
- Austerity measures are impacting negatively on equality.





# Economic Equality

- Inequality exists across many aspects of Irish society e.g. income and health.
- Economic equality is **not just determined by income:**
  - Tax system
  - Social transfers
  - Wealth
  - Access to and cost of public services
  - Cost of living
- More equal society cannot be realised in the absence of greater economic equality.
- We can achieve a more equal society by changing the structure of our economy.



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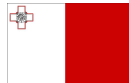
## How can we Measure Economic Inequality?

- Available data sources are limited:
  - Survey of Income and Living Conditions (SILC)
- SILC breaks down the sources of income into broad categories.
- It also tells us ‘who’ is receiving this income and how much – gender dimension.



# Methodological challenges

- Size of dataset.
- Impact of changes to taxation and benefits on men and women in the same household – inter-household transfers.
- Impact of changes to indirect taxation (VAT).
- Impact of cuts to public services.
- Growing body of expertise in this area.



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# Budgetary Goals

- National budgets are a reflection of political choices and government priorities.
- National budgets have number of (sometimes) competing goals.
- Examples include:
  - Reduce the **deficit** in a responsible and credible manner (balance the budget)
  - Foster economic recovery (generate **growth and jobs**);
  - Maintain/enhance **quality of life** without compromising sustainability
  - Increase economic **equality**
- There may be **tensions** between goals and different parties may have different goals.



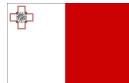


# TASC Economic Equality and the Budget

- A key budgetary goal should be to enhance economic equality.

There are numerous equality dimensions:

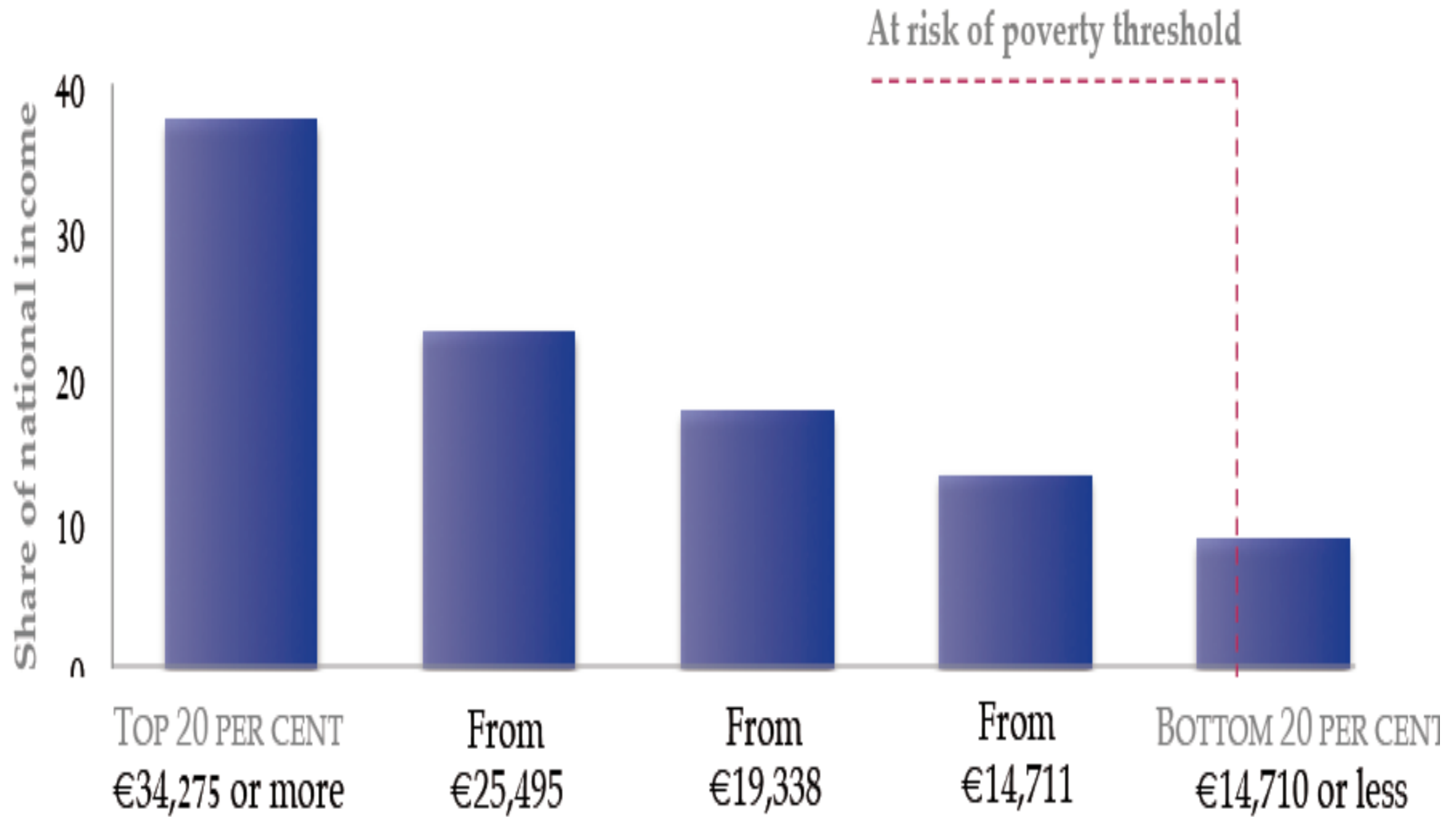
- Gender
  - Age
  - Geography (e.g. urban/rural)
  - Socio-economic background
  - Sexuality
- Closer economic equality can be achieved through manipulation of the **tax system**, through changes to **social transfers**, or through the **provision of general public services**.



