

# Pre-Budget Briefing 2002

## Reducing the Rich/Poor Gap Should Be the Budget's Top Priority

**Budget 2002 should reverse the trend of recent Budgets and allocate the available resources in a way that ensures the scale of relative income poverty is reduced and the rich/poor gap is narrowed.**

**The widening rich/poor gap is Ireland's greatest budgetary scandal.** While economic growth has produced unprecedented prosperity in recent years, 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 2002 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.** The unprecedented economic growth has given Ireland a per capita income 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.

Ireland has a standard

of living above the EU average but **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 £40,000 a year has widened by £159 a week over the past four years.**

A growing number of poor people are on **housing waiting lists or homeless.**

The **two-tier health-care system** ensures Ireland's poorest people must wait at the back of the queue until the better off have been provided for first.

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?**

The resources exist but the available resources have been given primarily to the better off in recent years. Budgets have benefited the richest according to the ESRI. The rich/poor gap is widening according to the CSO.

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

Whether or not income poverty is addressed effectively is a matter of political will. **Sufficient resources exist now to ensure that every man, woman and child in Ireland has enough income to live life with dignity and to reduce the rich/poor gap.**

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 2002 should, consequently, reverse the trend of recent years.**

### CONTENTS

|                                   |    |
|-----------------------------------|----|
| Main Proposals                    | 2  |
| The rich/poor gap is widening—CSO | 3  |
| The gap is widening—ESRI evidence | 3  |
| The gap is widening—CORI evidence | 4  |
| The Economic and Social Context   | 6  |
| P. P. F. A Social Contract        | 7  |
| Taxation                          | 8  |
| Income Distribution               | 9  |
| Work/Unemployment/Jobs            | 10 |
| Rural Development                 | 11 |
| Environment                       | 12 |
| Housing and Accommodation         | 13 |
| Education                         | 14 |
| Healthcare                        | 15 |
| O. D. A.                          | 16 |

### Key Issues

- ⚡ *The widening rich/poor gap is Ireland's greatest budgetary scandal.*
- ⚡ *Ireland now has a per capita income 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.**

Below is a list of the main proposals being presented to Government by the CORI

Justice Commission for implementation in Budget 2002

## Taxation

- ? Make tax credits refundable
- ? Increase tax credits substantially so as to move towards taking the minimum wage out of the tax net.
- ? 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.
- ? Put on hold the proposed 4% tax cut already promised to the corporate sector.
- ? 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).

## Income Distribution

- ? Redress the imbalances of the last four Budgets 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.
- ? 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.
- ? Introduce a cost of disability allowance.

- ? Increase the weekly allowance for asylum seekers in 'direct provision' from £15 to £35 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.
  - ? Expanded opportunities for unemployed people to gain work-place experience.
  - ? Adequate numbers of places on programmes such as C.E.
- ? Substantially increase the resources available for the Social Economy 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.

## 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

- ? Complete the establishment of the Committee on Educational Disadvantage and provide it 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.
- ? Radically increase the funding of Adult and Community Education to facilitate the implementation of priorities identified in the White Paper.

## Healthcare.

- ? Increase the proportion of the healthcare budget allocated to the health promotion area.
- ? 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.

## 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 rich/poor gap is widening according to Government's own statistics agency

The gap between poor people and the rest of society has been widening dramatically according to the Central Statistics Office, the Government's own statistical agency.

In its most recently published Household Budget Survey (October 2001), the CSO found that the average disposable income of households in the top twenty per cent of the income distribution increased by over 61% during the five years 1995 to 2000. (These households had a gross weekly income in excess of £800) In the same period the disposable income of the poorest twenty per cent of households rose by only 37%. (These households had a gross

weekly income below £169.) Comparing the incomes of the top 10% of households and the poorest 10% is most enlightening.

