

# Pre-Budget Briefing 2003

## Widening rich/poor gap, together with deficits in infrastructure and social provision, require a radically different budget in 2003

**Budget 2003 should give priority to tackling the widening rich/poor gap and the deficits in Ireland's infrastructure and social provision. In this process care should be taken to ensure that those who have benefited the least from the economic growth of recent years should not bear the brunt of the budgetary problems produced by this Government's imprudent management of resources in the years of plenty.**

**The widening rich/poor gap is Ireland's greatest budgetary scandal.** Despite the substantial resources which have been available, Ireland's poorest people have been effectively excluded from what is required to live life with dignity. This is unjust, unfair and unacceptable.

**To reverse this trend it is essential that Budget 2003 increase the lowest social welfare payment by at least €14 a week for a single person and €24 for a couple.**

**Many good things have happened in recent years.** Ireland now has a per capita income

well above the European average. The numbers employed have grown dramatically and the numbers unemployed have fallen. The reduction in long-term unemployment is especially welcome.

**However, Ireland does not have an EU standard of infrastructure or social provision.** It has one of the worst rich/poor gaps in the EU. The numbers living in relative income poverty are growing. **The gap between an unemployed person and a person on €50,000 a year has widened by €243 a week over the past five years as a result of Government decisions.**

A growing number of poor people are on **housing waiting lists.** The two-tier healthcare system means poor people continue to wait for service.

**Many people with jobs are living in poverty because their incomes are so low. Educational disadvantage** persists for large numbers of poor people—both young and adults.

On the other hand **Ireland's total tax-take is low by EU standards. This raises serious**

**questions. How can Ireland have an EU level of infrastructure and social provision if we are not prepared to pay an EU level of taxation? This Briefing contains proposals on how Ireland's total tax-take could be moved closer to the EU average.**

The resources exist but have been given, primarily, to the better off in recent years.

**A society is measured by how it treats its most vulnerable people. By this measurement Ireland is failing dismally.**

The following pages address a wide range of Budgetary issues. They identify core policy objectives and outline budgetary proposals that would move towards achieving these objectives. All the proposals are made within a responsible fiscal stance and can be funded from currently available resources.

**The majority of Irish people want a fairer, more just society. Budget 2003 should, consequently, prioritise decisions aimed at producing a more just and fair society.**

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### Key Issues

- ♦ *The widening rich/poor gap is Ireland's greatest budgetary scandal.*
- ♦ *Ireland now has a per capita income well above the EU average but its infrastructure and social provision are far below the EU level.*
- ♦ *Ireland's tax-take is far below the EU average.*
- ♦ *How can Ireland have an EU level of infrastructure and social provision if we are not prepared to pay EU level of taxation?*

# Main Policy Recommendations

## Core Policy Objective

**To build a society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.**

Main proposals for implementation in Budget 2003

## Taxation

- Make tax credits refundable
- Increase tax credits substantially so as to move towards taking the minimum wage out of the tax net.
- Introduce a 'windfall' tax on parts of the corporate sector that have benefited disproportionately from the reduction in corporation tax (e.g. banks and financial institutions).
- Maintain the corporation tax rate at 16%.
- Standard rate all discretionary tax expenditures (e.g. tax relief on pension contributions, on medical expenses, for the business expansion scheme and on property investment schemes).
- Ensure changes in the income tax system benefit those on low to middle incomes as much as they benefit the better off in cash terms.

## Income Distribution

- Redress the imbalances of the last five years where the major beneficiaries were the better off.
- Increase the lowest social welfare rates by €14 a week for a single person and by €24 a week for a couple. This is necessary if Government is to honour its commitment to benchmark the lowest social welfare payments at 30% of gross average industrial earnings.
- Increase child benefit substantially and do not tax it.
- Introduce a cost of disability allowance.
- Increase the weekly allowance for asylum seekers in 'direct provi-

sion' to €50 a week. (We believe this system of 'direct provision' should be terminated and make the above recommendation as an interim measure).

## Work/Unemployment/Job-Creation

- Place an ongoing emphasis on preparing and enabling unemployed people to access market-place jobs. This would involve providing additional resources to support:
  - ◇ Increased numbers of places providing quality education, training, retraining and up-skilling.
  - ◇ Adequate numbers of places on programmes such as C.E.
- Create a new programme to provide direct funding for community and voluntary organisations providing services which were dependent on the CE programme.
- Provide resources to conduct a survey to discover the value of all unpaid work in the country.

## Rural Development

- Decouple all direct payments from production and introduce a direct payment in the form of a basic income for each person.
- Ensure the provision of basic infrastructure and services based more on equity and social justice, rather than on cost effectiveness.
- Provide support for rural housing.
- Provide additional resources for the development of rural public transport strategies.

## Housing and Accommodation

- Acknowledge that everyone has a right to appropriate accommodation and develop policy from this perspective.
- Acknowledge that a housing crisis exists.
- Set a target of reducing the time spent on waiting lists to a maximum of 6 months by 2007 and provide the resources to make substantial progress towards reaching this target.
- Provide sufficient resources to eliminate homelessness in the coming year.

## Environment

- Allocate the necessary resources to achieve waste reduction targets by implementing the relevant sections of the Waste Management Act.
- Allocate substantial additional resources to develop and reward recycling.

## Education

- Prioritise educational expenditure at primary and pre-school level.
- Provide the Committee on Educational Disadvantage with the resources necessary to fulfil its brief.
- Make an explicit commitment to eliminate early school leaving (without a qualification) *within a specific timeframe* and provide the resources necessary to achieve this target.
- Provide the Education Welfare Board with the resources required to fulfil its mandate.

## Healthcare.

- Increase the proportion of the healthcare budget allocated to community care.
- Provide the resources to fund the PPF commitment to pilot community-based, primary healthcare centres on a seven day, 24 hour basis.
- Provide for increased levels of community supports for care of the elderly.
- Resource the Health Strategy adequately.

## O. D. A.

- Take substantial steps to implement the Government's commitment to increase Ireland's Official Development Assistance for poor countries to the UN target of 0.7% of GNP by 2007.