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# TASC Distribution of income in Ireland 2009



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# Income liable for social insurance, 2008

*persons aged 15-84*

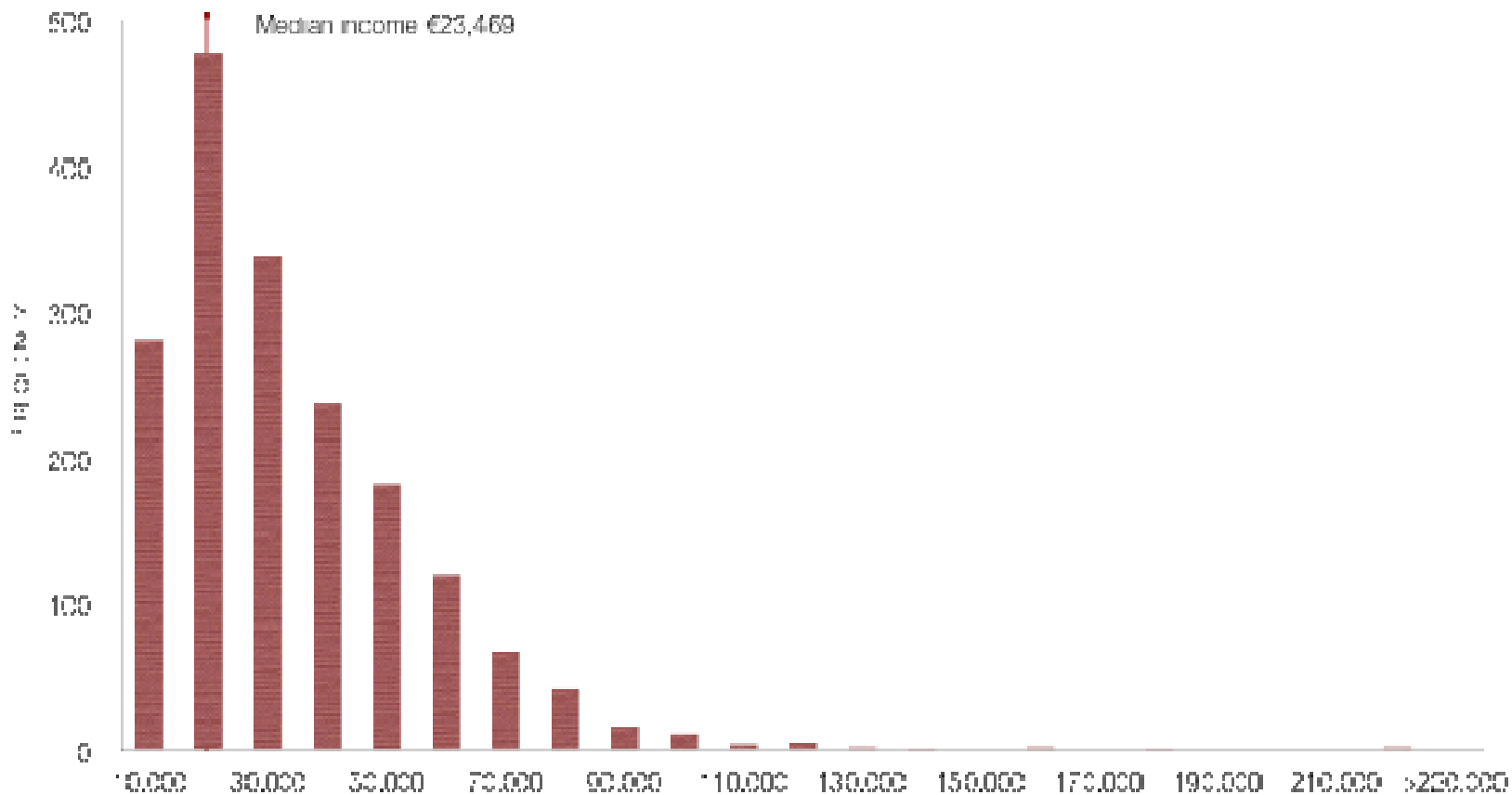
Income Band	Men (%)	Women (%)
€0 - €19,999	37.7	50.3
€20,000 - €49,999	42.7	39.0
€50,000+	19.6	10.7
<b>Average income €</b>	<b>35,966</b>	<b>25,077</b>







