The Social Wage

Public services and income supports in Ireland and the EU

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Introduction

The Irish Congress of Trade Unions is the representative body for 45 unions and the largest civil society organisation on the island of Ireland. We represent the interests of over 700,000 workers and their families in all sectors of the economy both in the Republic and Northern Ireland.

Economic security and quality of life for workers, whether in or out of employment, have always been a priority for trade unions. Long before the State took a role in income protection and living standards, unions had insured members against loss of their ability to earn due to unemployment, sickness, workplace injury and old age and they provided education, healthcare, community centres, libraries and sports fields. The trade union movement was integral to the development of modern welfare systems across Europe following World War II, and high union density continues today to have a strong positive effect on social expenditure.[1]

Free-of-charge or extremely low-cost publicly funded services reduce people's out-of-pocket expenses and bring down their cost of living. They act as a virtual income top-up to people's cash income from work or welfare.

An unusual feature of Ireland's (and other English-speaking nations') welfare system is that our social welfare income supports are paid at a flat amount (typically €208 per week) that is priced below the poverty line, designed to offer no more than minimal financial support when out of work to prevent a reduction in work motivation. This is in stark contrast to other EU member states, where welfare payment rates are pay-related (i.e. a percentage of the worker's previous wage), designed to secure a worker's normal living standards during temporary breaks in employment.

Public services are also key to economic security and living standards. Free-of-charge or extremely low-cost publicly funded services reduce people's out-of-pocket expenses and bring down their cost of living. They act as a virtual income top-up to people's cash income from work or welfare. Again, Ireland is atypical in means-testing access to public services[2] over universal provision. As such, workers above very modest earnings must pay market prices for essential services, like housing and healthcare, out of their disposable income that all workers in other EU countries can freely access on the basis of need.

1 Trade unions can also exert their influence in an indirect manner through their potential to mobilise members and the wider public. A recent example is the repeal of legislation to increase the qualifying age for the State Pension on foot of a union-led civil society campaign during the 2020 general election.
2 The exception is free education to all children and free transport for everyone aged 66 and over.

The relative generosity of the Covid-19 emergency income supports in response to the economic disruption, a lack of statutory sick pay and the high proportion of Covid-related deaths in private for-profit nursing homes[3] have ignited public interest in our threadbare social safety net. A 2021 OECD opinion survey found very wide public support in Ireland (70%) for the government to do more to ensure people's economic security and address gaps in social protection. This was the highest recorded in ten wealthy EU member states included in the survey and markedly higher than the average for this group of countries (54%).[4]

For some campaigners the next logical development in the future direction of the Irish welfare system is a Basic Income - a tax-free regular payment sufficient to cover essential needs, paid by the State to every resident irrespective of their age, wealth, income, or employment status. That is, it is universal and unconditional of all qualifying criteria of current social welfare, including a means-test and work requirement. It would replace all existing welfare payments, income tax relief and minimum wage protections. Others, including trade unions, do not support this and hold the view that the money needed to fund an adequate Basic Income would be more effective and better spent on improving income supports and investing in universal public services.

This report compares the value of the "Social Wage" for workers in Ireland to a selection of other rich EU countries. The Social Wage is a measure of how much better off individuals are from social spending by government on welfare supports and services. The comparator group of countries includes Nordic and Western EU member states with a population of over a million (thus excluding Luxembourg) and with an output in excess of €30,000 per person (thus excluding Portugal, Spain and Italy).[5] Using international comparative survey data, the report looks across three areas of welfare spending – unemployment benefits, housing and childcare. It demonstrates the Social Wage for workers in Ireland is exceptionally low by EU standards. First, it compares public spending and government revenue. It concludes with a summary of the findings and discussion as we begin to rethink public spending in the aftermath of the pandemic.

The Social Wage is a measure of how much better off individuals are from social spending by government on welfare supports and services.

3 Around 80% of nursing homes in Ireland are under private for-profit ownership. Irish people have no statutory right to home-based community care services. Family members are expected to care for old and vulnerable relatives. Only a small proportion of these family caregivers receive income support or services support from the State.

4 OECD (April 2021) Risks that matter 2020: The long reach of Covid-19.

5 The comparative group of countries are Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Netherlands and Sweden.

Government Expenditure

A minimum wage is the lowest wage permissible by law an employer can pay their workers. Much is made of the fact that Ireland has the second highest minimum wage after Luxembourg out of the 21 EU member states with a statutory minimum wage.[5] But this is misleading.

Prices here are 36% above the EU average.

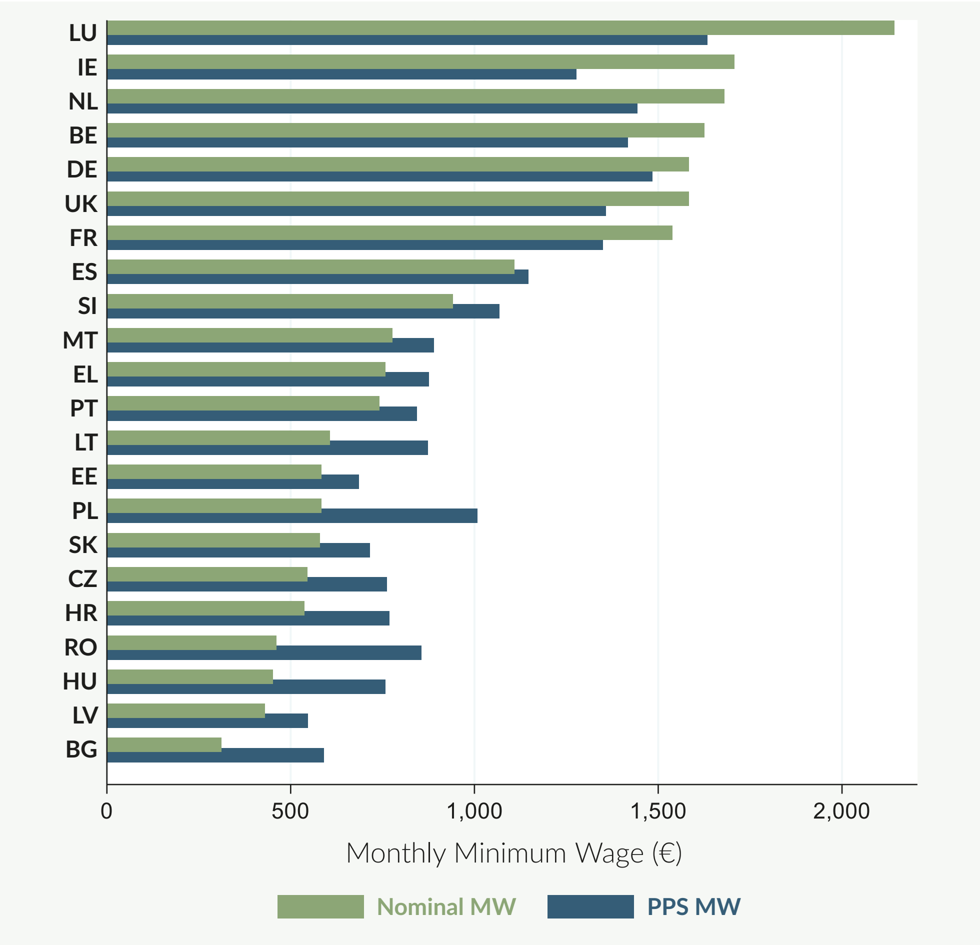
Ireland is the second most expensive country in the EU27 after Denmark. Prices here are 36% above the EU average, latest Eurostat figures for 2020 show. In the vital area of housing, which include utilities bills, costs are higher than anywhere else in the union, at nearly 78% more expensive than the average.[7]