## Poverty Proofing

- Poverty-proof the Budget to ensure that the gap between the rich and poor is reduced.

# THE SOCIAL AND ECONOMIC CONTEXT

## STANDARD OF LIVING IS RISING

Ireland is fast becoming one of the wealthiest countries in the EU. From a situation where we were consistently among the Union's poorest countries and receiving major cash transfers to assist our development we now find ourselves with **average incomes far in excess of the EU average.**

The remarkable economic growth of recent years has seen huge **growth in the scale of resources available** to society in general and to Government in particular. Among the most remarkable changes are the **huge growth in the numbers employed** and the **substantial reduction in unemployment** compared to the situation in the early 1990s. The changing job situation has made a major contribution to raising the standard of living of many individuals and households. Major problems persist, however.

## INFRASTRUCTURE AND SOCIAL PROVISION FALLING WELL SHORT OF WHAT IS REQUIRED

The growth in average per capita income has not been matched by an equally dramatic improvement in Ireland's levels of infrastructure or social provision. At present these are far below the EU average. **Areas such as healthcare leave a great deal to be desired.** The absence of an adequate and efficient **public transport** system is another area of public concern.

Far less emphasis appears to be placed on the major problems caused by the **insufficient supply of social housing.** The proposed scale of the Government's response to this critically important issue is totally inadequate when compared to the scale of the problem. The end result is that **housing waiting lists are getting longer and longer.** Large numbers of people are doomed to live in inadequate, inappropriate accommo-

modation for a long time to come. **Homelessness** is a sad reality for about 5,500 people. The failure of the **education** system to tackle social exclusion in an effective way remains a major concern. Likewise the failure to come to grips with emerging **waste disposal** problems is yet another key infrastructure problem.

## POVERTY PERSISTS

Income poverty is a reality for a great many people in Ireland. Using the ESRI's most recent data we can calculate the generally accepted income poverty line (i.e. 50% of average income) to be about €165 a week for a single person in 2002. This is €46.20 a week more than the current level of the lowest social welfare rates which are at €118.80 a week. Consequently, it is hardly surprising that **one in every five people has an income below this poverty line. The number of households with incomes below this line has risen steadily from 16.3% in 1987 to 25.8% in 2000.** It should be noted that some of the people included in this category are employed. Their jobs however are low paid and, consequently, they remain among Ireland's poor people.

We acknowledge that the proportion of people experiencing income poverty who are also experiencing basic deprivation has been falling in recent years. (This is the 'consistent' poverty measure often used by Government.) However, this group are not the only people living in poverty. They are a group that is clearly distinct from the rest of society. They are the *poorest* people in Ireland, not the country's *only* poor people. **Ireland has a high rate of relative income poverty compared with other EU member states** (cf. Nolan and Maitre, 1999). The ESRI (Layte, et al, 2001) recognise this fact and argues that **it is caused by structural factors that need to be tackled while the resources are available to do so.**

## IRELAND'S TAX-TAKE IS LOW BY EU STANDARDS

**Ireland's total tax take as a percentage of gross domestic product (GDP) is the lowest of 14 EU countries for which statistics are available.** Total tax and social insurance revenue in Ireland was equal to 34.1 of GDP, a long way below the EU average of 42.6%. When adjusted for GNP Ireland's total tax take is still substantially below the EU average. Within this total number it is important to note that **Ireland takes a far higher proportion of its taxes from income tax (31.4%) compared to 25.5% for the EU. On the other hand, Ireland takes only 12.9% of its total tax-take in social security taxes (PRSI) compared to an EU average of 28.6%.**

## Ireland is not a high-tax country.

There are major questions, however, facing Ireland at present on this issue. **How can we have an EU level of infrastructure and social provision if we are not prepared to pay an EU level of taxation?** In this context it is important to ensure that value for money is always sought and attained. However, it is simply not good enough to argue for better infrastructure and social provision while refusing to address the question of how we propose to pay the costs involved.

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**CORI Justice Commission believes that everyone should have sufficient income to live life with dignity. The Commission also believes that Ireland should have the levels of infrastructure and social provision required so that everyone can participate in the life of the society. The level of taxation required to finance this should be collected. The Commission also believes that we need a fairer tax system in which those who have more pay more while those who have less pay less.**

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## Where is the poverty line?

How many people are poor? On what basis are they classified as poor? These and related questions are constantly asked when poverty is discussed or analysed. In trying to measure the extent of poverty, the most common approach has been to identify a poverty line (or lines) based on people's incomes. Where that line should be drawn is sometimes a contentious matter, but many European studies (including those carried out by the ESRI in Ireland) now suggest a line, which is half average income, adjusted for family size and composition. Alternatives set at 40 per cent and 60 per

cent of average income are also used frequently to clarify and lend robustness to conclusions that could impact on policy.

- In financial terms the ESRI discovered that the income-per-adult equivalent averaged over households in 2000 was €287.59 (£226.45). Consequently, the income poverty lines for a single adult derived from this average were:

⇒ 40 per cent line — €115.04 (£90.58) a week

⇒ 50 per cent line — €143.80

(£113.23) a week

⇒ 60 per cent line — €172.55 (£135.87) a week

- Updating the more generally accepted poverty line (i.e. 50 per cent of average income) to 2002 levels, using actual (CSO, 2001) and predicted increases in average industrial earnings, produces a relative income poverty line of €165 (£130) for a single person. This is €46.20 more than the current level of most social assistance rates.

## How many people have incomes below the poverty line?

The research that underpins our information on how many people have incomes below the poverty line is done by the ESRI. Table 1 below has been drawn from two of their publications and outlines the percentage of households and of persons below relative income poverty lines in 1987, 1994, 1997, 1998 and 2000. These are the only years for which data are available.

**The more generally accepted poverty line is 50% of average income,** adjusted for family size and composition.

Focusing on this poverty line we see that:

- **The number of households with incomes below this line has risen steadily from 16.3% in 1987 to 25.8% in the 1998.**

- The number of persons below this poverty line is at 20.9% compared to 18.9% in 1987.