# Overview of the distribution of earned income among female employees

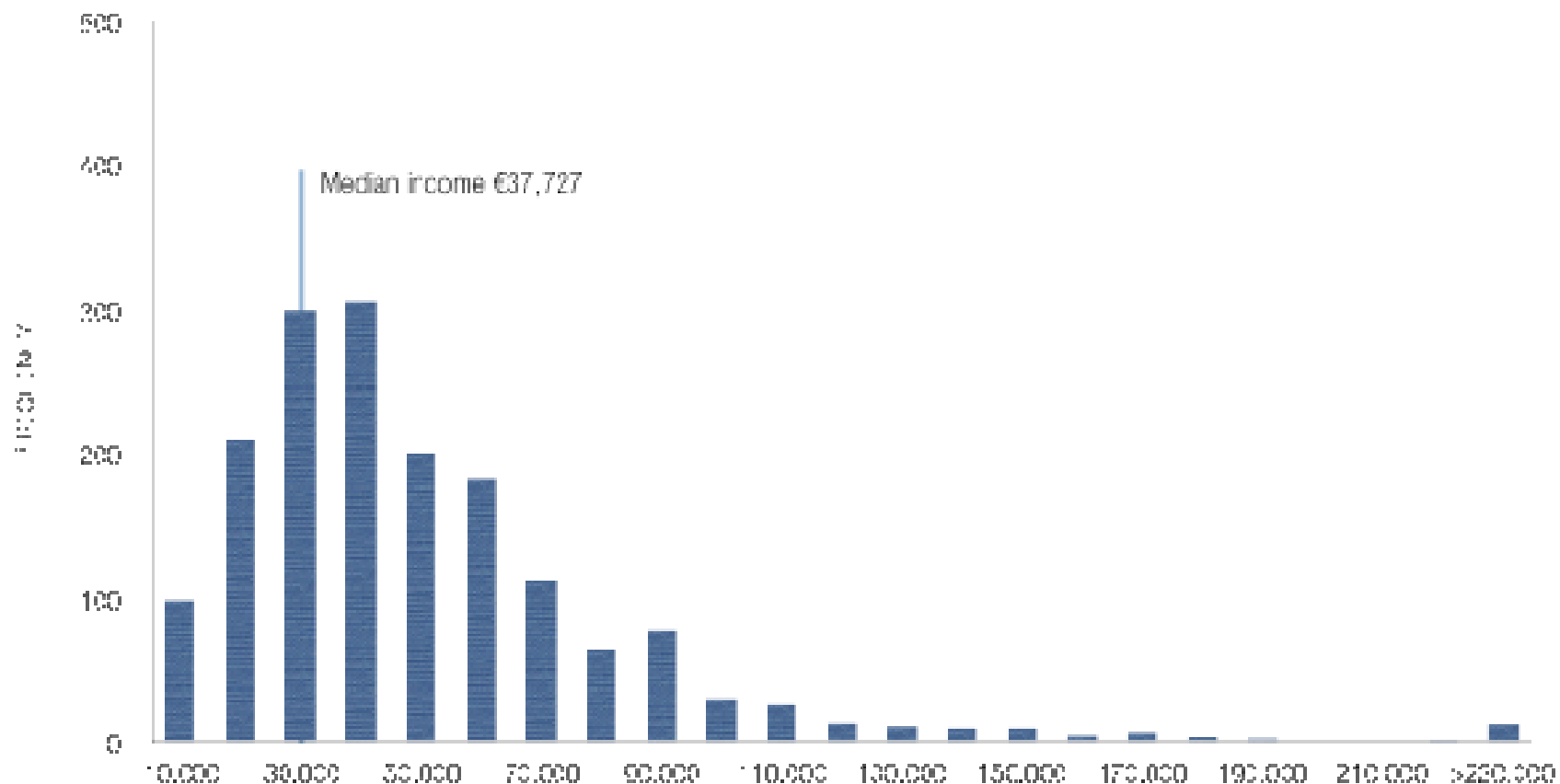