When adjusted for the purchasing power of workers on the minimum wage Ireland falls from second to seventh position in the rankings and behind other rich EU member states. *See Figure 1.*

6 EU countries without a statutory minimum wage are Denmark, Italy, Cyprus, Austria, Finland and Sweden. Instead, the minimum wage is set through union-negotiated wages by industry.

7 Eurostat (June 2021) Comparative price levels of consumer goods and services.

Figure 1: Minimum wage rates in the EU, 2020[8]



One way government can bring down the cost of living is through public services.

One way government can bring down the cost of living is through public services. Free-of-charge or low-cost essential services provided from public funds reduce people's out-of-pocket expenses from their income. In 2019 (pre-pandemic), public spending in Ireland was €77.5 billion. *See Table 1*.

Table 1: Sectoral public spending in Ireland, 2019[9]

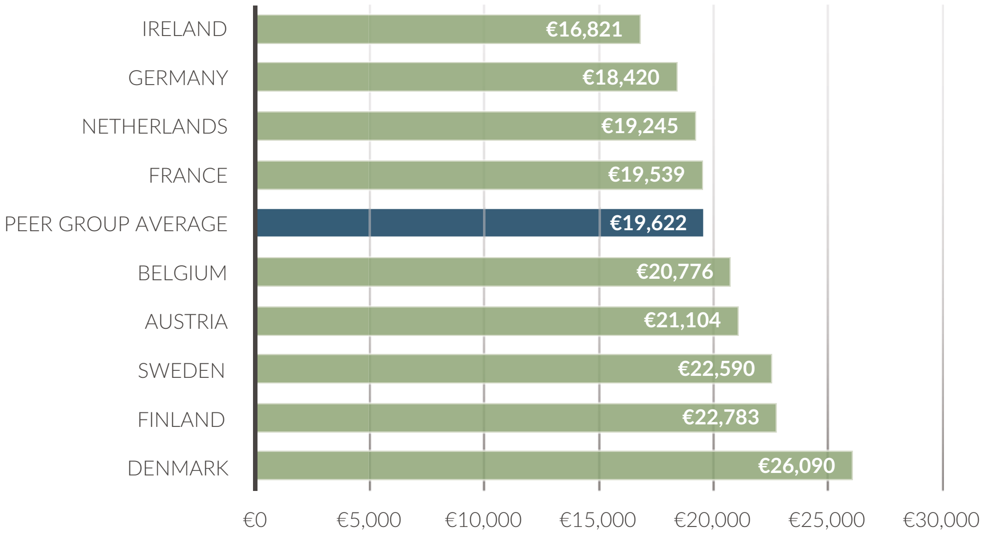
Social Protection	Health	Education	Justice	Housing	Transport	Debt Servicing, EU Payments	Other[10]
€20.9bn	€17.5bn	€10.9bn	€2.8bn	€2.37	€2.3bn	€10.1bn	€10.6bn

8 ESRI (April 2021) *Comparative Assessment of Minimum Wage Employment in Europe* p.16.
9 The Irish Government's Expenditure Data https://whereyourmoneygoes.gov.ie/en/
10 Planning and Local Government (€1.6bn), Agriculture (€1.6bn), Children and Youth Affairs (€1.52bn), Public Expenditure and Reform (€1.22bn), Defence (€1.01bn), Business, Enterprise and Innovation (€901m), Foreign Affairs (€810m), Communications (€587m), Finance (€525m), Culture, Heritage and the Gaeltacht (€335m), Taoiseach (€183m).

Ireland has the lowest level of per person public spending when compared with similar EU countries.

Ireland has the lowest level of per person public spending when compared with similar EU countries.[11] *See Figure 2.* In 2019 (pre-pandemic), Ireland spent €2,801 less per person compared with the average spend in rich member states. This amounts to an annual shortfall of €14 billion when scaled to the population. Our young population (i.e. our comparatively low age-related expenditure on pensions, health and eldercare) only explains a fraction of this spending gap.

Figure 2: Public spending per person (excl. debt servicing) in EU peer group, 2019



To put this annual spending gap into perspective, universal childcare could be delivered for €2 billion.[12] In its absence, a third of Irish people (32%) feel concerned or very concerned that they and their family would be unable to access good-quality and affordable childcare if needed. [13]

In the next section we compare the revenue collected from taxes in Ireland and EU peer countries.

11 Standard comparisons of public spending/revenue often use GDP as a denominator. Given the issues with GDP measurement in Ireland we instead scale according to population. The peer group average reflects spending or receipts for all other countries divided by the total population of those states.
12 Minister O'Gorman (26 September 2021) Newstalk: On The Record.
13 OECD (July 2021) OECD Risks that Matter Survey figure 1.7.

Government Revenue

Not only has Ireland chronically low levels of public spending, our revenue yield from taxes is lower than the EU average. Our tax-to-GDP ratio is 37% compared with the EU27 average of 40%.[14] This amounts to an annual revenue gap of €6.8 billion. In other words, Ireland is a low-tax economy and there is significant space to raise the revenue to pay for additional social spending to provide for a more generous Social Wage without putting tax rates and social insurance contributions above the EU average.