- **With about one in five falling below this poverty line, Ireland has a high rate of relative income poverty compared with other EU member states** (cf. Nolan and Maitre, 1999).

- The ESRI (Layte, et al, 2001) recognise this fact and argues that it is

caused by structural factors that need to be tackled while the resources are available to do so.

- Looking at the other poverty lines it is clear that the number of persons below each line has grown steadily since 1987.

However the depth of people's poverty has declined so that those below relative income poverty lines are now a good deal closer to these lines than in the past. Consequently, the share of national income needed to bridge that gap, to bring every one up to these lines, is less.

**TABLE 1:** Percentage of households and persons below relative income poverty lines 1987/1994/1997/1998/2000

	HOUSEHOLDS					PERSONS				
	1987	1994	1997	1998	2000	1987	1994	1997	1998	2000
40 Per cent line	6.2	4.9	6.3	10.5	11.8	6.8	5.2	6.3	9.1	9.9
<b>50 Per cent line</b>	<b>16.3</b>	<b>18.6</b>	<b>22.4</b>	<b>24.6</b>	<b>25.8</b>	<b>18.9</b>	<b>17.4</b>	<b>18.1</b>	<b>19.9</b>	<b>20.9</b>
60 Per cent line	28.5	34.2	34.3	33.4	32.9	29.8	30.4	30.1	28.6	28.3

SOURCE: Derived from *Poverty in the 1990s*, table 4.9, Page 73 and *Monitoring Poverty Trends in Ireland: Results from 2000* pp. 19–20 (Equivalence Scale A)

# Risk and incidence of poverty—Policy implications

When poverty is being analysed it is important to distinguish between the **risk** facing a particular type of household (i.e. the proportion of households of that type found to be in poverty) and the **incidence** of poverty (the proportion of all those in poverty who belong to that group).

It is important to look at the breakdown for the period 1994–2000 of those below the '60 per cent of median' poverty line (i.e. **incidence** of poverty) classifying them by the labour force status of the head of household. It is also important to look at the **risk** of poverty for each of these categories over the same period.

These breakdowns show that:

- Households headed by a person working full time in the home are the largest single group living in poverty (28.7%).
- **Households headed by a retired person make up the next largest group of households living in poverty (17.6%).**
- Households headed by an unemployed person and living in relative income poverty have fallen dramatically since 1994, down from 41.1% to 9.8% of all those in this situation.
- **However, households headed by an unemployed person still experience a high risk of poverty (at 50.7%) which is down only very slightly from 51.4% in 1994.**
- Households headed by a person who is ill or disabled are the category at greatest risk of living in poverty. 54.4% of these households are at risk compared with 29.5% in 1994.
- **The risk for households headed by a retired person being in poverty also grew dramatically—from 8.2% in 1994 to 33.8%.**
- Households headed by an employee have experienced an increase in their risk of being in poverty from 3.2% in 1994 to 7.4%. This is a reversal of the trend in the period in between which had seen the risk decline

from 4.7% in 1997 to 3% in 1998.

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**• The most notable difference between the mid-1990s and the present is the continuing rapid rise in the incidence of people in relative income poverty living in households headed by a person outside the labour force. When the households headed by a retired person, a person who is ill/disabled and a person 'on home duties' are combined we see they have risen from 30% of all those in relative income poverty in 1994 to 56.2% in the most recent ESRI study.**

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- The risk has fallen for most households with children. Where more than half of all these households were in relative income poverty in 1994, by 1998 this had fallen to 28%.
- **The risk has increased sharply for households headed by elderly people. This situation is especially acute for older women.**
- The risk of poverty for households headed by a farmer has remained almost unchanged since 1998 (24.3% compared to 24.6% in 1998). However this risk is substantially higher than in 1994 when it stood at 18.6%.

## **Children and adults of different ages.**

- The situation of children has deteriorated since 1998 (rising from 22.9% to 24.9% living in poverty). This compares with 24.5% in 1994. Their situation is slightly better than all adults (21% living in relative income poverty).
- **The situation for adults of different ages shows dramatic differences. 16.9% of all those aged 18-64 live in relative in-**

**come poverty while 43.3% of those aged 65 and over are in this situation.**

## Policy Implications

- **The fact that social welfare payments have not kept pace with improvements in the standard of living, (although they did increase by more than inflation) has meant that those relying on these payments are most likely to fall into relative income poverty. Consequently, it is crucial that social welfare rates be increased to levels that ensure people have sufficient income to live life with dignity. Subsequently, they must be indexed to increases in the standard of living experienced by the wider society. The National Anti-Poverty Strategy has in effect identified 30% of Gross Average Industrial Earnings (GAIE) as the benchmark at which the lowest social welfare rate for a single person should be set. Moving pension payments to 34% of GAIE has already been part of Government practice. These constitute the parameters for Budget decisions on social welfare payments. There should be significant progress towards attaining these targets in Budget 2003.**
- The fall in unemployment has resulted in a decline in its importance among those living in relative income poverty. However the risk facing people who are unemployed is still very high. Consequently, it is important to ensure that policy on this issue remains in place.
- **Policy initiatives are also required to ensure that households headed by employees are taken out of relative income poverty. We address this issue specifically on page 8 of this Briefing. The policy initiatives required are:**
  - ⇒ **Make tax credits refundable**
  - ⇒ **Take the minimum wage out of the tax net in that order.**

# This Government has widened the rich/poor gap by €243 a week over the past five years

**T**his Government's Budget decisions during its first five years in office have widened the rich/poor gap by €243 a week.

An analysis of the impact Government decisions have had on people's take-home income shows that each of this Government's five previous Budgets has widened the rich/poor gap substantially. The gap has now widened to the point where *single* people on £40,000 (€50,790) a year have gained **€243 a week more** in their disposable income than long-term unemployed people over the past five years.

In making these calculations we have included both pay increases and tax reductions as well as social welfare increases. We have also included the impact of the new savings scheme which better off people can access but which is beyond the reach of Ireland's poorest people.

