

October  
2007

ISSN: 1649-4954

# Budget Choices

## CORI JUSTICE Policy Briefing

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Government faces a number of serious challenges as it drafts its Budget for 2008. It will be essential that Government:

- Tackle the working poor issue;
- Invest sufficiently to meet its targets on social housing;
- Honour its commitments on homecare packages, long-stay care for older people and primary care teams, and
- Re-set its targets for adult literacy in 2016.

Economic growth is not likely to be as high as was expected a few months ago. The same applies to total tax revenue. However, the economy is strong and most of the key indicators are very positive.

In order to take the essential initiatives already referred to, Government will have to borrow to pay for infrastructure investment. Under no circumstances should

Government borrow to fund its current expenditure. However, borrowing for justifiable capital investment is acceptable and the international norm. In doing this Government will simply be following standard fiscal policy as practiced in all other 'developed' countries.

Government has made a series of commitments, for example, on long-stay care for older people. CORI Justice welcomed these as being major steps in the right direction, steps that would produce a much better situation for older people needing long-stay care.

However, to deliver on these commitments existing infrastructure must be improved while extensive additional infrastructure must be provided. Failure to do this would mean the commitments will not be honoured. Government must acknowledge that it is acceptable to borrow to invest in providing this very justifiable infrastructure.

Almost a third of all households at risk of poverty today are headed by a person with a job. These are the *working poor*. Almost half of all households at risk of poverty are headed by people *outside* the labour force (i.e. people who are older, ill, have a disability or are in caring roles). To tackle poverty effectively these two groups must be targeted. The most effective way of doing this is to:

- Make tax credits refundable (to tackle the working poor issue) and
- Ensure welfare rates are adequate (for those outside the labour force). The lowest welfare rates must be held at 30% of gross average industrial earnings and additional increases are needed for children and qualifying adults.

Government can provide sufficient resources to address these and related issues in Budget 2008 and remain within prudent fiscal parameters.

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

# Main Policy Recommendations For Budget 2008

## 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.**

### Taxation

- Make tax credits refundable (to address the *working poor* issue).
- Increase tax credits so as to keep the minimum wage out of the tax net.
- Further expand the levy on financial institutions introduced in Budget 2003.
- Restructure motor taxes.
- Standard rate all discretionary tax expenditures.
- Introduce a speculative tax on windfall gains from land rezoning.
- Increase the tax-take from property (e.g. through a land rent tax).

### Income Distribution

- Increase the lowest social welfare rates by €13.20 a week for a single person.
- Increase child benefit substantially and do not tax it.
- Move towards individualisation of social welfare payments by increasing the qualifying adult payments to 100% of the adult rates.
- Introduce a cost of disability allowance.
- Expand the increase in free electricity units so that it goes to all social welfare and FIS recipients.

### Work/Unemployment/Job-Creation

- 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 upskilling.
  - ⇒ Expanded opportunities for unemployed people to gain work-place

experience, and  
⇒ Adequate numbers of places on programmes such as Community Employment.

- Resource the development of employment-friendly income-tax policies which ensure that no unemployment traps exist.
- As part of the process of addressing the working poor issue, reform the taxation system to make tax credits refundable

### Public Services

- Target funding strategies to ensure far greater priority is given to providing an easy-access, affordable and high quality public transport system.
- Provide substantial additional resources for the development of library services.
- Adopt further information technology programmes to increase the skills of school children, early school-leavers and the unemployed.
- Take the initiatives required to ensure broadband is available nationwide.
- Take initiatives to ensure equality of access across all public services.

### Housing and Accommodation

- Acknowledge that everyone has a right to appropriate accommodation and develop policy from this perspective.
- Provide the resources to local authorities and to the voluntary/non-profit housing sector to ensure an increase of 9,000 social housing units in 2008.
- Provide sufficient resources to address the housing problems of those with a disability

### Healthcare

- Fund 100 additional primary care teams as committed to in *Towards 2016*.
- Give far greater priority to community care.
- Resource the infrastructural requirements of rolling out the commitments on long-stay care.
- Raise the eligibility level for the full medical card.

- Work towards universal access in primary care.

### Education

- Substantially increase funding to address the adult literacy crisis.
- Prioritise funding for primary and family-based pre-school education.
- Provide 'early start' programmes in all disadvantaged communities (including those outside disadvantaged areas).
- Further prioritise Adult and Community Education.
- Introduce a Basic Educational Allowance for full-time and part-time education for each person between ages 18 and 40 who does not proceed to third level from school.