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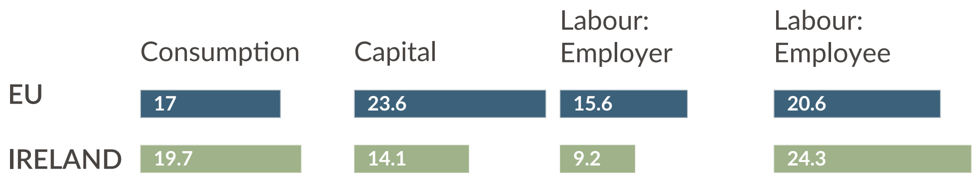
Figure 3: Aggregated effective tax rates by type of activity in Ireland and EU27, 2019[15]



Taxes on labour, specifically employer social insurance, covers more than the entirety of our overall revenue gap.[16] Employers in Ireland pay the lowest social insurance contributions in the European Union after Cyprus, Lithuania and Malta.[17] Average hourly labour costs, which includes wages and employers' social contributions, are lower in Ireland than in all other rich EU member states, latest Eurostat figures show. *See Table 2.*

Employers in Ireland pay the lowest social insurance contributions in the European Union after Cyprus, Lithuania and Malta.

14 European Commission (June 2021) *Taxation trends in the European Union* Table 1 p.168.
15 ICTU (August 2021) *Congress Budget 2022 Priorities: No Going Back: For a Fairer Future* p.39.
16 Employer social contributions as a percentage of GDP: EU27 = 7.3 per cent. Ireland (GNI*) = 3.6 per cent European Commission (June 2021) *Taxation trends in the European Union* Table 23 p.190.
17 Tax Strategy Group (September 2021) *Pay Related Social Insurance Rate Setting Options* p.13.

Table 2: Average hourly labour costs in EU peer group, 2022[18]

EU27 average	€29.1
Denmark	€46.9
Belgium	€41.6
Sweden	€39.7
Netherlands	€38.3
France	€37.9
Austria	€37.5
Germany	€37.2
Finland	€35.1
Ireland	**€33.5**

18 Eurostat (March 2022) Hourly labour costs in the European Union

Average hourly labour costs, which includes wages and employers' social contributions, are lower in Ireland than in all other rich member states

Taxes on labour - Employers and employees

Labour taxes in Ireland are relatively low as a percentage of the potential tax base. The Implicit Tax Rate (ITR) on labour income - income tax, USC and social insurance - is 33.5% and below the EU27 average of 38.1%.

However, drilling down into the headline figure shows that the ITR on employees in Ireland (24.3%) is actually above the EU27 average (21.1%). The shortfall is in relation to employers - 9.2% compared with 17%.

As such, in Ireland the burden of labour taxation falls disproportionately on employees and is above the EU27 average for employees, whereas the ITR on employers here is a mere 54% of the average for employers. *See Table 3.*

in Ireland the burden of labour taxation falls disproportionately on employees and is above the EU27 average

Table 3: Implicit tax rates on labour in Ireland compared to EU27 average, 2019[19]

	%	%
EU27 average	38.1	
Employee		21.1
Employer		17
Ireland	33.5	
Employee		24.3
Employer		9.2

Table 4 narrows the focus to peer countries. Again, we find Ireland is slightly above profile in terms of labour taxes collected on employees (5.4% above the average), whereas the tax collected on employers is less than half the average. The State could have collected €8.3 billion in additional revenue in 2019 had they taxed employers at the average tax level for peer member states.[20]

The State could have collected €8.3 billion in additional revenue in 2019 had they taxed employers at the average tax level for peer member states.

19 European Commission (February 2021) *Taxation and Customs Union: Data on Taxation.*
20 Tom McDonald (November 2021) *How heavy is the weight of tax in the Republic of Ireland. NERI Research InBrief N:79* p.4.

Table 4: Labour tax receipts per person from employers and employees in Ireland compared to EU peer group average, 2019

	Employee taxes and PRSI	Employer taxes and PRSI
Ireland	€4,986	€1,880
Comparator group average	€4,730	€3,511
Ireland as a % of average	105.4%	53.5%
Ireland 'under taxation'	- €256	€1,631

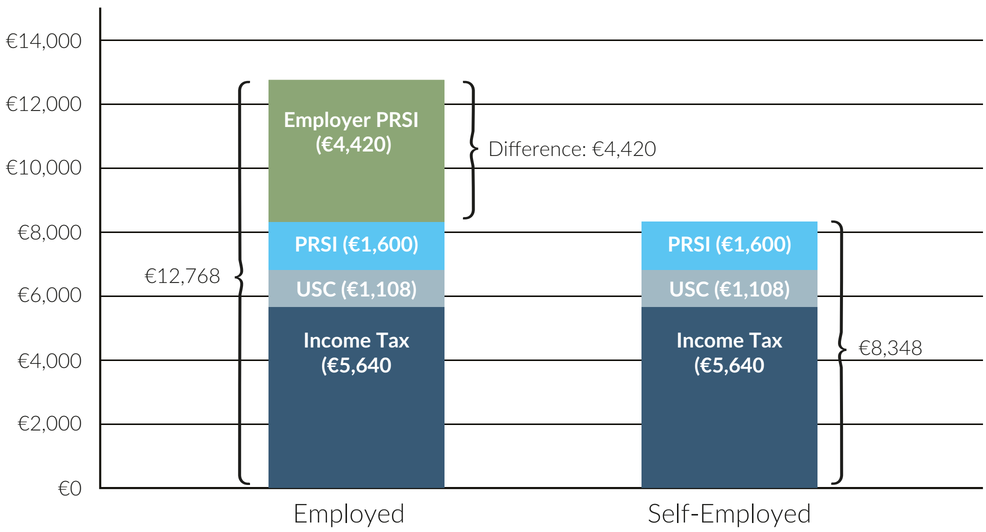
the tax collected on employers is less than half the EU peer group average

Taxes on labour - Self-employed

Taxation on income from self-employed labour in Ireland is relatively low, with collected receipts lower than on income from employment and almost half the EU27 average.[21]

The self-employed pay a 4% rate of social insurance compared to the standard 15.05% rate paid in respect to most employees – comprising of 4% payable by the employee and 11.5% by their employer. By way of demonstrating the tax gap, the ESRI (2021) show the total tax take on the average annual wage (€40,000) for a single employee is €12,768 i.e. €5,640 in income tax, €1,108 in USC, and €6,020 in social insurance (€1,600 in employee social insurance and €4,420 in employer social insurance). The same income from self-employment yields a third less i.e. €8,348 in tax - €5,640 in income tax, €1,108 in USC but only €1,600 in social insurance. *See Figure 4.*

Figure 4: Tax on self-employed and employed labour at €40,000p.a. in Ireland, 2021[22]



Historically, the self-employed only qualified for a narrow range of contributory social welfare income supports which was the justification for their smaller social insurance contribution. But this is no longer the case.