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**The average disposable income of the poorest 10% of households was £83.67 a week compared to £1,125 a week in the 10% of highest income households.**

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This gap has widened dramatically over the past five years. The top 10% now has a *disposable* income that is 13 times greater than the

poorest 10%. In 1994/5 the ratio was 11 to 1. A time of rapid economic growth, such as Ireland has experienced in recent years, can produce a dramatic widening of the rich/poor gap unless Government acts to ensure that the unfairness of market forces are balanced by equitable social policies. **These results show that Government has failed to address the widening of the rich/poor gap. In fact as we shall see later in this briefing the widening of the rich/poor gap is the direct result of decisions taken over the past five years when available resources have been distributed to benefit those already better off.**

## Budgets benefited the richest according to the ESRI

The richest one-third of households benefited five times more than the poorest one-third from the last fourteen Budgets according to the Economic and Social Research Institute (ESRI). In their most recent edition of *Budget Perspectives* (October 2001) they show that Government Budget packages since 1987 have boosted the income of the richest one third of households by about 18 per cent and the poorest one-third by less than 4 per cent.

The contrast between the top one fifth and the bottom one fifth is even more stark. **While the top one fifth were benefiting by 18.9 per cent the poorest one-fifth were experiencing a decline in their income of 1.2 per cent over the same fourteen Budgets.**

Another very significant conclusion of the ESRI research is that **social welfare increases, apart from child benefit, have not kept pace with wages over these fourteen years.** In the same period most of the available resources have been

targeted at reducing taxation. In CORI's view this has been one of the main reasons that the rich/poor gap has been widening over these years—**there has been no evidence of a real Government commitment to ensure that the poor are not left ever further behind those who are better off.**

In their study the ESRI examined what Government could have

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More than 90% of the additional resources available to Government were given in tax cuts, which benefited the better off disproportionately. Contrast this with a recent study that found that the lowest social welfare rates do not reflect the current cost of even the most frugal standard of living.

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done. In particular it examined a scenario where tax cuts and social welfare increases were indexed to wage growth. If this had been done there would have been an additional £4 billion available to Government to distribute in additional tax cuts and social welfare increases.

Instead of taking this approach Government failed to allocate sufficient resources to ensure social welfare other than child benefit even kept pace with wage growth. More than 90% of the additional resources were given in tax cuts, which benefited the better off disproportionately. This was the choice which Government had. The resources existed but were given to the better off.

Contrast these choices with the results of a study recently published by the Vincentian Partnership for Social Justice which showed that the lowest social welfare rates do not reflect the current cost of even the most frugal standard of living.

# THIS GOVERNMENT HAS WIDENED THE RICH/POOR GAP BY £159 A WEEK OVER THE PAST FOUR YEARS

**T**his Government's Budget decisions over the past four years have widened the rich/poor gap by £159 a week. A CORI Justice Commission analysis of the impact Government decisions have had on people's take-home income shows that each of this Government's Budgets has widened the rich/poor gap substantially. The gap has now widened to the point where *single* people on £40,000 a year have gained **£159 a week more** in their disposable income than long-term unemployed people over the past four 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. After four Budgets couples who are long-term unemployed are £32 a week better off while couples with one income on £40,000 a year are £157 a week better off. The latter can also gain £11 a week from the new Government Savings Scheme, bringing their total gain up to £168 a week. The rich/poor gap between these has, therefore, widened by £136 a week (£168 - £32).

(The calculation of the £159 a week widening of the rich/poor gap among *single* people is as follows: Single people who are long-term unemployed are £18 a week better off than they were four years ago. Those on £40,000 a year are £166 a week better off before the Savings Scheme gains of £11 a week are included. This means that the gap has widened by £159 a week i.e. £166 + £11 - £18.)

*The chart on page 5 of this briefing document contains the detailed information showing the cumulative*

*impact of this Government's four Budgets. To calculate the full extent of the widening rich/poor gap one must also include the £11 a week gain from the new Government Savings Scheme to those who can afford to take up that option. Poor people do not have the income to do so.*

Despite having abundant resources available to ensure poverty and social exclusion was finally eliminated, **Government has chosen, instead, to favour the better off thus widening the rich/poor gap substantially.**

Widening the gap between the better off and 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.** Many examples of this could be provided. One will suffice here: 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.

## **GOVERNMENT TRIES TO HIDE ITS FAILURE BY RESORTING TO SPIN**

Many Government ministers repeat the mantra that 'a job is the solution to poverty'. We welcome the growth in employment. We have consistently done so. However, the Government's mantra cannot hide the fact that a substantial number of poor people do have jobs. However, their wages are so low that they are still living in poverty.

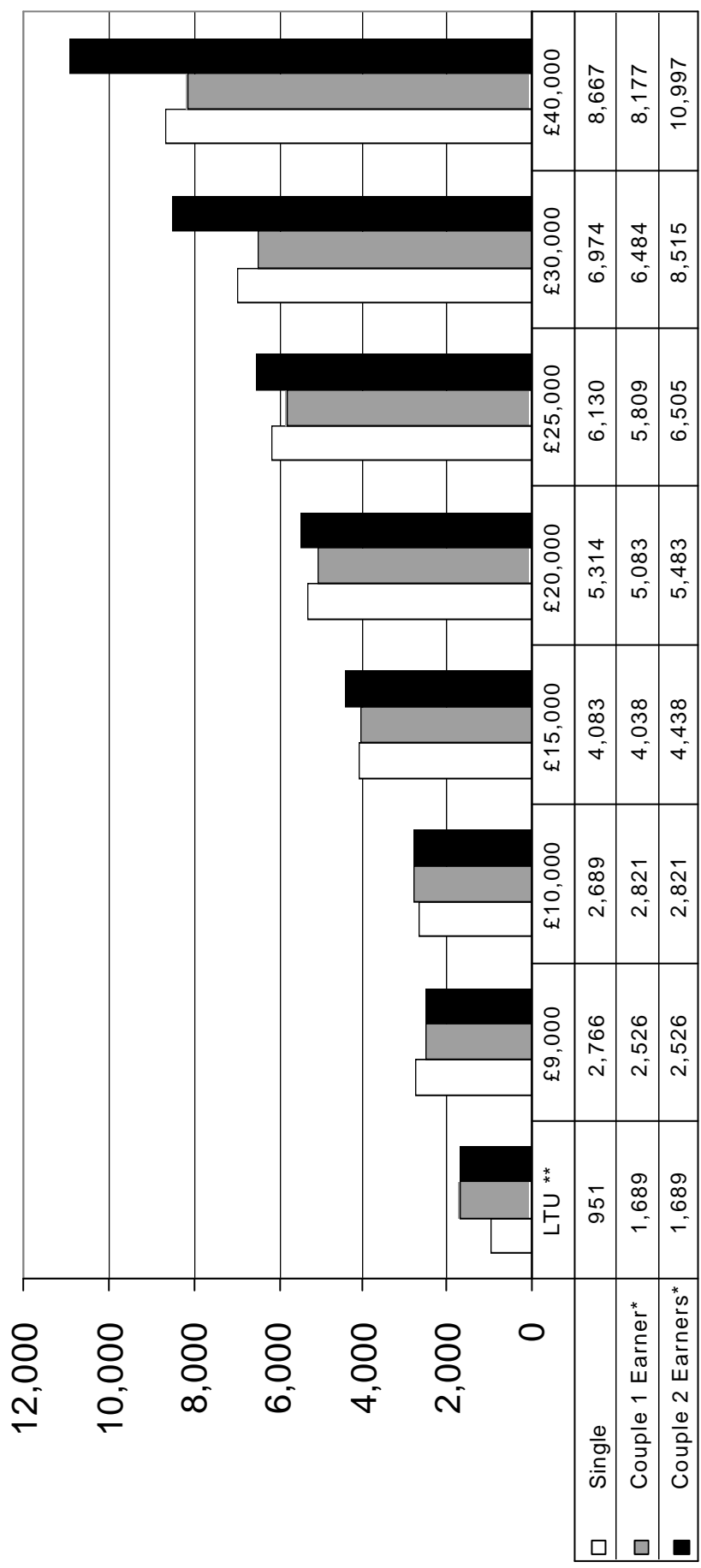
When challenged, Government says 'consistent' poverty has been reduced. What it does not add is that to qualify as 'consistently' poor a person has to have an income below the poverty line *and* also lack a warm overcoat, a second pair of shoes or go without heat. This measurement simply distinguishes

the very poor from many others who are also poor. While reductions in 'consistent' poverty are welcome they should not be used to hide the actual reality of poverty or the widening rich/poor gap. In its study published recently the ESRI concludes that consistent poverty "succeeds in identifying a set of households experiencing generalised deprivation as a result of prolonged constraints in terms of command over resources. However, on its own *it does not tell the whole story, nor does it represent the best way to frame a poverty in current circumstances* (emphasis ours). This group of consistently poor people are not the only people living in poverty in Ireland at this time. For Government to claim otherwise, as it constantly does, is to simply replace substance with spin.