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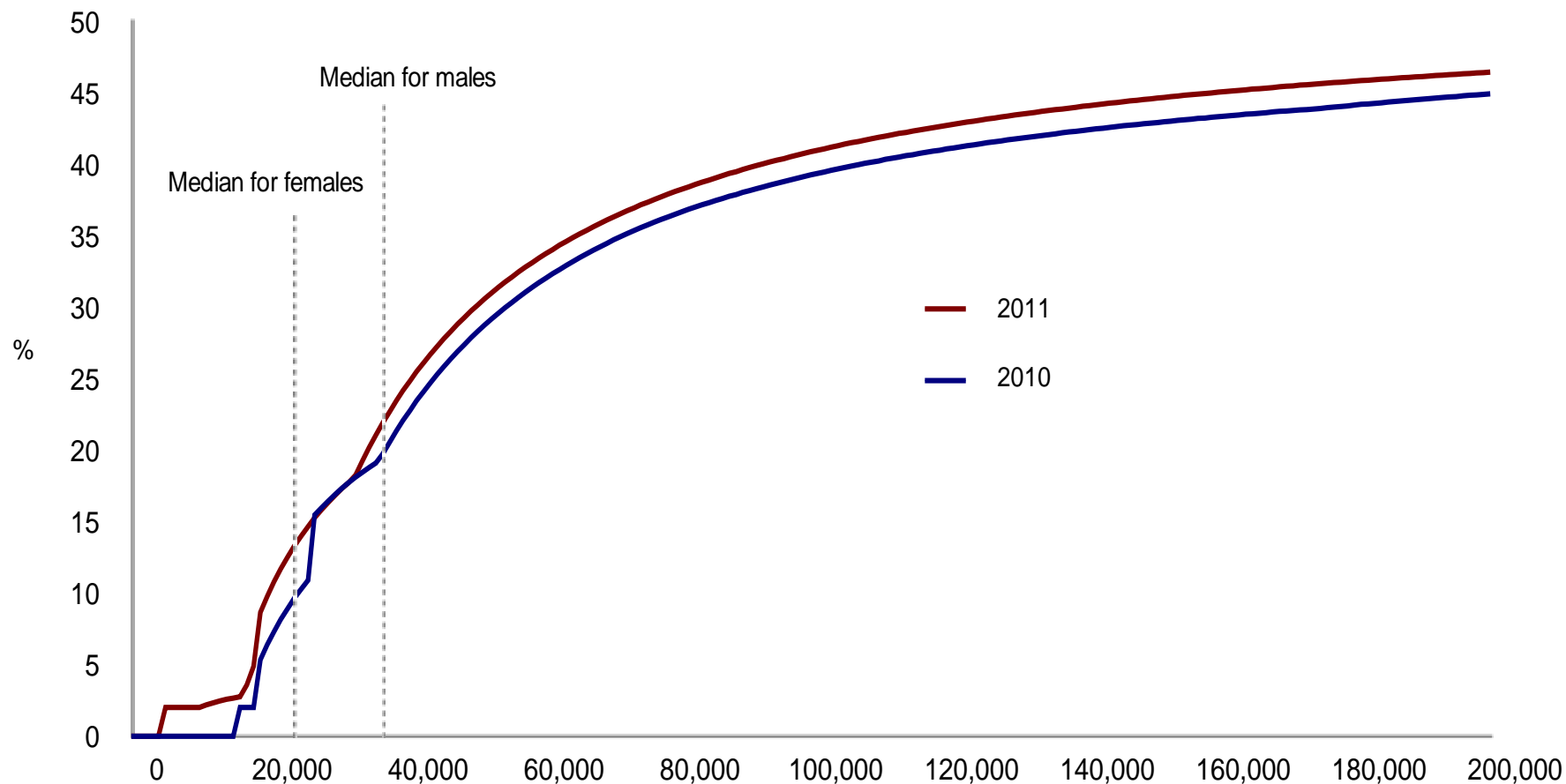
# Overview of the distribution of earned income among male employees