21 *Ibid:* p.3
22 ESRI (May 2021) *Options for raising tax revenue in Ireland* p.31.

Self-employed are now covered for all bar four of the two dozen contributory benefits paid out of the Social Insurance Fund in return for a contribution 11 percentage points lower than that made in respect of employees.

Following reforms by the last Government, access to contributory invalidity, jobseekers, parental, paternity, and treatment benefits was extended to 350,000 self-employed contributors without any corresponding increase in their 4% contribution rate. As such, the self-employed are now covered for all bar four of the two dozen contributory benefits paid out of the Social Insurance Fund in return for a contribution 11 percentage points lower than that made in respect of employees.[23]

The State's own advisory body, the Tax Strategy Group, has repeatedly proposed that consideration be given to adjusting the self-employed contribution rate to that of the standard rate of employer social insurance (from 4% to 11.05%) incrementally over a series of budgets.[24] Based on the TSG estimates, this would yield over €1.5 billion per annum to the Social Insurance Fund for spending on a more generous Social Wage. *See Table 5.*

Table 5: Yields from equalising self-employed PRSI with employer PRSI

Rate	Full Year Yield € millions
Current Rate of 4%	536
Increase to 5.75% from January 2023	727
Increase to 7.5% from January 2024	922
Increase to 9.25% from January 2025	1,118
Increase to 10.0% from January 2026	1,314
Increase to 11.05% from January 2027	1,511

The difference in value received from PRSI contributions between self-employed and employee contributors has been recognised in a number of reports by a range of bodies. Most recently, the Pensions Commission (2021) recommended the self-employed social insurance contribution be set at the employer rate (11.05%). The Commission did consider increasing the level to that of an employee and employer combined (from 4% to 15.05%), as is the case in some EU member states, but opted to leave this decision to the Commission on Taxation and Welfare.[25]

In the next section we compare the generosity of social welfare income supports for workers who lose their job in Ireland and EU peer countries.

23 Tax Strategy Group (August 2020) *PRSI for Self-Employed Workers* 20-4 p.5.
24 Tax Strategy Group (September 2021) *Pay Related Social Insurance Rate Setting Options* p.15.
25 Government of Ireland (2021) *Report of the Commission on Pensions* p.154.

Unemployment Benefit

In Ireland, Jobseeker's Benefit is available to unemployed workers with sufficient social insurance contributions paid while in employment and who are available for and genuinely seeking work.

The payment rate is linked to previous wage for low paid workers (<€300 per week) to ensure that no one is better off out of work than in work. For the majority of recipients however, the payment rate is a flat €208 per week. *See Table 6.*

It is time-limited to nine months. If the period out of work lasts longer, a Jobseeker's Allowance is available to workers who have exhausted their entitlement (as well as for people who have no or too few contributions to qualify for Jobseeker's Benefit) and who satisfy a household means-test.

Unusually, there is no difference in the value of the payment between the contributory benefit and non-contributory allowance. Unlike in other EU countries, being in employment in Ireland does *not* confer additional income protection. The only advantage to being an insured worker is freedom from means testing for workers living in households with another source of income (e.g. a working spouse or savings).

Unlike in other EU countries, being in employment in Ireland does *not* confer additional income protection.

Table 6: Jobseeker's Benefit/ Allowance payment rates for workers over 25

Previous weekly earnings	Personal rate of payment
Less than €150	€93.30
€150 or above but less than €220	€134.20
€220 or above but less than €300	€162.90
€300 or more	€208

The generosity of social welfare income supports in Ireland is low. Benefits are paid at a flat-rate amount that offer no more than minimal financial support when out of work. The policy objective is to prevent a reduction in work motivation and promote employment. This is in stark contrast to other rich member states, where income supports are linked to a worker's previous wage, designed to secure a worker's normal living standards during an interruption of earnings because of unemployment, pregnancy, injury, illness, or retirement.

To illustrate the point, a single worker aged over 25 years in Ireland in 2019 (pre-pandemic), having earned two-thirds of the average annual wage (€27,000) while in employment has just 39% of their earnings replaced by a jobseeker's payment. The same worker would have 91% of their earnings replaced in Belgium, 82% in Denmark and 71% in the Netherlands. *See Table 7.*

A worker earning the average annual wage (€40,000) has just a quarter (26%) of their wage replaced by Jobseeker's Benefit if they lose their job.

Because income supports are a fixed amount in Ireland, the 39% replacement value falls as earnings rise leaving middle-income workers exposed to an even bigger fall in their living standards. For example, a worker earning the average annual wage (€40,000) has just a quarter (26%) of their wage replaced by Jobseeker's Benefit if they lose their job.

Table 7: Proportion of workers' wage covered by unemployment benefit in EU peer group, 2019[26]

Country	after 2mths %	after 6mths %	after 1yr %
Belgium	91	84	79
Denmark	82	82	82
Netherlands	71	68	68
Sweden	69	59	59
France	64	64	64
Germany	59	59	59
Finland	58	58	58
Austria	55	55	51
Ireland	**39**	**39**	**39***

*Jobseeker's Benefit expires after 9 months. Assumes applicant satisfied means test for Jobseeker's Allowance.

26 Calculations refer to a single person without children whose previous in-work earnings were 67% of the average wage. OECD (2021) *Benefits in unemployment, share of previous income* (indicator).

The difference in replacement rates is less stark if Rent Supplement is included – a means-tested top-up payment to cover some of the cost of housing for renters in private rented accommodation. There is no extra payment available for unemployed workers with a mortgage to repay.

The welfare system's performance improves slightly when using couples with children as the unit of analysis. Unlike in other EU member states, means-tested top-ups are paid to workers in Ireland with a dependent spouse or partner (€138) and for each dependent child (€40 if aged under 12 years and €48 if 12 years or over). But entitlements for single insured workers show how the social safety net protects workers in their capacity as workers. As has been shown, unemployment benefit levels in Ireland (without housing or family top-ups) is exceptionally low by EU standards.

Unlike our flat-rate payments, the European-model of pay-related income supports ensures workers can continue to pay their mortgage and other bills during short spells of unemployment, illness, maternity and family leave. They also promote greater public support for social spending, making the welfare budget less susceptible to attacks that there are "people who pay for everything while getting nothing in return". During economic downturns pay-related benefits function as automatic stabilisers and lessen the economic shock by protecting consumer demand and jobs in sectors reliant on discretionary spending.