**More could and should have been done to ensure that poverty and social exclusion was effectively tackled. Given the resources available, the potential for eliminating poverty and social exclusion was immense. The Government chose, instead, to allocate the bulk of these resources to benefit the better off. Budget 2002 is this Government's final opportunity to redress this injustice.**

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.

**Chart 2: How Much Better off are people under this Government (1997/2001)?**



# 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 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 huge 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 in a similar situation.

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 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 £109.50 a week for a single person in 2001. This is £25.50 a week more than the current level of the lowest social welfare rates which are at £84 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 24.6% in 1998**. 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.

In pointing out these facts 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 already discussed on page 4.) 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 live life with dignity. 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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# Aims and Objectives of the Programme for Prosperity and Fairness should be honoured by Government

**I**t has been clear for some time that all the aims and objectives of the national agreement are not being honoured by Government in its Budgetary decision-making. The most obvious example of this failure can be found in the area of income adequacy and the tackling of income poverty.

One of the over-arching aims of the *Programme for Prosperity and Fairness* (PPF) is to “bring about a fairer and more inclusive society”. The first objective concerning income adequacy listed in PPF is to “provide every person with sufficient income to live life with dignity.”

With income poverty still widespread, this objective demands that **when resources exist they must be used to substantially reduce income poverty and reverse the trend of recent years which saw the gap between the better off and the poor widen substantially.** In practice, this means the percentage increase in social welfare rates should exceed the percentage rise in the take-home income of those on the average industrial wage.

In its recent Budgets Government has failed to raise the lowest social welfare rates by the amounts required to meet the aims and objectives of the PPF. It is difficult to understand why the Government failed to do this. **The economic growth rate substantially exceeded the central forecast on which the PPF agreement was based. PPF specifically commits Government, in such a situation, to ensure that “achieving increased rates will be a high priority”.**

However, when inflation was substantially ahead of the central PPF forecast, trade unions and Government agreed substantial additional increases to compensate employees for this inflation and employers

accepted these increases. **The poorest people were the hardest hit by inflation. Yet, their compensation has been the least. They saw no additional increase to ensure that the PPF aims and objectives were met.**

To honour the aims and objectives of the PPF the lowest social welfare rates should be raised by £14 a week for a single person and £24 a week for a couple in Budget 2002.

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**We strongly urge Government to honour the aims and objectives of the PPF where Ireland’s poorest people are concerned. To do this the lowest social welfare rates should be raised in Budget 2002 by £14 a week for a single person and £24 a week for a couple.**

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There are a range of other specific commitments to tackle social exclusion contained in PPF. **These commitments should be honoured when decisions are made concerning the allocation of resources in Budget 2002.** In the following pages we make specific recommendations on a range of these issues.

In its published analysis and critique of Budget 2001 the CORI Justice Commission argued that Ireland’s poorest people were betrayed because the Budget favoured the better off, increased the divisions in society and failed to honour PPF as outlined on this page. The validity of this critique has been supported by a range of recent studies. Budget 2002 should honour the aims and objectives of the PPF.

## Towards a New Social Contract

For two decades and more, poor people were told they must wait until the fundamentals of the economy were put in place and got right. Now that these fundamentals have been in place for some time it is clear that, while many good things have emerged, a large number of Irish people are being left behind, they have not benefited from the economic growth of recent years and the gap between them and the rest of society has widened dramatically.

CORI Justice Commission has argued for some years that a new social contract is required for the new era in which we now find ourselves. While the social contract that has guided policy development in recent decades has produced much that is worthwhile it seems incapable of eliminating the poverty and exclusion being experienced by so many.

A new social contract would recognise and deliver on everyone having the right to

- ? Sufficient income to live life with dignity,
- ? Meaningful work,
- ? Appropriate accommodation,
- ? Essential healthcare
- ? Relevant education
- ? Participation
- ? Cultural respect

The resources now exist to deliver on such a contract. It’s a question of choices.

# 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.**

## 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 total 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

The introduction of refundable tax credits in Budget 2001 was a significant development and raises interesting questions for Budget 2002. Budget 2001 introduced relief at source for health insurance premia. It also announced that mortgage providers would give mortgage interest relief at source from January 2002. Because the value of this relief is equally available to all those with a mortgage or health insurance regardless of whether or not they are subject to income tax, these credits in effect operate as refundable tax credits.

**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 2002.**

## 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 **it would be far more progressive to make tax credits refundable. This should be given priority.**

## 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.** They are not fair because they give relief to taxpayers while withholding relief from those whose incomes are too low to pay tax. In addition, most discretionary tax expenditures give more relief to taxpayers on the top rate of tax than those on the standard rate. Two particular tax expenditures, mortgage interest relief and medical health insurance (VHI, BUPA), are only available at the standard tax rate. The reasoning which led to the standard-rating of these two items applies equally to all of the remaining discretionary tax expenditures. Accordingly, **relief on all discretionary tax expenditures should be available at the standard rate only.**

## Proposals for Budget 2002

- The Budget for 2002 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 set at the EU average tax-take level.
  - ? Put on hold the proposed 4% tax cut already promised to the corporate sector.
  - ? Commit to review the wisdom of reducing the standard corporation tax rate below its present level of 20%.
  - ? 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.
  - ? Commit to publishing the Government's Green Paper on Basic Income.

# 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 £109.50 a week for a single person in 2001. This is £25.50 a week more than the current level of the lowest social welfare rates which are at £84 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 24.6% in 1998.

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

Only then will this issue of income poverty be adequately addressed.

The idea of benchmarking social welfare payments in this way was supported by a majority on the *PPF Social Welfare Benchmarking and Indexation Working Group*. In its final report, published in September 2001, a majority of the working group also agreed that this benchmark should be index-linked in some way to the standard of living as it grows and that the benchmark should be reached by a definite date. If these recommendations were implemented it would mean that the lowest social welfare payment would rise dramatically, that the target would be reached within a definite timeframe, and social welfare payments would continue to rise in line with the improving standard of living in the wider society.

The index the working group chose was Gross Average Industrial Earnings (GAIE). A majority agreed that the benchmark for social welfare payments by 2007 should be 27% of GAIE. In 2001 terms this would mean that the lowest social welfare payment (currently at £84 a week) should be £101. The Community and Voluntary Pillar of Social Partners and the Trade Union Pillar both argued, and continue to argue, that **the benchmark should be set at 30% of GAIE. In 2001 terms this would bring the lowest payment for a single person to £117 a week. This benchmark should be reached by 2007 at the latest.**

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.

**We strongly urge Government to accept that the lowest social welfare rates be benchmarked and that the benchmark be set at 30% of Gross Average Industrial Earnings.**

## Proposals for Budget 2002

The Budget for 2002 should:

- ? Redress the imbalances of the last four 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' from £15 to £35 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. Ten years later this number had increased by more than half a million to 1,716,000.

Over the same period the number of people unemployed (measured on an ILO basis) had gone from 198,500 to 65,400. In the intervening years the number unemployed had exceeded 220,000. Of those unemployed in 1991 the number of people long-term unemployed was 119,700. By May, 2001 this had fallen to 20,500. (These numbers are drawn from the CSO's Quarterly National Household Survey, second quarter 2001.) The impact of the recent job losses in a number of sectors has not worked its way through into the statistics as we go to publication.

**However, the 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 given the wider economic context. Budget 2002 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 provid-

ing 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.

## THE IMPORTANCE OF BALANCE

The new situation created by the huge growth in available jobs raises major questions concerning the focus of policy in this area. Should Ireland continue to expend resources to increase further the number of jobs available? Given the problems being experienced in trying to increase the labour supply (by recruiting women, older people and people from abroad) should more emphasis be placed on improving the quality of jobs available, and the education, training and life-long learning capacity of people in the labour force? The latter approach seems more sensible.

## THE NEED TO RECOGNISE ALL WORK

A major question being raised by the current labour market situation concerns assumptions underpinning culture and policy making in this area. 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. The need to recognise such work has been acknowledged in the Government's White Paper on Supporting Voluntary Activity. Higher priority should be given to this issue within policy-making generally and within the Budgetary process in particular.

## Proposals for Budget 2002

The Budget for 2002 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.
- ? Substantially increase the resources of the Local Employment Service (LES) so that every unemployed person can access its services.
- ? Maintain the number of active labour market programme (ALMP) places available to those who are long-term unemployed.
- ? 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 substantial 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 recently launched 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 2002

The Budget for 2002 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 period 1990 to 1998. 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 imposed

(unspecified) taxes on oil, gas, coal and other fossil fuels and to phase these in from 2002. Budget 2002 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 1990s 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 2002.

## Proposals for Budget 2002

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The Budget for 2002 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 about 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 2000 only 3,155 local authority dwellings were completed. This is less than was achieved in four of the five preceding years. 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 met its first year 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 2002

The Budget for 2002 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 2002.

## Proposals for Budget 2002

The Budget for 2002 should:

- ? Complete the establishment of the Committee on Educational Disadvantage without further delay and provide it with the resources necessary to fulfil its brief especially in relation to:
  - ? The integration, co-ordination and mainstreaming of existing programmes and schemes within the Department of Education and Science which aim to address educational disadvantage;
  - ? The dissemination of best practice in schools and the promotion of innovation in tackling educational disadvantage;
  - ? Disadvantage proofing of policies and the identification of systemic factors which contribute to educational disadvantage.
- ? 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.
- ? Increase the proportion of educational expenditure that is allocated to the primary sector and to pre-school education as a way of partially addressing the regressive nature of educational funding.
- ? Begin to implement the main recommendations of the Steering Group on the funding of Second Level Schools especially those relating to disadvantage and equalising the funding of different types of schools.
- ? Increase the allocation of funds to the NCCA to enable it to:
  - ? Expedite reform of assessment at Junior Certificate level;
  - ? Provide for the commencement of change at senior cycle;
- ? Incorporate innovative practice from LCA and LCVP into the Leaving Certificate Examination;
- ? Move towards the creation of a unified senior cycle programme which would offer several broad areas of study.
- ? Radically increase the funding of Adult and Community Education to facilitate the implementation of priorities identified in the White Paper.
- ? Target an agreed significant proportion of state investment in work-based education and training to the least well qualified members of the labour force.
- ? Begin to address the education and training needs of people who are not paid a wage for their work (e.g. carers, women in the home etc.).
- ? Revise the format of the public expenditure estimate and budget statement for Education and Science to include a separate "head" with detailed "subheads" for Adult and Community Education.
- ? Provide significant resources to enable the National Children's Strategy to develop a multi-agency and multi-level integrated approach to combating disadvantage and social exclusion.
- ? Establish a right to lifelong education and training for people with physical and mental disabilities.
- ? Provide the resources needed to fully implement the education recommendations of the Report of the Task Force on the Traveller Community.

# 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 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. A recent Irish Times series on healthcare illustrated how these results were produced in 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 honoured in the coming year.

## Proposals for Budget 2002

The Budget for 2002 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 development of nursing care of older people in their own community on the model of the hospice care programme.

CORI Justice Commission  
Briefing

Tabor House,  
Milltown Park,  
Dublin 6

Phone: 01 269 7799  
Fax: 01 269 8887  
Email: justice@cori.ie  
Website: www.cori.ie/justice



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
- ? Partnership projects.

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 continue to welcome 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 strongly urge Government to give priority to having the debt and the unfair trade issues addressed in the World Bank, the International Monetary Fund and especially in the World Trade Organisation. Ireland's emphasis should be on ensuring developing countries get a fair deal and on guaranteeing poor people's access to and control over areas of basic need such as medicines, seeds and food.**

### Proposals for Budget 2002

The Budget for 2002 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.