### Rural Development

- 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 services.

### Environment

- 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.
- 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.

### O. D. A.

- Continue to increase the money allocated to Irish Aid (Ireland's ODA budget) for poor countries so that Ireland continues to progress towards the UN target of 0.7% of GNP by 2012.

# The Social and Economic Context of Budget 2008

To provide a brief overview of the social and economic context of Budget 2008, table 1 brings together a range of data and indicators reflecting various aspects of Ireland today.

The Budget is framed in the context of continued strong economic growth, albeit declining from recent higher levels. Government revenues are also very

healthy, with day-to-day income continuing to exceed spending and only small overall Budget deficits being recorded – these are entirely explained by capital investment at twice the EU average. Employment is strong and effective taxation rates (the % of total income that is paid as tax) are low in historical and international terms.

The Budget is also framed in the con-

text of high, though declining, poverty levels; a sustained problem with child poverty; ongoing literacy challenges and lengthy social housing waiting lists. Current and future challenges arising from environmental pollution levels and projected population growth are also of relevance. More detail on all of these indicators is provided in our socio-Economic Review *Achieving Inclusion*.

**Table 1: Ireland's Social and Economics Position in 2007**

Real GDP growth 2007*	4 - 4.5%	Minimum Wage (per hour / 39hr week)	€8.65 / €37.35
GDP growth 2008*	4%	Minimum Social Welfare Payment (1 adult)	€185.50
GDP growth 2008-12*	4% per annum	Average weekly Industrial Wage (Dec 2006)	€20.73
Current Budget Surplus, 2007*	Circa € billion	Average weekly Household Income (2005)	€78.88
Current Budget Surplus, 2007-09 (average)*	€b per annum	Poverty line 1 Adult (week / year)	€209.87 / €1,095.1
National Capital Investment	Approx 5% GNP	Poverty line 2 Adults (week / year)	€348.38 / €1,817.9
Total Taxation as % GDP	30.2%	Poverty line 1 Adult + 1 Child (week / year)	€279.13 / €1,456.4
Total Taxation as % GNP	35.8%	Poverty line 2 A + 2 Children (week / year)	€486.90 / €2,540.6
%Tax on €25,000 income (single / 2 earners)	10.9% / 0%	% of population living in poverty (numbers)	18.5% (764,179)
%Tax on €50,000 income (single / 2 earners)	28.1% / 12.7%	% of children living in poverty (numbers)	22% (200,860)
%Tax on €100,000 income (single / 2 earners)	34.2% / 24.6%	LA Housing Waiting list - households	43,684
Corporation Tax rate	12.5%	LA Housing Waiting list - persons	approx 120,000
Value of all Tax Reliefs (per annum)	€8.4 billion	Illiteracy rate of adult population (1996 data)^	25%
Labour Force	2,194,100	% Waste Landfilled (2004 data)	66.4%
Employment	2,095,400	Greenhouse Gas Emissions v's Kyoto target	+11%
Unemployment (rate)	98,800 (4.5%)	Population, 2006 Census	4,239,848
Inflation rate	4.8%	Population, 2011* / 2016 *	4.505m / 4.854m

**Source:** Various publications from CSO, ESRI and Government Departments. \* = projection; ^ = no data collected since

## The Budget and the Poor

Despite the advances in employment and economic growth achieved over the last few years, the proportion of the population at risk of poverty remains large. Its sustained existence challenges many of the improvements of recent years. The most up-to-date data available shows that 18.5% of the Irish population is at risk of poverty (see table 1). In financial terms this means that almost one in five of the population lives with incomes equivalent to less than €210 a week for a single person in 2007 terms. Recent Budgets took some important steps towards addressing these problems; through increases in welfare and pensions and focused payments for children and people with disabilities. We ask that Budget 2008 continues this trend and adopts strategies to address these vulnerable groups.

## ODA Target

Budget 2007 was an important milestone in the delivery of the *Towards 2016* commitment to increase our overseas development assistance (ODA) to the UN target level of 0.7% of GNP by 2012. Last year ODA was increased to meet the interim benchmark of 0.5% of GNP (some €813m). CORI Justice warmly welcomed this achievement in our response to that Budget.

