

Budget Choices

SOCIAL JUSTICE IRELAND

Policy Briefing

Social Justice Ireland

Arena House

Arena Road

Sandyford

Dublin 18

Phone: 01 2130724

www.socialjustice.ie

As Ireland faces a range of interrelated crises it is important to realise that:

- Ireland is not a poor country;
- Ireland's total tax-take is one of the lowest in the developed world and continues to fall as a percentage of GDP;
- 15.8% of people are at risk of poverty with incomes below €12,000 for a single person or €28,000 for a family of four;
- 31% of all the households at risk of poverty today are headed by a person *with* a job.
- A further 50% are headed by a person *outside* the labour force (i.e. older people and people who are ill, have a serious disability or are in caring roles) and are totally dependent on social welfare.
- It is both essential and possible to protect the vulnerable in the choices Government makes;

- An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully.

An integrated approach requires Government to

1. Increase the over-all tax take while keeping Ireland a low-tax country and without raising income tax rates;
2. Secure better value for money in the delivery of our public services;
3. Reform the public sector;
4. Target expenditure cuts where required but ensure that vulnerable people are protected. A good starting point would be the elimination of waste identified in the Comptroller and Auditor General's recent report;
5. Focus expenditure on the common good to provide required infrastructure and public services.

In practice giving priority to the vulnerable would mean:

- No cuts in social **welfare** rates;
- No cut in the **minimum wage**;
- Compensating **those on lowest incomes** for any increases in living costs associated with initiatives such as the introduction of a carbon tax;
- Giving priority in **education** to funding primary education;
- Giving priority in **health** to primary care teams;
- Giving priority in **housing** to social housing programmes;
- Giving priority to the **unemployed**, especially the long-term unemployed.
- Increasing the **tax-take** fairly.

In this *Policy Briefing* we elaborate on all of these proposals. Ireland is at a critical moment in its development and Government decisions in Budget 2010 will have a huge impact on the future. It is essential that the vulnerable are protected.

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Policy Briefing is a regular publication issued by Social Justice Ireland. It addresses a wide range of current policy issues from the perspective of those who are poor and/or socially excluded. Comments, observations and suggestions on this briefing are welcome.

Ireland: Some Key Diagrams and Tables

These diagrams and tables offer some insights on various aspects of Ireland's economy and society. A more comprehensive assessment of these topics can be found in our annual Socio-Economic Review available online at www.socialjustice.ie