Unlike our flat-rate payments, the European-model of pay-related income supports ensures workers can continue to pay their mortgage and other bills during short spells of unemployment, illness, maternity and family leave.

This was recognised in the 1960s and 1970s, and in 1973 pay-related top-ups to short-term income contributory welfare supports - unemployment, disability and maternity - were introduced in Ireland thus improving income protection for workers. However, the move was short-lived. Pay-related benefits were abolished in 1994, having being phased out from 1984, as part of package of policies implemented to increase work incentives for unemployed workers.

In March 2020, an emergency income support was introduced for workers who were laid off due to the public health restrictions to curb the spread of Covid-19. The Pandemic Unemployment Payment (PUP) was pay-related. *See Table 8*. But the low maximum earnings ceiling (€400) resulted in 41% of employees receiving the highest payment rate, equivalent to 60% of their wage on average.[27]

27 Comptroller and Auditor General (September 2021) *Report on the Accounts of the Public Services 2020* p.142

Table 8: Pandemic Unemployment Payment rates, December 2021

Previous weekly earnings	PUP payment rate
Less than €151.50	€150
€151.50 or above but less than €200	€208
€200 or above but less than €300	€250
€300 or above but less than €400	€300
€400 or more	€350

The Programme for Government (2020) holds out the prospect of introducing a European-model of pay-related jobseeker's benefit for insured workers on permanent basis.[28] However, the key design features, including the generosity of the payment, will not to be known before Q3 2023.[29] In the meantime, a Commission on Taxation and Welfare has been established to make recommendations on the future design of our tax and welfare systems.

The next section compares the housing costs of workers in Ireland and workers in EU peer countries.

28 Government of Ireland (June 2020) *Programme for Government: Out Shared Future* p.74.
29 Government of Ireland (July 2021) *Pathways to Work 2021-2025* p.88.

Housing Costs

In the years following independence in 1922 up to the late 1950s, the majority of new homes built in Ireland was social housing. by 1961 almost one in five households (18.4%) lived in social housing rented from a local authority. Social housing construction remained high until the 1980s. However, post-1960 saw large parts of the stock privatised. Two-thirds of all social housing ever built in Ireland has been sold to families under tenant purchase schemes.[30]

Prior to the late 1980s, almost all social housing was built by local government and by tradespeople who were in most cases direct employees. But over the past three decades, it has increasingly been contracted out to private developers. At the same time, changes to the capital funding model - replacing local government loan finance (off balance sheet) with central government capital grants - left social housing building vulnerable to downturns and changes in government spending priorities.

With a social housing in short supply, the private market increasingly became a substitute for meeting the housing need of low-income households. A means-tested rental support payment to cover some of the rent costs was first introduced in 1977. By 2007, on the eve of the financial crash, the number of households living in subsidised private rental accomodation was roughly half the number living in local authority-owned housing units.[31]

The over-reliance on the private rental sector to provide social housing for tens of thousands of households is denying these families the security to set down roots, and contributing to inflated rents across the sector.[32] It is also poor value for money for the public purse, with landlords, rather than the State, accumulating assets. Half a billion euro was paid to private landlords in 2019 (pre-pandemic) via rent subsidies for 70,000 low-income households with a long-term housing need.[33] A further 68,693 households were on the social housing waiting list and living in overcrowded and substandard conditions.[34]

The over-reliance on the private rental sector to provide social housing for tens of thousands of households is denying these families the security to set down roots, and contributing to inflated rents across the sector.

30 In 2018 500 dwellings were sold (at 40-60% discount on market price). Michelle Norris (September 2020) Dublin Economics Workshop 2020: How can we provide affordable housing for all.
31 M. Norris and M. Byrne (November 2016) *Social housing's role in the property boom and bust*.
32 State-subsidised social housing now accounts for two-thirds of private rental sector subsidies.
33 €382m for 52,000 households under HAP and €134.3m for 18,000 through RAS. A further 18,000 people received the short-term private housing subsidy, Rent Supplement in 2019 at a cost of €125m.
34 Department of Housing (9 March 2021) *Summary of Social Housing Assessments 2020: Key findings* p.4 The 70,000 households having their housing need meet via HAP and RAS are not counted as part of the waiting list.

The maximum net income to qualify for social housing in urban areas is €35,000 for a single person and €42,000 for families. In rural areas the corresponding cut-off is €25,000 and €30,000. In effect, social housing "is available for at most the bottom third of the income distribution"[35] and is out of reach of full-time workers on very modest earnings.

The size of the social housing sector in two other small EU countries is much larger than in Ireland and continues to grow. In Austria it accommodates a quarter of all households (24%) and in Denmark a fifth (19%). The Danish social housing sector has doubled in size since the 1960, while the Irish sector halved over the same period to just 9% of housing units owned by local authorities and approved housing bodies. A further 5% of all households in Ireland live in subsidised private rental accommodation – social housing broadly defined.

This, coupled with a decade of under-building following the financial crash has led to a chronic shortage of homes today and contributed to a sharp increase in purchase and rental prices.[36]

A 2021 OECD opinion survey found one in every three people (35%) in Ireland feel concerned or very concerned that they and their family would not be able to access good-quality and affordable housing if needed.[37] Figures from Eurostat confirmed they are right to be concerned. Housing costs are higher here than anywhere else in the union, at nearly 78% more expensive than the EU27 average. *See Table 9.*

35 Ronan Lyons (June 2021) *Institutional Investment and the Private Rental Sector in Ireland* p.2.
36 Although house prices remain below the previous (inflated) peak in 2007, i.e. before the economic crash and fall in house prices, average rental prices in Q4 2019 were 24 per cent higher nationally than in 2007 and 32 per cent higher in Dublin. Daniel O'Callaghan (September 2020) Dublin Economics Workshop 2020: How can we provide affordable housing for all.
37 OECD (July 2021) OECD Risks that Matter Survey figure 1.7.

Table 9: Housing costs* in EU peer group compared to the EU27 average, 2020[38]

EU27 average	100
Austria	111.7
Germany	116
France	120.4
Belgium	121.7
Sweden	127.7
Finland	134.9
Netherland	135.7
Denmark	160.7
Ireland	**177.7**

*Housing costs, including utilities bills.

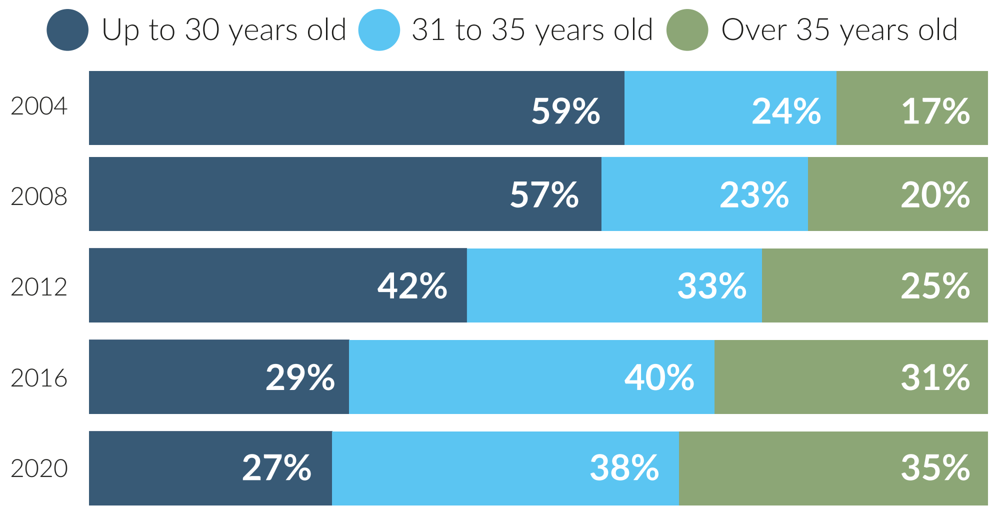
While residential rents increased in 25 members states by 13% on average over the decade 2010-2019, in line with inflation (+13%), rents accelerated by 63% in Ireland, despite inflation below the EU27 average (+6%). House prices increased too over the same period from 6% above the EU27 average in 2010 to 34.4% above average in 2019 but remain below their 2007 peak.

there are now fewer individuals compared to couples buying a home and first-time buyers are getting older.

In 2019 (pre-pandemic), the median income of homebuyers in Ireland nationwide was €84,900 for couples with children and €77,900 for couples without children. For sole purchasers with children it was €40,100 and €43,000 for those without children. Two-thirds of employees earn less than €40,000. It is hardly surprising then that there are now fewer individuals compared to couples buying a home - the proportion of homes purchased jointly increasing from 47% in 2010 to 62.2% in 2019 and first-time buyers are getting older. *See Figure 5*.

38 Eurostat (June 2021) Comparative price levels of consumer goods and services.

Figure 5: Age of first-time buyers by year in Ireland, 2004 – 2020



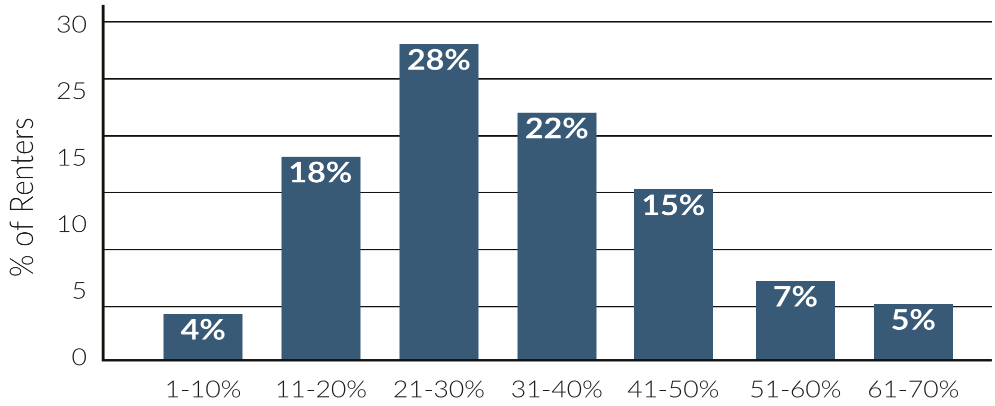
With rental and property prices increasing substantially faster than incomes since 2013, affordability has worsened for both renters and homebuyers.

Looking at the population as a whole, the share of disposable income spent on housing costs in Ireland (15.7%) is lower than the EU27 average (20%) and the lowest share in the group of high-income member states.

However, narrowing the focus to people living in private rented accommodation, a survey of the rental market from the Residential Tenancies Board found on average private renters are paying a third (36%) of their take-home pay on rent. Worryingly, a quarter (27%) of renters are spending in excess of the rent-to-income ratio of housing affordability i.e. more than 40% of their disposable income going on rent.

See Figure 6. These households are more commonly found in our large cities, where 6.9% of the population has unaffordable housing costs compared to 1.8% of the rural population.

Figure 6: Percentage of monthly net income spent on rent in Ireland, September 2019 – March 2020



The lack of affordable housing is laid bare in our unprecedented number of individuals and families experiencing homelessness. Since 2014, the number of men in emergency accommodation has increased by 152%, women by 132% and children by 198%.[39]

A less visible manifestation of our broken housing system is the high proportion of full-time workers living with their parents who are doing so for 'mostly' financial reasons (62%), unable to afford a home of their own.[40]

Another group is the so-called 'generation rent' - workers living in the private rented accommodation with earnings too high to qualify for social or subsidised housing but insufficient to afford to buy a home at current prices. They are without continental European-style tenant rights, rent control or long leases and facing into a future on a pension inadequate to cover their housing costs in retirement.

'generation rent' - workers living in the private rented accommodation with earnings too high to qualify for social or subsidised housing but insufficient to afford to buy a home at current prices.

Recognising housing as the "the single most urgent and important social issue facing our country at this moment in time", the government's €20 billion Housing for All strategy unveiled last September plans to build 300,000 social, affordable and private homes for sale and rent by the end of the decade in an effort to solve the housing crisis.[41]

The next section examines the out-of-pocket childcare costs for working parents in Ireland compared to other rich member states.

39 Focus Ireland (2021) *The changing profile of homelessness.*
40 CSO (July 2021) *Pulse Survey: Life at Home 2021*
41 Department of Housing (September 2021) *Housing for All – A New Housing Plan for Ireland*

Childcare Costs

All European welfare systems, including in Nordic countries, were originally built around the assumption that women are full-time caregivers in the home and men earned a wage adequate to support the family. From the 1950s onwards, this male-breadwinner model of work and family life began to be replaced by social policies that facilitated women as well as men to work outside the home. What makes Ireland unusual is that this shift in official thinking came much later and gender stereotypes remain in policy design today. Nowhere is this more visible than in the State's arms-length approach to childcare.