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# Shape of the system of taxation and social contributions

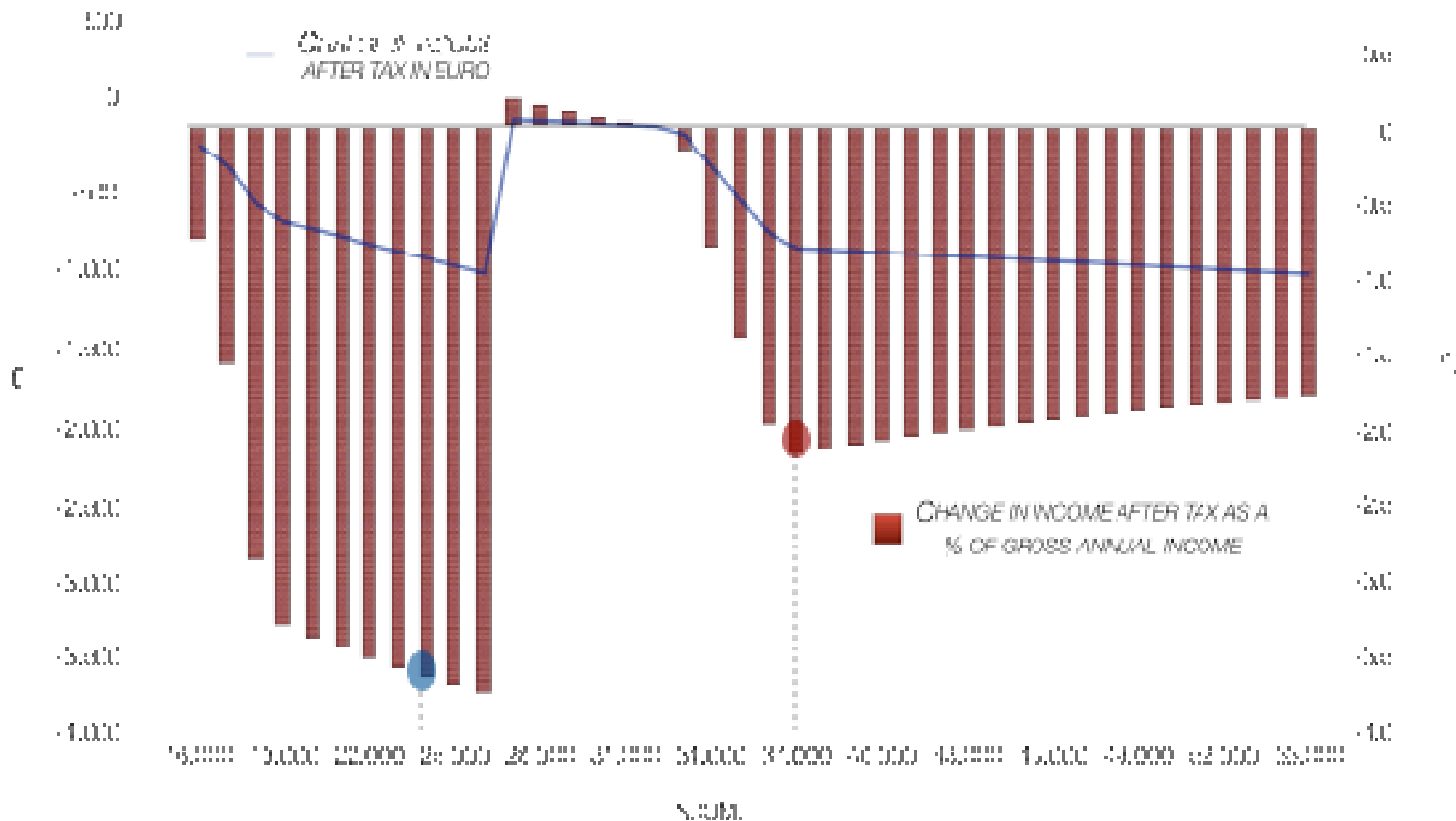


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# Impact of changes to system of taxation on low/middle-income employees (single)