Chart 1: Ireland's Economic Performance (GDP Growth), 1995-2009

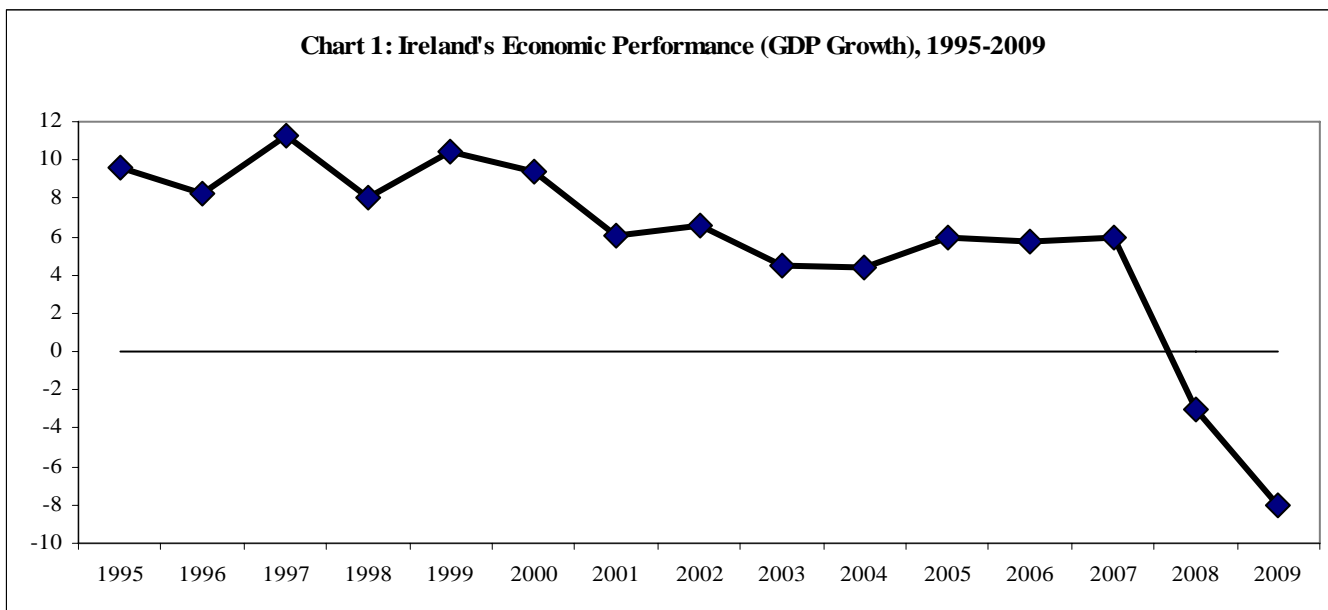


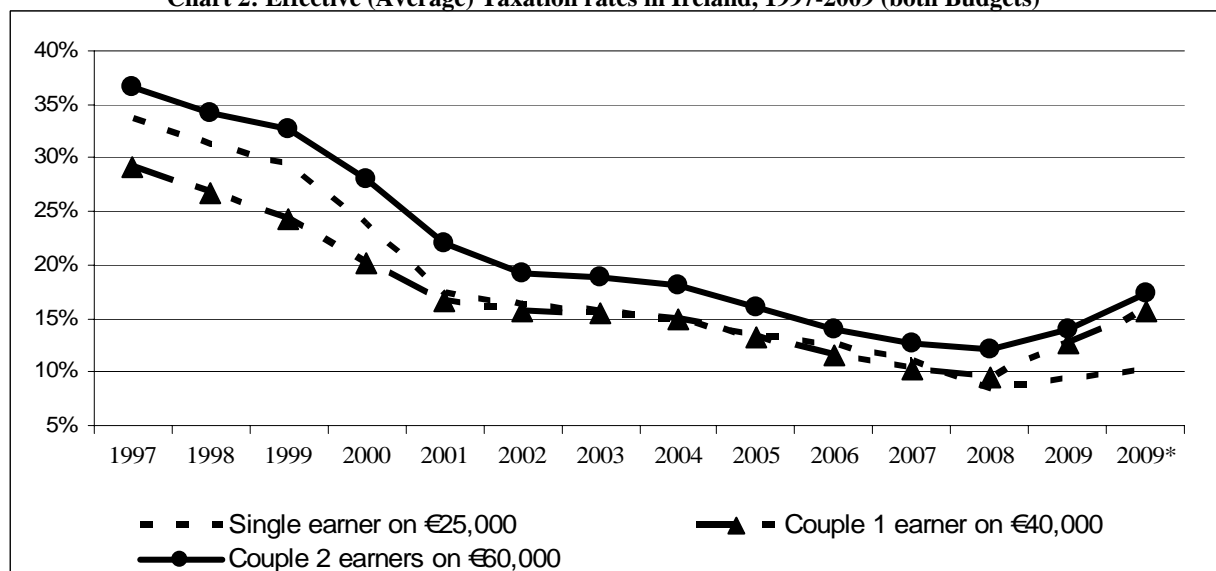
Table 1: Unemployment and Long-Term Unemployment, 2000-2009
(all data for 2nd quarter)

Year	Unemp %	LT Unemp %
2000	4.3	1.6
2001	3.8	1.1
2002	4.4	1.2
2003	4.6	1.4
2004	4.5	1.4
2005	4.7	1.4
2006	4.6	1.4
2007	4.7	1.3
2008	5.7	1.5
2009	12.0	2.6

Table 2: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2009

Household containing:	Weekly line	Annual line
1 adult	€229.47	€1,965
1 adult + 1 child	€305.20	€15,914
1 adult + 2 children	€380.92	€19,862
1 adult + 3 children	€456.65	€23,811
2 adults	€380.92	€19,862
2 adults + 1 child	€456.65	€23,811
2 adults + 2 children	€532.37	€27,759
2 adults + 3 children	€608.10	€31,708
3 adults	€532.37	€27,759

Chart 2: Effective (Average) Taxation rates in Ireland, 1997-2009 (both Budgets)



The Social and Economic Context of Budget 2010

To provide a brief overview of the social and economic context of Budget 2010, table 3 brings together a range of data and indicators reflecting various aspects of Ireland today.

The Budget is framed in the context of a sustained deterioration in the exchequer's finances. This has been driven by two major economic factors:

(i) the collapse of the Irish construction sector and associated housing bubble; and

(ii) an international economic slowdown associated with the 'credit crunch' in the United States and its international repercussions.

These difficulties have been added to by the severity of the banking crisis and

the requirement for the state to effectively rescue all the major Irish financial institutions and engage in substantial borrowing to fund that rescue.

As we detail elsewhere in this briefing, taxation revenues have also collapsed and remained at historically low levels as a proportion of national income.

The net result of these simultaneous events has seen a rapid increase in the national debt, large increases in personal taxation and pressure to make cuts in government spending.

It should be noted that despite its growth in recent years, the scale of overall Irish government spending as a % of national income remains low equalling 35.7% of GDP (43% of GNP) - the fourth lowest in Europe and well

below the EU average of 43.1% of GDP. Similarly, effective taxation rates (the % of total income that is paid as tax) are low in historical and international terms.

The Budget is also framed in the context of high, though declining, poverty levels; a sustained problem with child poverty; ongoing literacy challenges; rapidly increasing unemployment and lengthening social housing waiting lists. Current and future challenges arising from environmental pollution levels and projected population growth are also of relevance.

More detail on all of these indicators is provided in our 2009 Socio-Economic Review available on our website: www.socialjustice.ie

Table 3: Ireland's Social and Economic Position in 2009

Real GDP growth 2009*	-8%	Minimum Wage (per hour / 39hr week)	€8.65 / €37.35
GDP growth 2010*	-2.3%	Minimum Social Welfare Payment (1 adult)	€204.30
Real GNP growth 2009*	-2.3%	Average Gross Household Income (2007)	€1,146.42 per week
GNP growth 2010*	-2.3%	Average Disposable H-hold Income (2007)	€19.66 per week
2009 General Gov Balance (%GDP)*	-12.2%	Poverty line 1 Adult (week / year)	€229.47 / €1,965
National Debt (%GDP) 2008*	25.1%	Poverty line 2 Adults (week / year)	€380.92 / €19,862
National Debt (%GDP) 2009*(pre NAMA)	44.2%	Poverty line 1 Adult + 1 Child (week / year)	€305.20 / €15,914
National Debt (%GDP) 2010* (pre NAMA)	60.8%	Poverty line 2 A + 2 Children (week / year)	€532.37 / €27,759
National Capital Investment 2009	Approx 5% GNP	% of population living in poverty (numbers)	15.8% (685,562)
Total Taxation as % GDP 2009	< 28%	% of children living in poverty (numbers)	19% (approx 200,000)
%Tax on €25,000 income (single / 2 earners)	10.3% / 5.0%	LA Housing Waiting list - households	56,249
%Tax on €60,000 income (single / 2 earners)	31.7% / 17.4%	LA Housing Waiting list - persons	approx 150,000
%Tax on €100,000 income (single / 2 earners)	39.8% / 28.0%	Illiteracy rate of adult population (1996 data)^	25%
Corporation Tax rate	12.5%	% Waste Landfilled (2006 data)	63.9%
Capital Gain Tax rate	25%	Greenhouse Gas Emissions v. Kyoto target	+10%
Value of all Tax Reliefs (per annum)	€8.4 billion	Population 2006 Census	4,239,848
Labour Force	2,203,100	Population 2011* / 2016 *	4.685m / 5.093m
Employment	1,938,500	Population 2021* / 2041*	5.449m / 6.247m
Unemployment 2009 /rate (ILO Basis)	264,600 / 12%	Inflation rate (CPI) 2008*	-4.6%
Unemployment rate 2010*	16.1%	Inflation rate (CPI) 2009*	-0.3%

Source: Various publications including Central Bank Quarterly Bulletins; ESRI Quarterly Economic Commentaries and Medium Term Review; CSO Statistical Reports and publications from various Government Departments and Agencies.

Note: * = projection; ^ = no data collected since

Guiding Principle: Protecting the Vulnerable

In making choices in Budget 2010 Government should be guided by the principle of protecting the needs of the vulnerable.

15.8% of Ireland's population is at risk of poverty with incomes below €11,965 for a single person or €27,759 for a household of four.

31% of all the households at risk of poverty today are headed by a person *with* a job. A further 50% are headed by a person *outside* the labour force (i.e. older people and people who are ill, have a serious disability or are in caring roles) and are totally dependent on social welfare.

In the current difficult economic climate, Social Justice Ireland believes that the Budget should pay particular attention to this group. Those surviving on low incomes continue to struggle and, unlike many other groups in society, have no room to absorb income cuts. Any such cuts would simply deepen their poverty and further undermine their attempts to live their lives with dignity.

Giving priority to the vulnerable

In practice this would mean protecting **social welfare rates** and compensating those on the lowest income from any increases in living costs associated with the overdue and necessary introduction of a carbon tax.

It would also involve giving priority in **healthcare** to developing primary care teams rather than increasing consultants salaries. It would give priority to primary care and community services over the hospital system.

In **education** it would mean giving priority to funding primary education rather than expanding the resources available to fourth level education. It would also put the emphasis on reducing the proportion of the population with literacy problems

In **housing** it would prioritise the provision of resources for a sustainable programme of social housing provision.

In the area of **employment** it would mean giving priority to supporting those who are unemployed rather than

subsidising the further training of people who are already well qualified.

In the context of the **National Development Plan (NDP)** it would give priority to initiatives that are good for the vulnerable and for the economy.

On the issue of **taxation** it would mean ensuring that those with low incomes are not disadvantaged by the tax system and that Budgetary reforms are focused on making the taxation system fairer (see our proposals on p. 6 of this *Policy Briefing*).

In **transport** policy it would mean retaining priority to developing public transport and within this context it would ensure that rural transport was adequate, sufficiently resourced and further supported.

In the area of **foreign policy** it would mean honouring Ireland's commitment to provide 0.7% of GNP in foreign aid by 2012 and avoiding any further cuts in the ODA Budget - even those that might be associated with a decline in national income levels in 2010.

Five-Point Plan to ensure integration and fairness

The need for an integrated approach to policy development is even more essential at this very difficult moment for Ireland. *Social Justice Ireland* proposes the following five-point integrated approach that would enable Government address the current series of crises in a fair, effective and cost-efficient manner while ensuring that problems regarding the budget deficit would be addressed in a reasonable period of time.

1. **Increase the over-all tax take while keeping Ireland a low-tax country and without raising income tax rates.** Ireland is a low-tax economy. The starting point for increasing the total tax-take should be the 111 tax-breaks identified in by the Commission on Taxation (but not taxing child benefit). A programme should be set out to increase Ireland's total tax-take fairly to 34.9% of GDP which is well above the present level but would still keep Ireland a low-tax economy.

2. **Secure better value for money in the delivery of our public services;** Resources available to Government have fallen dramatically. It is essential that best-value be got for the money being spent on public services. In doing this it is crucial that Government take a long-term view and not take initiatives for short-term gain that will produce long-term negative outcomes on the vulnerable.

3. **Reform the public sector.** People trying to access services at present have to engage with a wide range of different agencies e.g. health, education, welfare, housing etc. to access their entitlements. A more integrated and person-centred structure is required. The recommendations contained in the OECD report on the Irish public sector should be implemented without delay.