The impact of Government decisions on the take-home income of *couples* has been almost as striking.

Chart 1 shows how much better off people are following the five budgets of the Fianna Fáil/PD Government during its first term of office. (For ease of reference we have included the £ and the € values.) In making these calculations, it is essential that wage increases be included, as well as tax cuts and social welfare increases. Unemployed people gain nothing from tax reductions or wage increases. Consequently, when assessing their position, it is essential that pay increases be included in the calculations.

We have included the wage increases contained in the national agreements (*Partnership 2000* and *The Programme for Prosperity and Fairness*) for the relevant years so that legitimate comparisons can be made. The numbers on Chart 1 are the gains over the full five years. Overall, it illustrates how much people's take-home incomes have increased over five budgets of the Fianna Fáil/PD Government during its first five years in power. **The outcome shows**

**a dramatic widening of the rich/poor gap, as each of the five budgets gave substantially more to those who were better off than to those who were the poorest in Irish society.**

**Single people** who are long-term unemployed are €33 (£26) a week better off; those with incomes of £15,000 (€19,046) a year are €122 (£96) a week better off; while those on £40,000 (€50,790) are €262 (£206) a week better off.

After five budgets, **couples** who are long-term unemployed are €62 (£48) a week better off. Couples with one income earning £15,000 (€19,046) are €123 (£97) a week better off, while those on £40,000 (€50,790) are €241 (£190) a week better off. Over the same period, couples with two incomes earning a total of £15,000 (€19,046) a year are €136 (£107) a week better off, while those with two incomes totalling £40,000 (€50,790) are €334 (£263) a week better off.

The gap between rich and poor has now widened by €243 a week. Chart 1 shows that **the disposable income of single people who are long-term unemployed and those on €50,790 (€40,000) a year has widened by €229 (£180) a week. The latter can also gain €14 (£11) a week from the Government's Special Savings Investment Scheme, bringing their total gain up to €243 (£191) a week.**

The impact of Government decisions on the take-home income of *couples* has been almost as striking. After five budgets, couples who are long-term unemployed are €61 (£48) a week better off, while couples with one income on £40,000 (€50,790) are €241 (£190) a week better off. The latter also benefit from the Savings Scheme, so the gap between them has widened by €194 (£153) a week.

**Widening the gap between the better off and the poor**

**is unfair, unjust and bad for social cohesion. In making its decisions, Government has failed to honour the aims and objectives of the Programme for Prosperity and Fairness. These committed Government to building a fairer and more inclusive society.**

In late 2000, when inflation had substantially outstripped the projections on which the PPF was negotiated, Government negotiated with the employers and trade unions to get an improved deal for those in jobs. No such adjustments were made for Ireland's poorest people. This meant that in a difficult budgetary period it was the poor who paid. This must not be allowed to happen again in the Budget of 2003.



# TAXATION

## Core Policy Objective

**To collect sufficient taxes to ensure full participation in society for all, through a fair tax system in which those who have more, pay more, while those who have less, pay less.**

**A**s we have noted already in this Briefing, **Ireland's total tax take as a percentage of gross domestic product (GDP) is the lowest of 14 EU countries for which statistics are available.** Total tax and social insurance revenue in Ireland was equal to 34.1 of GDP, a long way below the EU average of 42.6%. When adjusted for GNP Ireland's total tax take is still substantially below the EU average. **Ireland is not a high-tax country.**

### INCREASING THE TAX-TAKE

As a means of increasing the total tax-take towards the EU average level, we propose that Budget 2003:

- Introduce a 'windfall' tax on parts of the corporate sector that have benefited disproportionately from the reduction in corporation tax (e.g. banks and financial institutions).
- Maintain the corporation tax rate at 16% and increase it in the medium term.
- Increase capital gains tax.
- Increase tax on wealth (e.g. through increasing DIRT tax).
- Increase the tax-take from property.
- Move towards eco-taxes.

### INCOME TAX V. PRSI

It is important to note that **Ireland takes a far higher proportion of its taxes from income tax (31.4%) compared to the EU (25.5%). On the other hand, Ireland takes only 12.9% of its to-**

**tal tax-take in social security taxes (PRSI) compared to an EU average of 28.6%.** A rebalancing towards the EU levels on this issue would be welcome.

### REFUNDABLE TAX CREDITS

At present people in the lowest paid jobs who are already outside the tax net do not gain from changes in the annual Budget. To ensure they benefit in the future, tax credits should be made refundable in Budget 2003.

**Making the current income tax credits refundable would result in most of the benefit going to the poorest 30% of income earners. This is a development that should be introduced in Budget 2003.**

### THE MINIMUM WAGE AND THE TAX NET

Taking everyone on the minimum wage out of the tax net is a worthwhile policy objective. However, it is important to note that the benefits of such a move would go, mostly to the better off 60% of the population. According to the ESRI's most recent research only **16% of the cost of such a move would go to the bottom half of the income distribution while 84% would go to those already in the better-off half.** Consequently, while favouring the policy objective, CORI Justice Commission believes **priority should be given to making tax credits refundable.**

### STANDARD RATING DISCRETIONARY TAX EXPENDITURES

**Discretionary tax expenditures** (e.g. Business Expansion Scheme, pension contributions, medical expenses) **are an inappropriate means of achieving policy objectives. In general these expenditures are neither efficient nor fair.** Accordingly, we propose that Budget 2003 should move to ensure that **relief on all discretionary tax expenditures should be available at the standard rate only.**

## Proposals for Budget 2003

The Budget for 2003 should:

- Make tax credits refundable.
- Increase tax credits substantially so as to move towards taking the minimum wage out of the tax net.
- Integrate Family Income Supplement (FIS) with the tax system.
- Proceed with individualisation in the income tax system in a fair and equitable manner.
- Ensure changes in the income tax system benefit those on low to middle incomes as much as they benefit the better off in cash terms.
- Accept a goal of having Ireland's total tax-take move towards the EU average tax-take level.
- Introduce a 'windfall' tax.
- Maintain corporation tax rate at 16%.
- Increase capital gains tax.
- Increase tax on wealth (e.g. through increasing DIRT tax).
- Increase the tax-take from property.
- Continue to develop eco-taxes.
- Standard rate all discretionary tax expenditures (e.g. tax relief on pension contributions, on medical expenses, for the business expansion scheme and on property investment schemes).
- Provide resources to investigate the possibility of introducing a tax on currency transactions such as the Tobin tax.

# INCOME DISTRIBUTION

## Core Policy Objective

**To provide all with sufficient income to live life with dignity. This would involve everyone having enough income to secure a minimum floor of social and economic resources, thus ensuring that no member of the national community falls below the threshold of social provision necessary to enable him or her to participate in activities that are considered the norm for other people in society.**

Income poverty is a reality for a great many people in Ireland. As we have seen earlier in this Briefing, using the ESRI's most recent data, the generally accepted income poverty line (i.e. 50% of average income) can be estimated to be about €165 a week for a single person in 2002. This is €46.20 a week more than the current level of the lowest social welfare rates which are at €118.80 a week. Consequently, it is hardly surprising that one in every five people has an income below this line. The number of households with incomes below this line has risen steadily from 16.3% in 1987 to 25.8% in 2000.

There are, also, substantial numbers of people in low-paid jobs who are living on incomes below this poverty line. In this Briefing's section on taxation the issue of low paid people living in poverty has been addressed. The most efficient and effective way of tackling this problem is by making tax credits refundable.

The plight of people depending on social welfare needs a major response. Six out of every ten people living in relative income poverty

lives in a household headed by a person who is NOT in the labour force. Consequently, the level at which social welfare rates are set is of crucial importance in tackling relative income poverty.

**The lowest social welfare rates should be benchmarked at a level sufficient to ensure everyone has sufficient income to live life with dignity.**

**The Government, in its review of the National Anti-Poverty Strategy (NAPS) earlier this year set itself a target of raising the lowest social welfare rate to the equivalent of €150 a week in 2002 terms and to achieve this by 2007. €150 a week is equivalent to 30% of GAIE in 2002. We welcome this target.**

**We strongly urge Government to take a major step in Budget 2002 towards honouring its commitment to raise the lowest social welfare payment for a single person to 30% of Gross Average Industrial Earnings by 2007. In practice, this requires an increase of €14 a week for single people and €24 a week for a couple in Budget 2003.**

It is crucial that Government begin the process of reversing the trend of recent years during which the gap between the better off and Ireland's poorest people widened dramatically. Budget 2003 provides an ideal starting point for moving in this most desirable direction.

The issue of **fuel poverty** is a critical one for many poor households. The level of the fuel allowance has not been raised for a decade. While it was extended by 3 weeks in Budget 2001 we believe it should be increased this year.

## Proposals for Budget 2003

The Budget for 2003 should:

- Redress the imbalances of the last five Budgets where the major beneficiaries were the better off.
- Provide a fair income distribution between people on different incomes. To achieve this the combined impact of the tax and social welfare packages should favour those on low incomes whether they depend on social welfare or are in low-paid employment.

To achieve these objectives the Budget should:

- Increase the lowest social welfare rates by €14 a week for a single person and by €24 a week for a couple.
- Commit Government to benchmarking the lowest social welfare payments for single people at 30% of gross average industrial earnings (GAIE) by 2007.
- Increase child benefit substantially and do not tax it.
- Move towards individualisation of social welfare payments.
- Introduce a cost of disability allowance.
- Double the fuel allowance.
- Increase the weekly allowance for asylum seekers in 'direct provision' to €50 a week. (This system of 'direct provision' should be terminated. The above recommendation is an interim one).
- Abolish claw-back rules so that social welfare recipients will get the full value of the Budget increases.

# WORK/UNEMPLOYMENT/JOB CREATION

## Core Policy Objective

**To ensure that all people have access to meaningful work.**

One of the major achievements of recent years has been the increase in employment and the reduction in unemployment, especially long-term unemployment. In 1991 there were 1,156,000 people employed in Ireland. Eleven years later this number had increased by more than half a million to 1,749,000. Over the same period the number of people unemployed (measured on an ILO basis) had gone from 198,500 to 77,200. **This transformation is remarkable. It provides new challenges and raises new questions.**

## THE CHALLENGE OF UNEMPLOYMENT

**The issue of unemployment remains a challenge and is likely to be more problematic in the year ahead** as more job losses appear likely. Budget 2003 should make provision for this new situation by emphasising and providing additional resources to prepare and enable unemployed people to access jobs. This would involve providing additional resources to support:

- ◇ Increased numbers of places providing quality education and training, retraining and up-skilling.
- ◇ Expanded opportunities for unemployed people to gain work-place experience.
- ◇ Adequate numbers of places on programmes such as Community Employment.

## COMMUNITY EMPLOYMENT

The Government's decision to reduce the number of places available on Community Employment

(CE) is a breach of the PPF agreement. Despite repeated discussions, Government persists in reducing the number of places on this programme. There are three aspects to the CE programme, of which only the first was originally intended. CE is an active labour market programme (ALMP) providing experience and training to people seeking employment in the labour market. Secondly, it plays a major role in providing services in local communities, delivered mostly by organisations in the community and voluntary sectors. Thirdly, it provides sheltered employment for a large number of people. **As the number of places are reduced it is essential that Government act to ensure that all three aspects of the CE programme are adequately addressed.**

## SOCIAL ECONOMY (SE)

The Social Economy Programme needs to be substantially overhauled as it is not addressing many of the issues for which it was originally proposed and developed.

As well as overhauling the current Government SE programme there is need for a new initiative that would resource the services etc. being provided for the most part by the community and voluntary sector and which used to depend on CE funding.

## THE NEED TO RECOGNISE ALL WORK

Current developments challenge us to analyse our assumptions. One such assumption concerns the priority given to paid employment over other forms of work. Most people recognise that a person can work very hard even though they do not have a job. Much of the work done in the community and in the voluntary sector fits under this heading. So too does much of the work done in the home. We believe that **ALL work should be valued, recognised and rewarded.**

## Proposals for Budget 2003

The Budget for 2003 should

- Place an ongoing emphasis on preparing and enabling unemployed people to access jobs. This would involve providing additional resources to support:
  - ◇ Increased numbers of places providing quality education and training, retraining and up-skilling.
  - ◇ Expanded opportunities for unemployed people to gain work-place experience.
  - ◇ Adequate numbers of places on programmes such as Community Employment.
- Maintain the number of active labour market programme (ALMP) places available to those who are long-term unemployed.
- Create a new programme to provide direct funding for community and voluntary organisations providing services which were dependent on CE funding in the past.
- Substantially increase the resources available for the Social Economy programme and ensure that it maintains its social economy focus.
- Increase the education/training grants for participants in active labour market programmes.
- Resource life long learning.
- Recognise the right to work of asylum seekers.
- Provide resources to conduct a survey to discover the value of all unpaid work in the country (including community and voluntary work and work in the home).

# RURAL DEVELOPMENT

## Core Policy Objective

**To secure the existence of substantial numbers of viable communities in all parts of rural Ireland where every person would have meaningful work, adequate income and social services, and where infrastructures needed for appropriate development would be in place.**

Rural Ireland continues to change dramatically. According to the most recent census **46% of Ireland's population lives in small villages and in the open countryside.** There is a decline in farm numbers, however. **Those in farming now account for only one quarter of the rural labour force and are a minority of the rural population.** Furthermore, fewer farm children seek a future in farming.

Among its many characteristics **rural Ireland has high dependency levels, increasing out-migration and many small farmers living on very low incomes.** Only a minority of farmers are at present generating an adequate income from farming, and even on these farms, incomes lag considerably behind the national average. Off-farm income is extremely important among farm families especially in the Western Region. This situation is likely to intensify in the coming years, thus increasing the importance of additional off-farm income being available if poverty and social exclusion are to be addressed.

There have been increases in the numbers employed in rural

Ireland over recent years—but in many cases these increases have lagged behind the pace of national increases.

**Long-term strategies to address the failures of current policies on critical issues such as infrastructure development, the national spatial imbalance, public transport and local involvement in core decision-making are urgently required.** A recognition that current development policies are largely city-led is also necessary and this approach needs to be re-balanced.

**There have been many welcome initiatives aimed at tackling rural exclusion. The context of current rural development policy, however, is one where:**

- **EU policies in particular ensure that production is concentrated among larger producers, and where regulations, policies and financing all militate against small local producers.**
- **Direct payments favour large volume, higher income farmers**
- **There is a dominance of the agri-model of rural development**
- **There is very limited progress in achieving balanced development. Areas such as the Western Region have been losing ground to the rest of the country in recent years.**

**The scale of the infrastructure and investment deficit in rural Ireland is unacceptably high.**

The CLAR programme will go some way towards addressing this but far more is required if rural Ireland is to be viable in the 21st century.

## Proposals for Budget 2003

The Budget for 2003 should:

- Decouple all direct payments from production and introduce a direct payment in the form of a basic income for each person.
- Ensure the provision of basic infrastructure and services based more on equity and social justice, rather than on cost effectiveness. In this context, the Budget should take particular account of rural disadvantage.
- Provide support for rural housing.
- Provide additional resources for the development of rural public transport strategies and initiatives tailored to meet the needs of people in local communities.
- Support additional special outreach education programmes in rural areas, particularly those where no major third level colleges are located.
- Support policies that encourage alternative farm enterprises through the promotion of quality (including organic) food production and processing.
- Reverse the trend of centralising services away from local communities in areas such as healthcare, education, post offices, etc.
- Support programmes to create employment for part-time farmers with a view to effectively targeting the needs of smaller farmers.

# ENVIRONMENT

## Core Policy Objective

**To ensure that all developments are consistent with environmental sustainability both in Ireland and globally.**

**S**ustainable development has not been a major concern of the dominant economic models. Their emphasis on GNP/GDP as scorecards of wealth and progress, more or less ignored the environment. Consequently it is scarcely surprising that this neglect is now causing major problems.

**Pollution and waste disposal** are just two of these problems. Much of what is dumped can be recycled, yet in Ireland only 1% of the 1.22 million tonnes of household waste is recycled annually. Similarly, industry recycles only 8% of its waste. Contrast this with the potential: 80% of household waste is recyclable as is 94% of industrial waste. Ireland has had an over reliance on landfill and now has to face the problems this generates.

### Green house gas emissions

have been increasing rather than decreasing over the past decade. These now exceed the limits agreed under the Kyoto protocol. We welcome Ireland's ongoing commitment to this protocol despite the refusal of the USA to ratify its implementation. However these emissions are a major cause of climate change and it is in all our interests to ensure that the limits agreed in the Kyoto protocol are met. The Irish Government and the European Commission agreed a target of 12% reduction of CO<sub>2</sub> emissions by 2010. The Government's National Climate Change Strategy proposed to impose (unspecified)

taxes on oil, gas, coal and other fossil fuels and to phase these in from 2002. Adequate action has not been taken. Budget 2003 should make progress on this issue.

**River Water Quality** is another aspect of environmental protection that requires attention. The proportion of Ireland's rivers that are unpolluted fell during the past decade from 72% to 67%. This is a worrying trend and needs initiatives to ensure it is reversed.

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**The issue of sustainable development is a critically important one for the present time. Development is sustainable when it "meets the needs of the present without compromising the ability of future generations to meet their own needs" (according to the World Commission on Environment and Development).**

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In promoting sustainable development it is important to **reward activities that are socially and environmentally benign** (and not the reverse, as is the case in many situations at present). The Budget should promote this approach.

The Department of Environment and Local Government funds the **library service** and so we address it here. This service is crucially important for a variety of reasons ranging from its contribution to ongoing education to the critically important role it can play in the reform of local government with its potential to renew local democracy and local development. Consequently its funding should be substantially increased in Budget 2003.

## Proposals for Budget 2003

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The Budget for 2003 should:

- Allocate the necessary resources to achieve waste reduction targets by implementing the relevant sections of the Waste Management Act.
- Allocate substantial additional resources to develop and reward recycling.
- Provide additional resources to ensure that water pollution is reduced.
- Undertake to review the water pollution acts so as to increase the penalties associated with water pollution.
- Introduce a coherent series of initiatives aimed at reducing dependence on oil, gas, coal and other fossil fuels.
- Resource the development of 'satellite' national accounts that include the costs of items such as environmental damage and resource consumption, and the value of a range of traditionally 'unaccounted' items such as unpaid work.
- Introduce public purchasing policies that encourage contractors to adopt sustainable practices.
- Target funding strategies in the transport area to ensure far greater priority is given to public transport initiatives.
- Provide substantial additional resources for the development of library services throughout the country.

# HOUSING AND ACCOMMODATION

## Core Policy Objective

**To ensure that adequate accommodation is available for all citizens and develop an equitable system for allocating resources within the housing sector.**

Issues concerning housing and accommodation have had a major profile in recent years. Most of that profile, however, concerned the provision and cost of privately owned houses. A comparison of European housing tenures illustrates the existence of three main models of housing provision: an owner-occupier sector, a rental sector and a social housing sector. Most countries have a mix of housing tenures that reflects the policy choices of government. **Irish housing policy supports owner occupation to the detriment of all other forms of housing tenure.**

The implications of this emphasis can be seen clearly when one looks at the situation from a different vantage point. **There are more than 50,000 households on the waiting lists and about 5,500 homeless people in Ireland according to recent assessments. This represents about 130,000 people in need of accommodation.** These figures do not include a significant number of people who do not qualify for a place on a local authority list but still cannot afford to buy or even rent accommodation at current market prices. This situation is worsening.

Side by side with this level of need we find that in the year 2001 there were only 4,875 social house completions. In addition there were 1,400 acquisitions by local authorities in 2001. This rate of provision is simply inadequate. The scale of Government's response is

not even remotely adequate to meet the scale of the problem.

**From the perspective of vulnerable households it is becoming more difficult to get a local authority house. Time spent on the waiting list is getting longer as is the waiting list itself. Rents continue to rise in the private rented sector even though house prices have stabilised. Little progress has been made in advancing the Traveller Accommodation programme. Homelessness is obviously a growing problem.**

There has been some improvement in the local authority multi-annual programme in this past year. The voluntary housing programme has also been meeting targets and there has been some progress in tackling homelessness. Overall, however, the situation is far from good.

There is growing evidence that the situation is likely to deteriorate further over the next five years. The waiting lists for local authority housing are likely to rise further and the proposed scale of provision is not likely to meet the demand. **Unless there is a substantial increase in the scale of the Government's response to this situation there are likely to be more people needing social housing in five years time than there are today.**

**As the demand for housing in the private sector slows down the capacity of the construction industry should be used by Government to increase the scale of its response to social housing needs. Consequently, Government should front-load National Development Plan Spending in this area.**

## Proposals for Budget 2003

The Budget for 2003 should:

- Acknowledge that everyone has a right to appropriate accommodation and develop policy from this perspective.
- Acknowledge that a housing crisis exists.
- Set a target of reducing the time spent on waiting lists to a maximum of 6 months by 2007.
- Provide the resources to local authorities and to the voluntary/non-profit housing sector to make substantial progress towards reaching this target.
- Resource the active implementation and enforcement of the 1992 legislation with respect to the private rented sector of housing.
- Provide sufficient resources to eliminate homelessness in the coming year.
- Provide new resources for the security and management of local authority housing.
- Give a special focus to tackling issues concerning accommodation for refugees and asylum seekers.
- Provide the resources required to ensure implementation of the Travellers Accommodation programme.
- Resource the establishment of a National Housing Authority as proposed in the National Economic and Social Forum's report on social and affordable housing and accommodation.

# EDUCATION

## Core Policy Objective

**To provide relevant education for everyone in Ireland throughout their lives so that they can participate fully and meaningfully in developing themselves, their community and the wider society.**

Education can be an agent for social transformation. CORI believes that education can be a powerful force in counteracting inequality and poverty while recognising that, in many ways, the present education system has quite the opposite effect. Recent studies confirm the persistence of social class inequalities which are seemingly ingrained in the system. Even in the context of increased participation and economic boom, the education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations.

The inequalities in the education system are starkly portrayed in the under-representation of poorer socio-economic groups at third level. However, this severe under-representation at third level is strongly linked to failures earlier in the education system and to problems in the system as a whole. While there are a number of programmes and initiatives to tackle educational disadvantage, many of these initiatives simply involve providing additional resources for disadvantaged schools. This does not amount to positive discrimination but simply results in a closing of the gap in terms of resources between schools in disadvantaged areas and others. CORI's policy in this area is based on a belief that early school leaving is a particularly serious manifestation of wider inequality in education, which is embedded in and caused by structures in the system itself.

It is from this broader perspective that we make our recommendations for Budget 2003.

## Proposals for Budget 2003

The Budget for 2003 should:

- Prioritise educational expenditure at Primary and pre School level by increasing the proportion of educational expenditure allocated to it as a way of partially addressing the regressive nature of educational funding.
- Make an explicit commitment to eliminate early school-leaving (without a qualification) *within a specific time-frame* and provide the resources necessary to achieve this target.
- Provide the Committee on Educational Disadvantage with the resources necessary to fulfil its brief.
- Include a programme to implement the main recommendations of the Steering Group on the funding of Second Level Schools, especially with regard to addressing educational disadvantage.
- Provide the recommended level of resourcing for the Education Welfare Board to ensure the implementation of the Educational Education Welfare Act 2000 in the context of combating educational disadvantage and socio-economic exclusion.
- Resource the National Children's Strategy to further develop a multi-agency and integrated approach to combating childhood disadvantage and socio-economic exclusion.
- Increase the resources available to the NCCA to enable it develop a range of approaches to the assessment of learning at Junior Certificate level.
- Recognise second chance education as an entitlement and *assure an adequate level of funding for Adult and Community Education* to facilitate the implementation of priorities identified in *Life Long Learning: The White Paper on Adult Education* in particular, the educational needs of people with
  - low literacy skills
  - less than lower second level education
  - less the upper second level educationshould be prioritised.
- Target an agreed significant proportion of investment in work-based education and training to the least well qualified members of the labour force.
- Provide lifelong education and training for people with physical and mental disabilities.
- Further address the education and training needs of unwaged workers. (e.g. carers and homemakers).
- Proceed with the full implementation of the Education recommendations of the *Report of the Task Force on the Traveller Community*.
- Revise the format of the public-expenditure estimate and budget statement for Education and Science to *include a separate 'head' for Further Education and for Adult and Community Education*.

# HEALTHCARE

## Core Policy Objective

**To provide an adequate healthcare service focused on enabling people to attain the World Health Organisation's definition of health as a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.**

Ireland has a two-tier healthcare system which ensures that Ireland's poorest people must wait at the back of the queue until the better off have been provided for first. This is not an accident but results from decisions taken by governments over the years. It needn't have been this way. It is possible to have a healthcare system where waiting lists are negligible, where access is equitable and which produces a higher life expectancy than Ireland. These results have been produced in countries as diverse as Canada, France and Germany.

As in so many other areas of policy **the healthcare system we choose to develop is a reflection of our values.** Successive Government ministers have constantly repeated the mantra that "equity, quality and accountability are core principles underlying any health strategy". These principles appear to be contradicted daily for the general public as they are effectively denied some treatments and are forced on to lengthy waiting lists while those with access to private insurance or private means have easier and certainly quicker access to services.

**Ireland has not given priority to values such as solidarity, equity or universal coverage in**

**developing its healthcare system.** It is this failure that has underpinned the development of a two-tier system.

People's health status is closely related to their socio-economic status. There are substantial differences between mortality and morbidity rates of better off and poor people.

Expenditure on health needs to be seen as an investment and not as a cost. Poor health results in higher costs to the Exchequer in the long run.

**The constant priority given to the medical aspects of health has resulted in an unbalanced healthcare system that fails to emphasise the need for a balanced system that promotes, restores and maintains health as recommended by the WHO.**

Most of Ireland's healthcare system gives priority to acute care. This needs to change if the importance of primary healthcare is to be supported.

Many factors affect the health of people living in poverty. The reasons are often complex and not always easily addressed. **The key to success is to recognise that issues such as poor living conditions, bad housing, lack of education, physical and mental isolation and a wide range of similar issues must all be addressed if the nation's health status is to improve.** This is why we have constantly promoted the development of genuinely community-based initiatives that would involve people in firstly, focusing on their healthcare status in its wider aspects and, secondly, in developing appropriate responses. The PPF commitment in this area must be progressed in the coming year.

## Proposals for Budget 2003

The Budget for 2003 should:

- Give far greater priority to community care and restructure the healthcare budget accordingly.
- Increase the resources for core community care services for older people with priority to be given to home care.
- Provide the resources to fund the PPF commitment to pilot community-based, primary healthcare centres on a seven day, 24 hour basis.
- Resource the development of local community centres to suit both urban and rural needs.
- Increase the proportion of the healthcare budget allocated to the health promotion/prevention area.
- Provide the child care services with the additional resources necessary to complete the implementation of the Child Care Act and provide adequate resources to commence the implementation of the Children's Act.
- Resource implementation of the National Health Strategy for Travellers.
- Commit to review the Nursing Home Act 1990, particularly the area relating to subvention, to maximise flexibility in addressing individual needs.
- Resource the ongoing implementation of the Health Strategy and the Primary Healthcare Strategy in the coming year.

## CORI Justice Commission Briefing

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Justice is a harmony which comes from fidelity to right relationships with God, people, institutions and the environment.

The CORI Justice Commission publishes regular briefings on a wide range of public policy issues.

The Justice Commission's core areas of work are:

- Public policy
- Enabling and Empowering
- Spirituality
- Advocacy and Communication.

CORI Justice Commission has been a recognised social partner within the Community and Voluntary Pillar of Social Partners, since 1996.

Comments, observations and suggestions on this briefing document and/or on any other aspect of the Commission's work are always welcome.

## OFFICIAL DEVELOPMENT ASSISTANCE

### Core Policy Objective

**To ensure Ireland plays an active and effective part in promoting genuine development in the countries of the South (the Third World) and to ensure all Ireland's policies are consistent with such development.**

There are more than 1.3 billion people world wide, nearly one fifth of the world's population, living in absolute poverty on less than one dollar a day. This figure is set to increase to 1.7 billion by 2015. In Africa alone, over 90% of the population lives in abject poverty. The vast majority of those who experience this level of poverty live in the South (the Third World).

The totally unacceptable division between rich and poor is largely attributable to unfair trade practices and to the backlog of un-payable debt owed by the countries of the South to other governments, to the World Bank and the International Monetary Fund (IMF) and to commercial banks.

**We welcomed the Government's commitment to increase Ireland's Official Development Assistance for poor countries to the UN target of 0.7% of GNP by 2007. We were very disappointed at its subsequent decision to reduce the allocation for ODA in 2002.**

**We strongly urge Government to ensure that Budget 2003 restores what has been lost in 2002 and moves decisively to meet the UN target to which Government has already committed itself.**

### Proposals for Budget 2003

The Budget for 2003 should:

- Take substantial steps to implement the Government's commitment to increase Ireland's Official Development Assistance for poor countries to the UN target of 0.7% of GNP by 2007.
- Resource the development of Ireland's policies in the WTO to ensure they support a fair deal for developing countries.
- Ensure that Ireland's policies on the whole range of Budget issues are consistent with its policies on Official Development Assistance.
- Support the international campaign for the liberation of the poorest nations from the burden of unpayable debt.