Median income for females €23,403

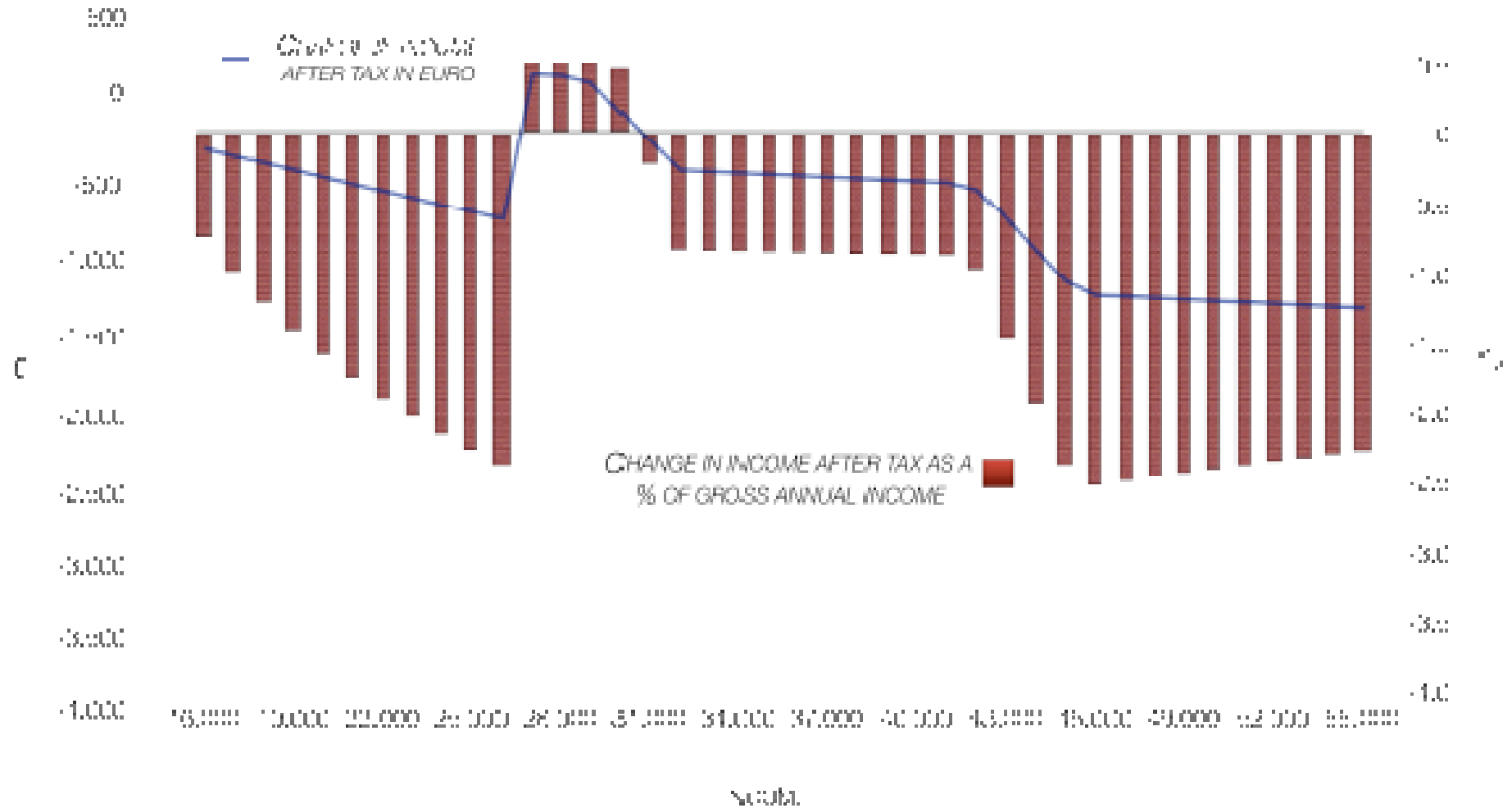
Median income for males €37,727



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# Monetary impact of changes to system of taxation on low/middle-income employees (married + children)



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## Change in income as a result of the introduction of the Universal Social Charge



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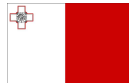
# Identifying Budgetary Impacts

- **What is the policy measure?**
  - Tax credits reduced by 10% (brings more low paid workers into the income taxation system)
- **What is the size of the impact?**
  - Flat €360 cut for all employees earning over €18,300
  - Smaller cut for employees earning between €16,500 and €18,300
  - No cut for employees earning less than €16,500



# TASC Identifying Budgetary Impacts

- **Who does it impact?**
  - As a percentage of gross income it will have the largest impact on the €17,850 to €24,000 group (over 1.5%).
  - The percentage cut falls as the income of the employee increases.
- **How does the policy interact with other measures?**
  - Cumulative effect with other revenue gathering changes and cuts to social transfers (e.g. child benefit).
- **Estimating the gender impact of the reduction in tax credits for employees is a matter of:**
  - identifying the gender breakdown of the income distribution and
  - quantifying the impact on each income level.



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# Public Spending

- Provision of public services (education/health).
- Reduces inequality through re-distribution (social transfers).
- Provision of social safety net and a minimum standard of living.
- Per capita value of public services is greater for low-income households, which declines as incomes increase.
- Women are concentrated in low-income household – cuts in public spending have a disproportionate effect on women.



# Spending on social protection in Ireland in 2010



JOBSEEKER'S ALLOWANCE €2.8BN

CHILD BENEFIT  
● €2.2BN

ONE-PARENT FAMILY  
● €2.8BN

SUPPLEMENTARY WELFARE  
ALLOWANCES  
● €1.0BN

DISABILITY ALLOWANCES  
● €2.8BN

ADMINISTRATION COSTS  
● €365M



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Key measures (selected):

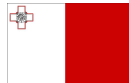
- 7% reduction in **child benefit** rates
- 4% cut for **social welfare, jobseekers** payments
- 4% reduction in **carer's allowance** for those under 66 to be cut by €8 to €212 per week
- 4% **disability allowance**
- Cumulative effect of cuts to social protection since start of recession in 2008 has resulted in income reductions of 15-20% for those dependent on the state.
- Disproportionately impacts on women.
- Reduced demand in the economy.





# TASC Equality Proofing the Budget

- Ireland is a low-tax and low-spend economy.
- Budget measures will improve equality between women and men if they focus on increasing taxation instead of cutting spending.
- Examples of progressive taxation measures:
  - Ireland has no comprehensive tax on assets.
  - Introduce new higher rate of income tax on incomes >€100,000.
  - Reform/abolish tax expenditures.
  - Levy on corporate profits.



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# Equality Proofing the Budget

## Systemic change is required:

- Reform budget documentation – need for greater transparency on the data and analysis that informs budgetary decisions e.g. UK Budget website.
- Tax expenditures (reliefs) – economic efficiency and equality audit.
- Gender disaggregated administrative data.
- Equality Statement with every Budget
  - Distributional impact of Budget measures across gender, age and other categories
- Equality impact of each policy measure – Norway and Scotland.



# TASC Medium Term Prospects

- **€9 billion+** budgetary adjustment likely in the next three to four years
- **How** we do it is at the discretion of the Government.
- The **composition** of this adjustment between public expenditure cuts and tax increases will have major implications for the level of economic equality between genders
- An emphasis on **cutting public services** will **impact more on women** as women tend to be more reliant on public services than men
- A greater **focus on direct taxation** will **impact more on men** as high earners are predominantly male



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- Women's Budget Group (UK) <http://www.wbg.org.uk/>
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