4. **Target expenditure cuts where required but ensure that vulnerable people are protected.** A good starting point would be the elimination of waste identified in the Com-

troller and Auditor General's recent report. In this context it should be noted that tax 'breaks' are in effect Government expenditure. Cutting these would be another good place to find acceptable expenditure cuts.

5. **Focus expenditure on the common good to provide required infrastructure and public services.** Despite expenditure reductions Government will spend a substantial amount of money in 2010 and beyond. The choices made should ensure these resources are spent to promote the common good, assist economic recovery and protect the vulnerable.

Ireland is experiencing multiple crises because of the actions of some bankers, developers, politicians, speculators and economists. The misdeeds, sometimes illegal, of these people, should not be paid for by the vulnerable in Irish society.

This five-point plan would ensure that Government made decisions aimed at building a fairer future for all.

Budget 2010: A Challenging Exchequer Position

The scale and composition of the decisions Government are to make in Budget 2010 are clear—indeed they are clearer than has been the case for any Budget over the last two decades.

In the 2009 supplementary Budget the Minister for Finance published a detailed set of Budgetary parameters to which he committed to adhere over the course of the next few years.

These commitments were made to convince the public, investors, international lenders, the European Commission and the European Central Bank of Ireland's commitment to address over five years its fiscal problems and return the exchequer to within

the rules of the EU Stability and Growth Pact. Recent public discourse has ignored these parameters and focused almost exclusively on cutting public services.

As regards Budget 2010, the Government committed to collect an extra €1.75b in taxation revenue, cut current

expenditure by €1.5b and reduce capital spending by €750m—a total of €4b of adjustments in the first year and €4.75b

in a full year (once all the taxation changes have taken effect). Table 4 reproduces the table which outlined these commitments in the April 2009 Budgetary documentation.

While there are very difficult decisions to be taken in achieving each of these figures, the focus of debate and discussion on the Budgetary process should be on these targets.

The Minister's figures also indicate that Budget 2010 will produce a current budget deficit of €4.5b, a capital deficit of €5.3b, an overall exchequer deficit of

€9.9b and a General Government balance of -10.75% of GDP.

In the 2009 supplementary Budget the Minister for Finance published a detailed set of Budgetary parameters to which he committed to adhere over the course of the next few years....Recent public discourse has ignored these parameters and focused almost exclusively on cutting public services.

Table 4: Scale and Composition of Future Budgetary Adjustments as Identified in Budget 2009 #2 (April 2009)

	Budget 2010		Budget 2011	
	First Year	Full Year	First Year	Full Year
Additional Taxation	€1,750m	€2,500m	€1,500m	€2,100m
↓ Current Expenditure	€1,500m	€1,500m	€1,500m	€1,500m
↓ Capital Expenditure	€750m	€750m	€1,000m	€1,000m
Total Adjustments	€4,000m	€4,750m	€4,000m	€4,600m

Source: Department of Finance Budget Documents 2009 #2, Macroeconomic and Fiscal Framework 2009-2013 (p12)

The McCarthy Report: Flawed Methodology

The Report of the Special Group on Public Service Numbers and Expenditure Programmes, colloquially referred to as Bord Snip Nua or the McCarthy Report was published on July 16, 2009.

This Report identified cuts in public expenditure totalling €5.3 billion. If implemented in full the proposals would lead to a loss of at least 17,358 public sector jobs.

The biggest cut, however, would come in the social welfare budget which would fall by €1.85 billion. This figure would be achieved by reducing all social welfare rates by 5% and reducing child benefit to €136 a month for all children. In practice the latter would be a cut of €30 a month for the first two children in a family and cuts of €67 a month for each subsequent child.

While some of proposals contained in the Report could and should be implemented *Social Justice Ireland* totally rejects, among other things, the conclusion of the McCarthy Report that a clear case exists for social welfare rates to be "adjusted downwards".

While there are proposals in the McCarthy Report with which we agree there are flaws at the core of the methodology used by the Report's authors. They asked each Government Department to submit an evaluation paper which, among other things, identified "possible options for reductions in numbers and programme expenditure, including through administrative efficiencies and scaling-back or elimination of certain programmes." The Department of Finance was invited to submit similar papers for each Government Department.

The key flaws in this methodology are:

- The failure to provide an integrated analysis. A particular individual could lose out under several headings (e.g. health, education, housing, social welfare, transport etc) with a devastating cumulative effect. If the Report's authors' had developed conclusions with the person as the main focus then their conclusions would have been quite different in a great many cases.
- No social impact assessment was carried out so the impact on society generally of implementing these proposals has not been quantified.

Social Justice Ireland believes that a social impact assessment is urgently required before many of Bord Snip's proposals are decided on by Government.

Taxation Issues

Tax take plummets towards record low: Reform Required

Despite significant increases in the tax-take from the PAYE sector in the last two Budgets, the scale of collapse in Ireland's tax revenues has been dramatic. National taxes (those announced in the Budget and collected centrally) have fallen by over €13b since 2007 with the largest fall in areas such as capital gains taxes, stamp duties, corporation taxes and VAT. Despite the new income levies, the total income tax take has fallen from €13.6b to €12.4b (more detail on these numbers are available in table 2.3.2 of our 2009 Socio-Economic Review). Overall, Ireland's tax take as a percentage of national income will decline to 27.41% of GDP in 2009 (32.6% of GNP). These figures represent the lowest tax take for Ireland since Eurostat commenced compiling this data.