Between now and 2012 it is important that Government stay focused on reaching the 0.7% commitment. Its achievement would be a major success both nationally and internationally. It must next deliver on a second interim target of 0.6% by 2010. CORI Justice believes that Budget 2008 should allocate an increase of at least €50m to the Irish Aid Budget. This would begin to move towards the second interim target.

# SW Increase of €13.20 needed to Maintain Benchmark

Over recent years there has been major progress on benchmarking social welfare payments. As we detail in table 2 below, Budget 2007 delivered on the *Towards 2016* commitment to benchmark the minimum social welfare rate at 30 per cent of Gross Average Industrial Earnings (GAIE); equivalent to €85.80 in 2007.

CORI Justice warmly welcomed the achievement of this benchmark. It has been a key element of the policy programme CORI Justice has outlined over recent years. We are confident that its implementation will lead to further reductions in poverty rates.

We also note the comments of the Minister for Finance Brian Cowen T.D. who stated on the morning after last years Budget that:

“We’ve hit a landmark-type point in relation to social welfare in this respect, that we have in the last three budgets had unprecedented increases, particularly on the lowest rate, in order to get it to the point where the social partnership commitment required us to do, something around 30% of the gross average industrial earnings”

(Minister for Finance Brian Cowen T.D. on *Today with Pat Kenny* RTE Radio 1, 7<sup>th</sup> December 2006).

Looking to the future, it is important to note that the national agreement, *Towards 2016*, states that “the value of the rates will be maintained at this level over the course of the agreement” (*Towards 2016*, p52).

Reflecting this commitment table 3 outlines the increase in the minimum social welfare payment needed in Budget 2008 to maintain this benchmark.

An increase of €13.20 would maintain the GAIE benchmark and bring the minimum payment to €199 per week. CORI Justice believes it is important that government deliver such an increase to ensure that those on the lowest incomes do not once again slip behind the rest of society.

We acknowledge that Government may see fit to increase this amount beyond €199 to €200 per week. To do so would imply a smaller increase of €6.50 (rather than €7.50) in Budget 2009.

**Table 2: Benchmarking Social Welfare: Reaching the NAPS Target, 2004-2007**

	2004	2005	2006	2007
<b>Min. SW. payment in €s</b>	134.80	148.80	165.80	185.80
<b>€amount increase each year</b>	-	+14.00	+17.00	+20.00
<b>Delivered</b>		✓	✓	✓

**Table 3: Future Increases in Minimum Social Welfare Payments, 2008-2010**

	2007	2008	2009	2010
<b>30% of GAIE updated</b>	185.80	199.00	206.50	216.00
<b>€amount increase each year</b>	-	+13.20	+7.50	+9.50

## Explaining the Social Welfare Increase

The €13.20 increase in the minimum social welfare payment, called for above, is the lowest increase CORI Justice has proposed in a number of years. As we believe it is worthwhile that the reasons behind this level of increase are understood, we outline the basis of the increase here.

In 2002, the National Anti-Poverty Strategy (NAPS) review set the following as a key target: “to achieve a rate of €150 per week in 2002 terms for the lowest rates of social welfare to be met by 2007”. CORI Justice welcomed this target. It was a major breakthrough in social, economic and philosophical terms and its delivery in recent years has been most welcome.

An important element of this NAPS commitment was the acknowledgement that the years from 2002-2007 marked a

period of ‘catch-up’ for those in receipt of welfare payments. Numerous studies, including those carried out by the NESC, illustrated that during the 1990s the income of those dependent on social welfare had fallen well behind incomes elsewhere in Ireland. Therefore, the increases in social welfare payments delivered in Budgets 2005-2007 (see table 2) served to bring those on lowest incomes up to a measurable level identified by the NAPS as an appropriate social welfare level.

Now that this income gap has been bridged, the increases necessary to keep social welfare payments at a level equivalent to 30 per cent of GAIE become much smaller.

To illustrate this CORI Justice has calculated the increases necessary from Budget 2008 onwards to 2010 to main-

tain the link with 30 per cent of GAIE. Table 3 shows these increases which are calculated using ESRI projections of increases in average industrial earnings.

Reflecting the current budgetary process these increases have been calculated, and revised, over a period of three years. Over the next three Budgets the average annual increase in the minimum Social Welfare payment should be €10.10.

The Budget 2008 increase of €13.20 per week will cost the government approximately €50m less than it spent on social welfare in Budget 2007.

Further details on these calculations are available in our 2007 Socio-Economic Review *Addressing Inclusion* (see p50-54 available at [www.cori.ie/justice](http://www.cori.ie/justice)).

# Budgetary Priorities: Tacking the Working Poor Issue

The reduced increase in the minimum social welfare payment this year (and for the years to come) allows government to focus resources on other priority areas. The social welfare increase proposed by CORI Justice for Budget 2008 will cost the government approximately €350m less than that delivered last year. We believe that these resources, plus others where available, should be used to address issues such as the working poor, child poverty and the promotion of equality in the welfare system. These policies are outlined on this page.

Results for the most recent EU-SILC poverty study allow us to examine the composition of poverty in Ireland by household type. Given that households are taken to be the 'income receiving units' (income flows into households who then collectively live off that income) there is an attraction in assessing

poverty by household type. That analysis (re-produced on pages 33-34 of our current Socio-Economic Review, *Addressing Inequality*) shows that in 2005 almost one-third of all households (31%) at risk of poverty were headed by somebody who has a job.

Budget 2008 should directly address this working poor issue by making tax credits refundable. Such a policy initiative would benefit the poorest working households, would make a real impact on the ongoing working poor issue and would incentivise employment.

## Addressing Child Poverty and Care

Budget 2008 should also tackle the major problems of child poverty and childcare. An integrated policy approach is essential to ensure no new traps are introduced into the tax and welfare systems. The best way to secure such an integrated approach would be to increase child benefit and to increase the early childhood supplement. Such an approach would effectively tackle both child poverty and child care while creating no disincentives.

Another approach that could address these issues would be to turn the early childhood supplement into a refundable tax credit payable for all children and increasing it substantially.

The child should be at the centre of the policy development process. CORI Justice opposes piecemeal approaches that would produce new traps and new disincentives for families.

## Promoting equality in the welfare system

Budget 2007's achievement in bringing social welfare rates up to 30 per cent of GAIE was a significant development. Having lobbied and campaigned for this over recent years, CORI Justice is happy to acknowledge its achievement.

However, despite this development, there are still some recipients of social welfare who do not fully benefit from these income improvements - in particular, couples in receipt of a social welfare payment. At present the welfare system provides a basic payment for a claimant whether a pension, a disability

payment or a job-seeker's payment etc. It then adds an additional payment of about two-thirds of the basic payment for the second person. For example, following Budget 2007 a couple on the lowest social welfare rate will receive a payment of €309.10 per week. This amount is almost 1.66 times the payment for a single person (€185.80).

The European Commission has designated this year, 2007, as '*European Year of Equal Opportunity for All*'. As part of marking this particular year, CORI Justice urges Government to address this particular issue. We believe

that where a couple are in receipt of welfare payments, the payment for the second person should be increased to equal that for the first person.

In Budget 2007 Government took some steps in this direction - it increased the rate for the second adult of pension age receiving the contributory State Pension to €173 a week which is 82.7 per cent of the rate received by the claimant. This was a welcome move in the right direction. Budget 2008 should complete this transition for all welfare payments paid to the second adult in a couple.

## Reforming Motor Taxation

CORI Justice welcomed the decision by the Minister for Finance to undertake a review of the nature and structure of vehicle registration tax (VRT) and motor taxes as announced in Budget 2007.

For some time CORI Justice has advocated the need to reform the tax system such that appropriate environmental taxes are introduced. As we have outlined elsewhere, this view is grounded in our belief that all development should be socially, economically and environmentally sustainable. Reforming these taxes is also appropriate in the

context of government commitments to address environmental emissions contained within *The Kyoto Protocol*, the *National Climate Change Strategy* and *Towards 2016*. CORI Justice also believes that these reforms are appropriate in the context of the need to develop a fairer taxation system.

As part of a consultation process during the last year CORI Justice submitted two detailed documents to the Departments of Finance and Environment outlining the possibility and nature of potential reforms (these are available on our website). We also met with the

Departments to discuss these proposals. Budget 2008 offers the government an opportunity to take an important step towards implementing these environmental taxes.

The general thrust of the reforms we proposed suggested that both VRT and motor taxes should be increased on the most heavily polluting cars and reduced on those with the lowest engine sizes and the smallest carbon dioxide emission levels. This would result in significant increases in the taxes levied on the highest polluting and largest engine cars.

# Building a Fairer Taxation System

**C**ORI Justice believes that building a fairer taxation system is an important part of building a fairer Ireland. Budget 2008 offers Government the potential to implement a number of changes to the taxation system which will make it fairer.

## Taxation and Minimum Wages

The most recent EU-SILC poverty figures indicate that 138,000 workers (7% of all those employed) live in poverty. Therefore, the Budget 2005 decision to remove all those on the minimum wage from the tax net was welcome as a move towards addressing this 'working poor' issue. Recent Budgets have updated this position. During recent months the minimum wage has increased to €8.65 per hour and full-week workers in receipt of this wage have re-entered the tax net. Budget 2008 should further adjust tax credits to ensure these low paid workers remain outside the tax net.

## Making Tax Credits Refundable

One problem with the current system of tax credits is that a person who does

not earn enough to use up their full tax credit will not benefit from any tax reductions introduced in Budget 2008. CORI Justice has long advocated a simple solution to rectify this problem, which is to make tax credits refundable. The main beneficiaries of this move would be low-paid employees. Budget 2008 should commence this long overdue reform.

## Tax Expenditures/Tax Reliefs

In Budget 2006 the Minister for Finance introduced welcome and long overdue reforms to the system of tax reliefs in Ireland. In November 2004 the Revenue Commissioners estimated that the annual cost of tax reliefs was €3.4 billion, a value that is equal to 22 per cent of the total taxation collected each year in Ireland. CORI Justice believes that in Budget 2008 the trend of reforming these tax reliefs should be continued; in particular some of the limits on these expenditures should be revised downwards. We also believe that the Budget should move to standard rate all of these tax breaks.

## Reforming Individualisation

CORI Justice has long supported the individualisation of the tax system. However, the process of individualisation followed by government is deeply flawed and unfair. The cost to the exchequer of this transition has been in excess of €0.75 billion, and almost all of this money has gone to the richest 30 per cent of the population.

Given the current form of individualisation, couples who see one partner lose his/her job will end up even worse off than they would have been had the current form of individualisation not been introduced.

These problems should be addressed and reformed in Budget 2008.

## Other Tax Changes

Elsewhere in this document we have outlined changes that Budget 2008 should implement with regard to speculative taxes, second home charges and motor tax.

## Redistribution: Who gains from tax changes?

**C**ORI Justice believes that the allocation of resources in the taxation system should at all times be fair. As an example of this it is worth comparing the distribution of gains from two taxation reforms with the same exchequer costs. We have based our calculations on data provided in the Budget 2007 documentation. A similar scenario would apply in Budget 2008.

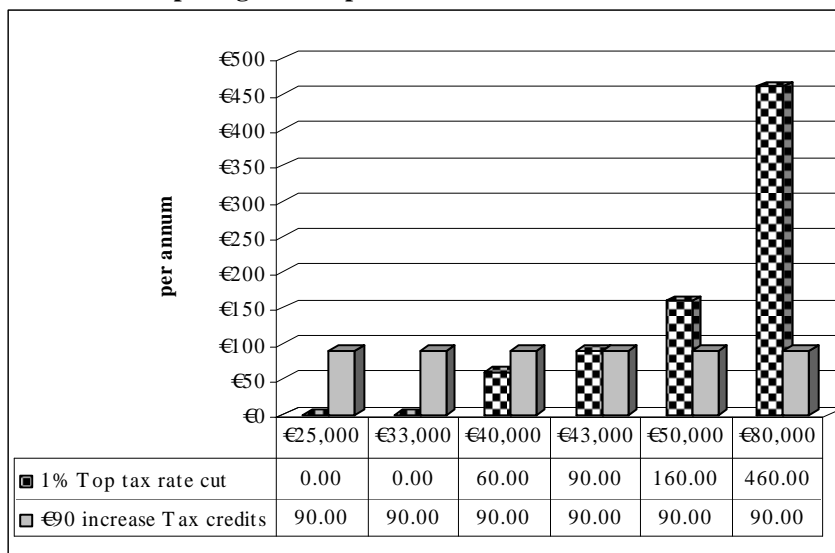
One of the initiatives announced in Budget 2007 was a cut in the top tax rate of one per cent (from 42% to 41%). In his Budget speech the Minister indicated that the full year cost of this change was €186m. The Budget documentation also indicated that the full-year cost of a €0 increase in the tax credits of every tax payer equalled €185m. Therefore, both policy changes have roughly the same exchequer cost. Chart 1 compares these two changes and the increased income they delivered to earners across the income distribution.

An increase in tax credits will provide the same value to all taxpayers across

the income distribution; provided they are earning sufficient to pay more than €0 in income taxes. However, a decrease in the top tax rate only benefits those paying tax at that rate. Therefore, the earner on €25,000 gains nothing from this change while those on €50,000 gain €160 per annum and those

on €80,000 gain €460 per annum. The higher your income the greater the gain. In terms of fairness, increasing tax credits is a fairer option than decreasing the top tax rate. Government should always take this option when it has money available to reduce income taxes.

**Chart 1: Comparing a 1% top rate tax cut with an increase in tax credits**



# 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.**

Ireland's total tax take as a percentage of gross domestic product (GDP) is the third lowest of 25 EU countries; only Lithuania and Latvia collect less. Total tax and social insurance revenue in Ireland was equal to 30.2% of GDP (35.8% of GNP), well below the EU average of 37.9% of GDP. Ireland is not a high-tax country.

Effective taxation levels are also low. These rates are calculated by comparing the total amount of income tax a person pays with their pre-tax income. For example, a person earning €50,000 who pays €10,000 in taxation has an effective tax rate of 20 per cent. Following Budget 2007 for a single person with an income of €15,000 the effective tax rate is 0 per cent, rising to 10.9 per cent of an income of €25,000 and 35.7 per cent of an income of €20,000. A single income couple have an effective tax rate of 0 per cent at an income of €15,000, rising to 4.9 per cent at an income of €25,000, 5.1 per cent at an income of €30,000 and 32.0 per cent at an income of €20,000. In the case of a couple where both are earning and where their combined income is €15,000 their effective tax rate is 0 per cent, rising to 1.7 per cent for combined earnings of €30,000, 12.7 per cent when their combined earnings are €60,000 and 27.9 per cent for combined earnings of €120,000.

## BROADENING THE TAX BASE

As a means of broadening the tax base, we propose that Budget 2008 should:

- Introduce the promised carbon and environmental taxes
- Further expand the levy on financial institutions introduced in Budget 2003
- Introduce a speculative tax on

windfall gains from land rezoning

- Increase the tax on wealth (e.g. through increasing DIRT tax)
- Increase the tax-take from property (e.g. through a land rent tax)
- Continue to reform the sizeable number of tax breaks (i.e. tax expenditures), many of which serve minimal social or economic purpose.
- Increase capital gains tax

## TAX CREDITS AND THE WORKING POOR

If Ireland is to have an equitable income tax system and address the issue of the 'working poor' there are two issues to be addressed in the tax credits area i.e. tax credits should be made refundable and tax credits should be increased instead of widening the 20% tax band.

At present people in the lowest paid jobs who are already outside the tax net do not gain from changes in the annual Budget. Many of these are among the 'working poor'. To ensure they benefit from future Budgets, tax credits should be made refundable in Budget 2008.

Making the current income tax credits refundable would result in most of the benefit going to the lowest 30% of income earners. This is a development that should be introduced in Budget 2008.

Likewise, increasing tax credits would be a fairer option than widening the 20% income tax band. It would ensure that everyone paying income tax benefited by the same amount in the Budget.

## 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 used to provide huge gains to the better off. This is unfair. Accordingly, we propose that Budget 2008 should move to ensure that relief on all discretionary tax expenditures should be available at the standard rate only.

## Proposals for Budget 2008

- **Make tax credits refundable (to address the *working poor* issue).**
- **Adjust tax credits so as to keep the minimum wage out of the tax net.**
- **Commit to moving Ireland's total tax take closer to the EU average.**
- **Standard rate all discretionary tax expenditures.**
- **Continue to review the costs and benefits of discretionary tax expenditures.**
- **Introduce a speculative tax on windfall gains from land rezoning.**
- **Reform the structure of motor tax along the lines suggested on page 5.**
- **Proceed with individualisation in the income tax system in a fair and equitable manner.**
- **Poverty-proof all budget tax packages to ensure they do not further widen the rich/poor gap.**
- **Increase capital gains tax.**
- **Increase the corporate tax rate to 17.5% in the context of EU tax integration.**
- **Move decisively to shift the burden of taxation from income tax to eco-taxes and taxes on consumption.**
- **Expand the levy on financial institutions introduced in Budget 2003 to rebalance the windfall profits these make following Ireland's corporate tax rate cuts.**
- **Investigate policies which allow taxation on wealth and land to be increased.**

# Income Distribution

## Core Policy Objective

**To provide all with sufficient income to live life with dignity. This would involve enough income to provide a minimum floor of social and economic resources in such a way as to ensure that no person in Ireland falls below the threshold of social provision necessary to enable him or her to participate.**

## UPDATING THE POVERTY LINE

Using information gathered in the EU-SILC Survey for 2005, the CSO established that the median income per adult equivalent in Ireland during 2005 was €321.23. They also calculated the official European Poverty Line, set at 60% of median income, as €192.74 per week. Updating this line to 2007 levels, using actual and predicted increases in average industrial earnings, produces a relative income poverty line of €209.87 for a single person. In 2007, any adult below this weekly income level will be counted as being in poverty (more details are contained in our 2007 Socio-Economic Review p20-23). One immediate implication of this analysis is that the poverty line exceeds the current level of most social assistance rates by €24.07 per week. The comparable poverty line for a household of 2 adults and 2 children is €486.90 a week (€25,400 a year).

## INCOME POVERTY

Income poverty is a reality for a great many people in Ireland. The number of people in poverty now stands at 18.5% of the population; almost 764,000 individuals.

There are 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 (i.e. the working poor) living in poverty has been addressed. The most efficient and effective way of tackling this problem is by making tax credits refundable.

## POVERTY & SOCIAL WELFARE

The plight of people depending on social welfare needs a major response. Almost six out of every ten (55.4%) 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.

Budget 2007's achievement in linking the lowest social welfare payment for a single person to 30% of Gross Average Industrial Earnings was most welcome. Budget 2008 should continue to maintain this link. In practice, this requires an increase of €13.20 a week for single people in Budget 2008.

## ASYLUM-SEEKERS

Asylum-seekers are among the most excluded and marginalised in Ireland, yet they are treated in a very unjust way by Irish society. In particular, Government has a policy of 'direct provision' through which many asylum-seekers receive accommodation and board, together with €19.10 per week per adult and €9.60 per child.

Clearly, this is an inadequate amount of money and Budget 2008 should increase these amounts immediately to at least €60 a week for an adult and €30 for a child. This policy proposal is an interim one as ultimately this unfair system should be eliminated.

## TAXATION & INCOMES

It is important to note that changes in the taxation system have substantial impacts on income distribution patterns. Consequently, the proposals contained in this Briefing under the 'taxation' heading apply here as well.

## CHILD POVERTY

One of the most vulnerable groups in any society are children and consequently the issue of child poverty is one that deserves particular attention. In 2005 1 in every 5 Irish children, almost 200,000, live in poverty. Budget 2008 should adopt policies to address this unacceptable situation.

## Proposals for Budget 2008

- 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.
- Increase the lowest social welfare rates by €13.20 a week for a single person.
- Continue benchmarking the lowest social welfare payments for single people at 30% of gross average industrial earnings (GAIE).
- Individualise all social welfare payments. Budget 2007 took some welcome steps in this direction and CORI Justice believes that Budget 2008 should complete this transition.
- Increase the 'qualifying adult' payments and commit to moving all of them towards 100% of the adult payments.
- Increase child benefit substantially and do not tax it.
- Move towards individualisation of social welfare payments.
- Introduce a cost of disability allowance.
- Increase the weekly allowance for asylum seekers in 'direct provision' to €60 a week for an adult and €30 for a child.
- Develop a national programme, on an inter-departmental basis, to address fuel poverty.
- Update tax credits so as to keep the minimum wage out of the tax net.
- Adopt policies to address child poverty.

# Work, Unemployment and 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. Today that figure has increased to over 2,095,000. During the same period, the number of people unemployed (measured on an International Labour Office [ILO] basis) had gone from 198,500 to 98,800. In the intervening years, the number unemployed had exceeded 220,000 (in 1993). 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 remain so as further job losses appear likely. The number of long-term unemployed people now stands at 28,400, equivalent to 1.3% of the labour force.

Youth unemployment is also a problem with a high proportion of the unemployment consisting of people aged under 25. Given the projections for further increases in unemployment in the years ahead, the fate of any low-skilled individuals who have become unemployed is a concern. