

“I want to work, but I can’t afford to.”

Call for a radical overhaul of the tax and welfare systems

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For

A new study, published today by two leading national networks of community groups, EAPN and OPEN, finds that **many people on low incomes can lose up to 42% of their income by taking up work.** This is due mainly to the way in which essential welfare benefits are withdrawn and inequities in the tax system.

The study also shows that for most families, whether headed by one or two parents, **40 hours on the minimum wage will not bring them above the internationally recognised poverty line** (60% of national income, or €385). For a family with children, even 40 hours at Average Industrial Earnings leaves them in poverty. Furthermore, the study shows that the complexity of the system means that **many people are not aware of their entitlements** and do not know if they can afford to risk taking up work.

The study was published today by **EAPN (European Anti-Poverty Network) Ireland**, a coalition of over 200 local and national community groups and **OPEN (One Parent Exchange and Network)** which represents 80 lone parent organisations around the country.

The need for radical reform

The two organisations today called on the Government to urgently prepare a step-by-step plan to change the social welfare and tax system to ensure that work always provides an effective route out of poverty and to simplify the system of benefit ‘cut-offs’ so that people are clear about their entitlements.

Frances Byrne of OPEN said: *“The system as it currently stands isn’t working. We are calling on the Department of Family and Social Affairs to simplify the welfare to work system, ensure the ready accessibility of clear and comprehensive information to those who could benefit from it, and proactively deliver benefits to ensure better take-up, and therefore more sustainable welfare to work transitions”*

Robin Hanan of EAPN Ireland said: *“The Government is committed, along with our EU partners, to ‘make a decisive impact on the eradication of poverty’ by 2010. By European Commission measures, Ireland has the highest levels of poverty in the EU. The Government says that the main way to reduce poverty is to provide more employment and ‘make work pay’. These figures show that current policies are making it impossible for many people to take up work and are forcing many who do deeper into poverty. This has to change.”*

Research and findings

The research focuses on a range of sample outcomes for different household types, including single adults without dependents, families, both two parent and lone parent, with one child and a two parent family with three children using different payments Unemployment Assistance and Benefit, One parent Family Payment and Back to Work Allowance. It clearly identifies outcomes below the poverty line and poverty traps are highlighted.

Some findings include:

- **A lone parent with one child can drop 42%** of her/his net by income moving to a 40 hour minimum wage job (from €197 to €115)
- **A couple with two children** going from Unemployment Benefit to a 35-hour minimum wage job would experience a **25% drop** in net income (from €292 to €219)
- **A couple with three children would lose a third of their income** taking up a 40-hour week on the minimum wage (from €404 to €270)

These figures are based on income, tax, welfare and other allowances, as well as rent and childcare costs, but do not even allow for the other costs of taking up work, such as transport, meals clothing etc. which would make the figures even starker.

Means tests and mean tests

The two organisations pointed to the over reliance on means testing in the system, more than any other EU country. There are many different tests, using different assessments of income. The fact that they are not indexed to prices or incomes growth and many lead to a complete withdrawal of benefits is a major cause of poverty traps.

There is also a major problem in the complexity of the system and the information easily available to unemployed people and their advisors. Working out the financial implications of moving from welfare to work requires considerable knowledge of the intricacies of the social welfare system, and a lot of calculations.

Poverty and unemployment traps can make the move from welfare to work unsustainable. If work doesn't pay, and employment proves not to be a route out of poverty, people who successfully negotiate one or more of these barriers can find they are unable to afford a job.

A systematic and integrated review of tax and welfare system

The two organisations called for a systematic and integrated review of all elements of the tax and welfare systems to address poverty by maximising participation in employment and making work pay. They insisted that the following principles should underlie such a reform:

- **Work must be a route out of poverty.** Unemployment and poverty traps should be eliminated so that progression into and in employment always yields a financial reward, regardless of the duration of unemployment or social welfare benefits, for all potential workers in the household

- **The system should be as simple as possible**, clear and easy to understand, to support well informed decision making and efficient administration
- **Welfare recipients should have ease of access to reliable, clear and comprehensive information**
- **Administration should be proactive** to ensure full take-up of benefits and prioritise decision making to facilitate participation in employment

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