While a proportion of the tax decline is related to the recession, a large part is structural and requires attention. Budget 2010 should start that process. Over the next few years policy should focus on increasing Ireland's tax take to

34.9% of GDP, a figure defined by Eurostat as 'low-tax' but a level sufficient to ensure that Ireland delivers appropriate public services. While Ireland

should remain a low-tax economy, Irish society cannot expect to have efficient European style public services unless we collect sufficient taxation.

'While a proportion of the tax decline is related to the recession, a large part is structural and requires attention....Irish society cannot expect to have European style public services unless we collect sufficient taxation to pay for them'

Table 5: Ireland's total tax take, 2007-2009

	2007	2008	2009
National Taxes	€47.50b	€41.07b	€34.40b
Social Insurance	€9.43b	€9.75b	€9.78b
Local Government	€2.70b	€2.75b	€2.83b
Total Taxes	€59.63b	€53.57b	€47.01b
GDP	€189.75b	€181.81b	€171.50b
Tax % GDP	31.41%	29.46%	27.41%

Source: Eurostat (2009), Commission on Taxation (2009), Department of Finance Budget 2009 # 2 (2009) and CSO National Accounts (2009)

Introducing a Carbon Tax

The extent of Ireland's pollution problem is clear from numerous studies and the need to change people's behaviour towards the use of fossil fuels is obvious. Consequently, a carbon tax is long overdue and should form part of Budget 2010.

The Commission on Taxation have outlined in detail the nature and structure of this new environmental tax. One of

'attention should be given to compensating mechanisms for low income and isolated rural households'

the objections presented to the introduction of these taxes is that it would substantially damage the economic position of poor households. Indeed research by the ESRI has confirmed this. However, a series of research papers by the ESRI has shown that it is possible to insulate poorer households from the effects of these new taxes by allocating a proportion of the revenue generated to compensate poorer households and thereby balance out the regressive nature of the tax. In this context, *Social Justice Ireland* believes that attention should be given to social welfare rates, fuel allowances and other compensating mechanisms for low income and isolated rural households. Such a carefully designed carbon tax would be a welcome development.

Reforming Tax Reliefs

A significant outcome from the Commission on Taxation is contained in part 8 of their Report which details all the tax 'breaks' or tax 'expenditures' as they are referred to officially. For years we have sought to have a full list of these tax breaks and their actual cost published. However, despite our best endeavours, neither the Department of Finance nor the Revenue Commissioners were able to produce such a list. The Report identifies 111 tax breaks - information on many of these was not available previously. The Report also shows that Government has no idea what many of these tax breaks are costing the Exchequer. Given the scale of public expenditure involved, this is a bizarre and totally unacceptable situation.

The Commission analyses each of the 111 tax breaks and makes a recommendation on each one. We support most of these recommendations. However, we disagree with its proposal to tax child benefit (see p7). *Social Justice Ireland* believes that Government should move immediately to implement the recommendations of the Commission on tax breaks (with the exception of taxing child benefit). This would make the tax system fairer. It would also provide substantial additional resources towards achieving the adjustment Government has proposed for Budget 2010. The Commission has also detailed new methods for evaluation/introducing tax reliefs and these should also be introduced as part of the Budget.

Welfare Package

Protect Social Welfare Rates

The number of people dependent on social welfare in Ireland has significantly increased over the past eighteen months (see chart 3). For many it has been a shock to experience the challenge of living a dignified life on €204.30 per week - the value of the lowest social welfare payment.

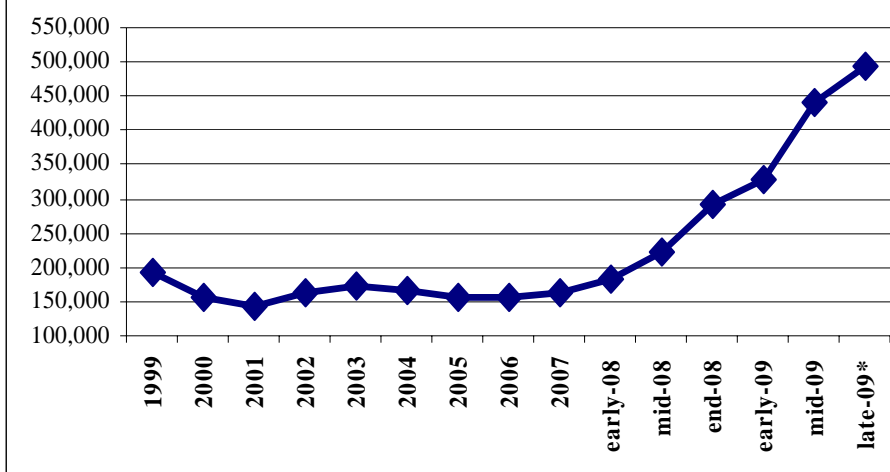
As table 6 shows, social welfare has a big impact on reducing poverty in Ireland. Without it poverty levels would be at 41% (according to the latest CSO data). The effectiveness of these payments has increased over time as rates increased in the early part of this decade - increases delivered to address the lack of progress during the 90s and the need to benchmark rates at appropriate levels. As other studies have shown, these rates are still not sufficient to meet minimum standards of living.

In Budget 2010 Government should maintain the value of all rates of social welfare payments. Furthermore, if a carbon tax is introduced, it should establish appropriate compensating measures to protect those on low incomes. It would be inappropriate and short-sighted to target this group.