While female employment has increased considerably with changing gender norms, figures from Eurostat for 2019 (pre-pandemic) show the participation rate for men remains higher than for women in all EU27 countries. On average the EU gender employment gap stands at 11.5 percentage points. Among the group of rich member states, the gap is widest in Ireland. *See Table 10.*

Table 10: Differences between employment rates of men & women aged 20-64 in EU peer group, 2019[42]

Member State	Difference percentage points
Finland	2.7
Sweden	4.7
France	5.9
Denmark	7.2
Belgium	8
Germany	8
Austria	8.8
Netherlands	9.3
Ireland	**12.4**

42 Eurostat (2021) European labour force survey: Gender statistics

Narrowing the focus to women aged 25-54 with children, the participation rate is above 80% in Sweden, Denmark, the Netherlands, and Finland. Ireland has one of the lowest rates of working mothers in the EU27 alongside Italy, Greece and Spain, where a third of women with children are outside the workforce.

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Of those who remain in employment, one in three (33.9%) working mothers in Ireland work part-time. This is in line with the EU27 average (32.9%) and below the average for the group of rich member states (43.1%) where the frequency of part time employment among women with children ranges from 15.7% in Finland to 81.6% in the Netherlands. This wide variation is largely explained by variation in access to and affordability of childcare services.

In the comparator group of high-income countries, Denmark, Finland and Sweden consider childcare an essential public service and guarantee access to full-time care for all children from one year of age or younger. A similar right exists in Germany, but State-run centres closing at lunchtime is common practice. In Austria, Belgium and France, guarantees in law apply only for children aged three years or for the year before they start primary education, usually for the duration of the school day (i.e. shorter than the working day). In Ireland and the Netherlands, where private for-profit businesses provide the majority of centre-based care, there is no legal right to a childcare place.

However, the right to access childcare doesn't automatically guarantee it is affordable for parents.

While all member states offer some support to reduce childcare fees for parents of young (pre-school) children, there is wide variation in the generosity of this support and the resulting out-of-pocket expense for parents. *See Table 10.* In eight of the EU27, free or low-cost publicly provided childcare is available for all children irrespective of how much the parents earn or family type. More typically, childcare costs are more heavily subsidised for low-income and lone parent families.

In Ireland, during the Celtic Tiger years, a four-fold increase in Child Benefit was used as a vehicle to help working parents with childcare fees in a way that ensured families with a parent caring for children full-time in the home would equally benefit from social spending.

More recently, the National Childcare Scheme, launched in November 2019, provides universal (available to all) and targeted (must meet certain criteria) subsidies for all children aged between 24 weeks and 15 years using a registered childcare provider. The universal subsidy is paid at a rate of 50c per hour, up to a maximum of €22.50 per week.[43] Targeted top-up subsidies are paid up to €145 per week per child. This new scheme is a landmark in Irish social policy development in giving parents a legal right to financial support for childcare fees for the first time.

the out-of-pocket cost of childcare for working couples remains the highest in the EU27.

Notwithstanding, the out-of-pocket cost of childcare for working couples remains the highest in the EU27.[44] The average couple spends 20% of their joint disposable income on full-time fees for two pre-school children. This is a bigger share of the family budget than is typically spent on housing costs (15.7%). *See Table 11*.

Table 11: Out-of-pocket cost for parents using full-time childcare facilities for two pre-school children, as a percentage of household disposable income in EU peer group, 2020[45]

Country	Two-earner couple Average Wage + 67% of AW % of net HH income	Two-earner couple 2 x 67% of Average Wage % of net HH income	Lone Parent 67% of Average Wage % of net HH income
Germany	1	1	1
Austria	3	3	3
Sweden	4	4	4
France	10	9	5
Belgium	10	9	6
Denmark	10	11	3
Netherlands	14	12	7
Finland[46]	14	14	10
Ireland	**20**	**15**	**1**

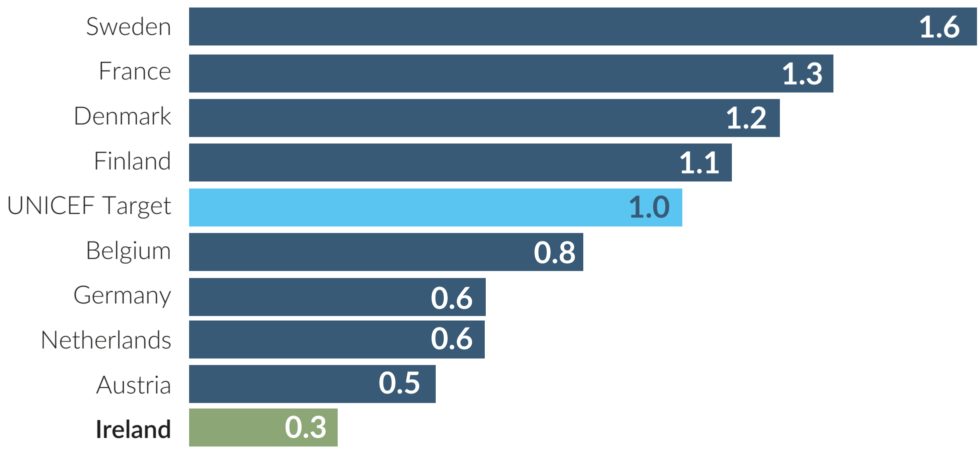
43 A free pre-school programme is available to all children for two years before starting primary school. But the entitlement covers only three hours per day, five days a week from September to June. The National Childcare Scheme subsidies can be used for any hours spent outside of pre-school.
44 Average full-time fees were €186 per week in 2019 Pobal (June 2021) *Annual Early Years Sector Profile Report 2019/2020* p.58.
45 This indicator measures the net costs paid by parents for full-time centre-based childcare, after any benefits designed to reduce the gross childcare fees. Net childcare costs are calculated for both couples and lone parents assuming two children aged 2 and 3. OECD (2021) tax-benefit data portal. Data extracted on 06 July 2021.
46 While childcare is heavily subsidised by government in Finland, the net cost of childcare is increased by the loss of generous home care allowances for children cared for in the home.

One of the main contributing factors to the crippling cost of childcare for workers in Ireland is that, unusually, fees are not subject to regulation, nor are costs capped for parents. Costs to parents are determined by the market.

At the same time, early-years professionals continue to be some of the lowest paid workers in the economy and paid far less than their EU counterparts.[47] This long-established fact was only acknowledged by Government in the past year with a commitment to introduce agreed minimum terms and conditions for the sector's 30,000 female workforce.

Business owners point to underinvestment by government. Funding is comparatively very low and markedly below the UNICEF recommended benchmark of investing at least 1% GDP in early years childcare. *See Figure 7*. However, the Parliamentary Budget Office notes "it is not clear what effect" the significant increased funding over the last decade has had on costs for parents.[48]

Figure 7: Social spending on early childhood education and care in EU peer group, 2019 (% of GDP)[49]



The market-model has failed. The State must recognise childcare as an essential public service for which they are primarily responsible for delivering and resourcing. It is the proven way to guarantee accessible and affordable childcare for working families and decent pay and conditions for workers.

The next section puts forward our recommendations for the post-pandemic Social Wage.

The State must recognise childcare as an essential public service for which they are primarily responsible for delivering and resourcing.

47 Siptu (August 2021) *New Deal for Early Years* p.4.
48 Parliamentary Budget Office (November, 2019) *Childcare in Ireland* p.7.
49 Siptu (August 2021) *New Deal for Early Years* p.3.

Conclusion

The Covid-19 pandemic was both an unprecedented public health crisis and the biggest economic shock in the history of the State causing unparalleled disruption to our economy and people's livelihoods. It exposed the weaknesses in our threadbare social safety net and has sparked wide public support for a bigger role for government in protecting the general population against social risks post-pandemic.[50]

This is not to suggest people were previously blind to inadequacies and gaps in the funding and provision of welfare supports and services. However, calls for reform typically focused on parts of the system in isolation, rather than changing the fundamental nature of the system – a market orientated welfare model with means-tested publicly funded benefits and services only for people on the lowest incomes unable to meet their needs from their own resources. For example, the maximum income eligibility to avail of housing provided by the State - €25,000 (rural areas) and €35,000 (urban areas) - excludes workers above very modest earnings. Social housing is only for those with the greatest need - a "tenure of last resort".

Because of the residual or targeted nature of our welfare system, the value of Social Wage for full-time workers in Ireland is exceptionally low by EU standards.

Because of the residual or targeted nature of our welfare system, the value of Social Wage for full-time workers in Ireland is exceptionally low by EU standards. The Social Wage is measure of how much better off people are from social spending by government on welfare supports and services.

In short: a worker earning the average annual wage (€40,000) in Ireland has just a quarter (26%) of their gross wage replaced by welfare supports when out of work. The same worker would have 91% of their wage replaced in Belgium, 82% in Denmark and 71% in the Netherlands, insuring that their standard of living is protected against the adverse effects of unemployment, pregnancy, illness, disability and old-age.

So too must our worker pay market prices out of their wages for essentials services that the same worker across the EU can freely access on the basis of need. For instance, few people in full-time employment in Ireland qualify for free healthcare because the maximum earnings to qualify is so low. The Healthy Ireland Survey Wave 5, commissioned by the Department of Health, shows an

50 OECD (April 2021) Risks that matter 2020: The long reach of Covid-19.

estimated 1 in 7 workers (14.6%) aged 18-64 hold a Medical Card, while a mere 1 in 28 (3.6%) hold a GP Visiting Card.

The return of inflation to its highest level in decades is further adding to the demand for government to do more to protect people's living standards.

With consumer prices having risen 6.7% in the year to March, the buying power of a week's wage has been eroded by an average €25 for workers on the full-time minimum wage (€21,000) and by €47 for workers on the average full-time wage (€49,000).

Ireland was already the second most expensive country in the EU27 in the previous period of almost zero inflation. The price of a sample basket of 2,000 everyday consumer goods and services was more than a third (36%) higher than the EU average in 2020.[51] Housing costs, which includes utility and energy bills, were higher than anywhere else in the union at a massive 78% above average. Public transport was 37% more expensive. Average childcare fees for a working couple with two pre-school children were eating up a fifth (20%) of their joint income.

One way government can help to reduce the permanent squeeze on workers' wages is to increase the value of the Social Wage. Free or heavily subsidised public services reduce people's out-of-pocket expenses and bring down their cost of living. They act as a virtual income top-up to people's cash income from work or welfare.

If government is to scale up spending to expand the provision of services then it needs to generate more tax revenue.

If government is to scale up spending to expand the provision of services then it needs to generate more tax revenue.

Ireland is a low-tax economy and there is significant space to raise the revenue to pay for additional social spending to provide for a more generous Social Wage without putting tax rates above the EU average. Our tax-to-GDP ratio is 37% compared to the EU27 average of 40%.

Taxes on labour, specifically employer social insurance, covers more than the entirety of our overall revenue gap. Employers in Ireland pay the lowest social insurance contributions in the European Union after Cyprus, Lithuania and Malta. Whereas the implicit tax rate on employees - income tax, USC and social insurance – in Ireland (24.3%) is above the EU27 average (21.1%). The State could have collected €8.3 billion in additional revenue in 2019 had they taxed employers at the average tax level for similar rich member states.

51 Eurostat (June 2021) Comparative price levels of consumer goods and services.

It will be argued that increasing taxes on labour will stunt economic growth and erode national competitiveness. But we are currently experiencing ongoing affordability crises in housing and early years care and chronic underfunding of healthcare, higher education and public transport, which is having far more negative implications on our competitiveness.

Providing adequate welfare supports and services reduce search costs for unemployed workers to find a new job that better matches their skills, as opposed to one based on short-term survival considerations. It encourages entrepreneurs to take more risks when they know that a bankruptcy won't be catastrophic. Services such as childcare reduce barriers to labour force participation and education, and have a positive impact on growth.

Besides, we only have to look at the success of the Nordic countries. Despite high taxes, to fund their universalist welfare model, they tend to rank amongst the most competitive in the world with very high levels of labour productivity and per capita output.

We are now at a moment where there is wide public support for putting a strong safety net in place.

The pandemic has caused many to question the purpose of our welfare system. We are now at a moment where there is wide public support for putting a strong safety net in place.

The Irish Congress of Trade Unions and our affiliated unions have published this report as a platform for change. It is time for meaningful consideration on the role for government in protecting people's standard of living against common risks, including expanding access to affordable housing, child and adult care, free healthcare and education, and heavily subsidised and sufficient public transport.

Just as with World War II, "one happy consequence of this otherwise desperately unhappy experience"[52] can be a more generous Social Wage for working people and a welfare system that is for everybody.

52 Dryzek, J. and Goodin, R. (1986) *Risk sharing and social justice: The motivational foundations of the post-war welfare state.*

STRONGER TOGETHER

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