Table 6: The role of Social Welfare (SW) payments in addressing poverty

	2001	2004	2006	2007
Poverty levels before SW	35.6	39.8	40.3	41.0
Poverty levels after SW	21.9	19.4	17.0	16.5
The role of SW	-13.7	-20.4	-23.3	-24.5

Chart 3: No. of Persons on the Live Register, 1999-2009



* later data for 2009 is a projection

Protect the Minimum Wage

As we have outlined throughout this briefing, a key aspect of Budget 2010 should be to protect the weakest in society. At a time of unprecedented uncertainty, such an approach is even more important.

Among this vulnerable group are those workers who are living on the minimum wage; a wage of €8.65 per hour or €37 per week. The value of the minimum wage has not changed since July 2007 although wages increased elsewhere in the economy during 2008 – recent CSO data indicate that industrial workers saw a 5.8% increase in earnings in 2008. The minimum wage has also been subject to the 2% income levy since the 1st May 2009. The August 09 CSO earnings data reported that there are 1.9% of industrial workers on the minimum wage. Income data from the CSO's EU-SILC indicate that many others are on wages just above this level. Overall, 6.6 per cent of those at work are living at risk of poverty – about 115,000 workers.

Social Justice Ireland believes in Budget 2010 Government should endorse the current value of the minimum wage. Arguments to cut it ignore the low incomes that those in receipt of this wage struggle to live on. Similarly, they ignore the fact that this wage has not increased in line with general wages over time. There can be little to be gained from proposing a cut to its level; indeed the costs of exposing more to poverty and deepening the experience of others in poverty would far outweigh any possible gains.

Protect Child Benefit

Currently Child Benefit (CB) rates are €166 a month for the first two children and €203 a month for the third and subsequent children. This income is not taxed or means tested. It is paid in respect of all children under 16 years of age, or under 19 years of age if the child is in full-time education, in FÁS Youthreach training or has a disability. The total cost of CB is €2.5bn (2009). In a footnote the McCarthy Report estimates that each €1 a month in Child Benefit costs the exchequer €4.1m per year.

Earlier this year the Government indicated that in Budget 2010 it will consider CB and either means-test or tax it. Already, the McCarthy report has recommended that CB be cut while the Commission on Taxation has recommended that it be taxed.

Social Justice Ireland believes that either taxing or means-testing child benefit would involve huge administrative changes that would be costly and many argue are beyond the technical capacity of either the Department of Social and Family Affairs or the Revenue Commissioners. Furthermore, cutting the payment would be a crude instrument which would hurt the poorest families most.

Ireland continues to have a large child poverty problem with almost 200,000 children living in households below the poverty line. Child Benefit should be maintained as a worthwhile, and working, tool to address this unacceptable problem. Budget 2010 should not cut child benefit.

Other Budget Issues

Primary Care Teams

Primarily Care has been recognised as one of the cornerstones of the health system. This was given recognition by the publication of a strategy *Primary Care – A New Direction* (2001). Between 90 and 95 per cent of the population are treated by the primary care system. The principles underpinning primary care should be based on a social model of health. This is in keeping with the World Health Organisation’s definition of health as “a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity”.

The national agreement *Towards 2016* commits Government to putting 500 primary care teams in place by 2011. The total and the related interim targets have not been reached. This situation is totally unacceptable. There has been a serious failure to face up to the fact that Ireland’s health system constantly gives priority to the acute hospitals over the provision of primary care and community services.

The proportion of the total health budget going on primary and continuing care should increase. This is what is required if the health system is to move from a medical model to a social model of health. It is also a key step in making the health system more efficient and effective. Budget 2010 should provide ring-fenced resources required to ensure the role of primary care teams are increased and that the *Towards 2016* commitments are honoured.

Social Housing

Major studies by NESC and others have concluded that the supply of social housing will have to rise dramatically if the needs of Irish society are to be addressed in the foreseeable future. NESC recommended that an additional 73,000 permanent social housing units were required by 2012. Currently there are close to 60,000 households on waiting lists.

The national partnership agreement *Towards 2016* extended the timeframe for reaching this target by one year to 2013 - to bring it into line with the *National Development Plan* (NDP). Despite the Budgetary pressure, Ireland has more than sufficient resources to ensure that adequate and appropriate accommodation is available for all people.

For the first time ever it has outlined a pathway to achieving that target. It is crucial now that the commitments made are honoured in full and on time. Anything less would be a betrayal of some of the most vulnerable people in Irish society.

In the past decade improved levels of economic growth combined with low interest rates resulted in high levels of housing inflation. This in turn produced a housing ‘bubble’ that has now burst.

In this context Budget 2010 should protect these social housing commitments and thereby continue to assist those who never had the resources to provide appropriate accommodation for themselves.

Literacy

Ireland has a serious literacy problem. Some years ago an OECD survey found that a quarter of Ireland’s adult population had a very low level of literacy. A 2004 study for the Department of Education found that more than 30 per cent of children in disadvantaged primary schools suffer from severe literacy problems. Both of these reports highlight the two-tier pattern of Ireland’s educational outcomes. Many do well. Others are left behind.

The Government’s *National Action Plan for Social Inclusion* sets targets to address these issues. They hope to:

- Reduce the proportion of the adult population (aged 16-64) with restricted literacy (i.e. level 1 on the international literacy scale) to between 10%-15% by 2016. If this target is achieved there will still be between 300,000 and 450,000 people with serious literacy difficulties in Ireland by 2016.
- Reduce the proportion of pupils with serious literacy difficulties in primary schools serving disadvantaged communities to less than 15% by 2016.

This is a recipe for failure. If the Government’s 2016 target is achieved then large numbers of people will not be in a position to take up a job. They will experience social exclusion and poverty. Failure to address this situation now will lead to serious economic and social problems in the future. Budget 2010 should strengthen commitments to avoid this.

Disability

People with a disability are, for the most part, among the excluded in our society. They and their families are expected to be grateful for whatever the rest of society decides to do for them. This needs to change.

Recent CSO figures show 35 per cent of people in the category called *ill/disabled* at highest risk of poverty. In 1994, according to ESRI studies, 29.5 per cent of this category were at risk of poverty. This significant increase for people with a disability is of major concern.

There is an ongoing need to target policies to address the needs of these groups. These policies should focus on income adequacy, work, training and retraining, care, health, education, access and independent living. These areas have all been addressed in *Towards 2016* and high-level goals have been agreed and are to be achieved by 2016. Progress to date, however, has been far from what is required.

There is a strong case, for example, to be made, for the introduction of a non-means tested cost of disability allowance. This proposal is supported by the *NESC Strategy 2006* which asks that “the Government strongly consider the case for a separate ‘cost of disability payment’ that, in line with its analysis in the Developmental Welfare State, would be personally tailored and portable across the employment/non-employment divide.” (NESC, 2005). Budget 2010 should progress these issues.

HEALTH

Context:

People should be assured that healthcare in their times of vulnerability is guaranteed. In 1977, 39 percent of the population were eligible for medical cards. By 2007 this figure had decreased to about 29.5 per cent and included people over 70 irrespective of their income. Because of costs people on low incomes defer seeking healthcare with long term negative outcomes for themselves, their families and the economy. Primary Care has been recognised as one of the cornerstones of the healthcare system and has been well argued in the Government's strategy *Primary Care – A New Direction* (2001). For the development of this strategy there is a clear need for an increase in the percentage of the healthcare budget being allocated for primary care.

Proposals:

- Prioritise funding for the 400 primary care teams that should have been in place by the end of 2009 (as agreed in *Towards 2016*).
- Meet the commitments on mental health and disability contained in *Towards 2016*.
- Increase the proportion of the healthcare budget allocated to primary care and community services.
- Provide resources to meet the targets on homecare packages.

Reference

Socio-Economic Review
2009

Section 3.6

Available at:
www.socialjustice.ie

EDUCATION

Context:

Ireland's education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations. Early school leaving is a particularly serious manifestation of wider inequality in education, which is embedded in and caused by the structures in the system itself. The low level of literacy among a significant proportion of the adult population is of concern. Likewise a 2004 study found that up to 30 per cent of pupils in disadvantaged primary schools have literacy difficulties. The target set by Government is to reduce illiteracy among those aged 16-64, to between 10-15% by 2016. This suggests that it is acceptable that there will be between 300,000–450,000 people with basic literacy problems in 2016. This will mean poor outcomes for the people themselves and is also bad for the economy. Ireland's expenditure on education equalled 4.7 percent of GDP in 2005, the latest year for which comparable OECD data is available. This compares to an EU average of 5.1 per cent in that year. Over time, as the national income has increased the share allocated to education has fallen. In 1995 expenditure on education equalled 5.2 per cent of GDP.

Proposals:

- Give priority to funding primary education.
- Provide the resources needed to reduce Ireland's literacy problems among adults and children.
- Target resources to address the problem of early school leaving and thereby minimise the future costs for the individual and society of this problem.
- Introduce a Basic Education Allowance for full-time and part-time education for each person between ages 18 and 40 who does not proceed to third level from school.
- Extend the early start initiatives beyond the school year framework to an all-year support initiative anchored in the local community.

Reference

Socio-Economic Review
2009

Section 3.7

Available at:
www.socialjustice.ie

WORK

Context:

Unemployment has risen to 12%. Long-term unemployment must be addressed.

Proposals:

- Resource the preparation and enabling of unemployed people to access jobs.
- Prioritise action on long-term unemployment.

Reference

Socio-Economic Review
2009

Section 3.3

WORKING POOR

Context:

30% of all households at risk of poverty are headed by a person WITH a job. Many of these are outside the tax net. They neither benefit from budget changes nor get the full value of their tax credits.

Proposal:

- Ensure the working poor can benefit from the full value of their tax credit by making tax credits refundable.

Reference

Socio-Economic Review
2009

Section 3.1 and 3.2

HOUSING

Context:

60,000 households are on housing waiting lists. Many are homeless. These cannot afford to provide appropriate accommodation for themselves.

Proposal:

- Meet the social housing commitments contained in *Towards 2016* and in the National Development Plan (NDP).

Reference

Socio-Economic Review
2009

Section 3.5

DISABILITY

Context:

People who are ill or have a disability are among the two categories at highest risk of poverty (34.5%). They have additional expenses because of their disability.

Proposal:

- Introduce a means-tested cost of disability allowance.

Reference

Socio-Economic Review
2009

Section 3.1 and 3.3

PUBLIC SERVICES

Context:

Ireland's public services are underdeveloped. Poorer people rely on these more than those who are better off.

Proposals:

- Protect public service provision
- Give priority to public transport systems.

Reference

Socio-Economic Review
2009

Section 3.4

CHILD POVERTY & CHILD BENEFIT

Context:

More than 19% of children (aprox 200,000) are at risk of poverty. There is also an on-going problem with the provision of childcare.

Proposal:

- Protect Child Benefit payments; do not cut or tax them.

Reference

Socio-Economic Review
2009

Section 3.1 and 3.2

OVERSEAS AID

Context:

Ireland has committed to providing 0.7% of GNP in foreign aid by 2012 - reaching the UN target. This expenditure is targeted at the most vulnerable people on the planet.

Proposal:

- Protect the ODA budget, do not cut it and reaffirm Ireland commitment to meeting the 2012 target.

Reference

Socio-Economic Review 2009

Section 3.12

CARERS

Context:

The work of Ireland's carers receives minimal recognition. Census 2002 indicated that there were approximately 149,000 carers in Ireland with 1 in every 10 women in their 40s and 50s a carer.

Proposal:

- Finalise and implement the National Carers Strategy immediately and resource its implementation adequately.

Reference

Socio-Economic Review 2009

Section 3.3

SUSTAINABLE DEVELOPMENT

Context:

The dominant economic measures of progress fail to take account of sustainability issues. A new approach that conserves the planet and its resources and protects its people is needed.

Proposal:

- Resource and implement the commitment in *Towards 2016* to develop a set of shadow national accounts.

Reference

Socio-Economic Review 2009

Section 3.10

COMMUNITY AND RURAL DEVELOPMENT

Context:

Rural Ireland has high dependency levels, out-migration and many with low incomes.

Proposals:

- Address rural disadvantage (e.g. transport, housing etc).
- Protect rural services such as the Rural Transport Initiative and the Community Services Programme.

Reference

Socio-Economic Review 2009

Section 3.11

ASYLUM SEEKERS

Context:

People awaiting decision on their application for asylum in Ireland are not allowed to work. Ireland is now the only EU country in this situation. The 'Direct' Provision' payments made are abysmally low.

Proposal:

- Increase the 'Direct Provision' payment from €19.50 to €65 for adults and from €9.60 a week to €38 for children.

Reference

Socio-Economic Review 2009

Section 3.8

MIGRATION

Context:

The influx of migrant workers in recent years presents Ireland with a major challenge—to integrate rather than isolate these new populations.

Proposal:

- Implement and resource the *Towards 2016* commitment to establish a new framework to address the issue of integration.

Reference

Socio-Economic Review 2009

Section 3.8

Budget 2010: A Need for Vision

The scale of the various crisis (banking, public finance, economic, social and reputational) facing Ireland today is dramatic. They imply a period of recovery, one that will take a number of years. The nature of that recovery has both international and national aspects. While the former is out of our control, decisions regarding our national policy responses to these crises will need to be considered and taken over the next few months and years.

Social Justice Ireland believes that these national decisions should be framed in the context of one central question:

Where does Ireland, and Irish society, want to be in 10 years time?

Budget 2010 offers Government an appropriate opportunity to outline an answer to this crucial question.

As we have outlined in our 2009 Socio-Economic Review (available at

www.socialjustice.ie; see section 2.6) we believe that such a long term vision should incorporate each of the following:

- Collect Sufficient Taxes with a Fair Tax System
- Protect Social Provision
- Address Unemployment and Support Employment
- Continue to Reduce Poverty
- Develop Long Term Planning
- Shift Policy to Target Growth of per-capita National Income
- Restate Commitments to the High Level Goals in *Towards 2016*
- Avoid Upwards Redistribution in Supporting Banks and Developers
- Maintain Ongoing Dialogue with Social Partners
- Develop a Rights-Based Approach

Protecting the World's Poorest

Social Justice Ireland believes that in Budget 2010 Ireland's overseas aid budget should not be reduced any further. In the context of Ireland's current challenges it is important to bear in mind that many people in the world are in a far worse situation and have been in this situation for a very long time. Ireland and other countries in the better-off part of the world should not abandon the world's poorest at this crucial time.

One of the major cuts in Ireland's second Budget of 2009 was that delivered to the overseas aid budget. It was cut by €100 million, adding to a cut in January 2009 of €5 million. In 2009, Ireland will give €96 million in overseas aid; an amount equivalent to 0.48% of GNP. The Irish Government made a commitment to reach a target of spending 0.7% of our national income on overseas aid by 2012. *Social Justice Ireland* strongly urges Government in Budget 2010 to recommit to reaching that overseas aid target by 2012.

**Social Policy
Conference
November 17, 2009**

**We're on the web
www.socialjustice.ie**

Social Justice Ireland

21st Annual Social Policy Conference

Theme: Beyond GDP: What is Progress and how should it be measured?

Date: Tuesday, November 17th, 2009

Venue: Tara Towers Hotel, Dublin

Speakers from:

OECD

New Economics Foundation (London)

NESC, CSO & Others

Advance booking essential

For further information: www.socialjustice.ie

Email: secretary@socialjustice.ie

Social Justice Ireland is a research and advocacy organisation of individuals and groups, lay and religious, throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. It has taken over the programmes and projects previously run by *CORI Justice* including its social partnership role.

Social Justice Ireland

Arena House

Arena Road

Sandyford

Dublin 18

Phone: 01 2130724

Email: secretary@socialjustice.ie

Web: www.socialjustice.ie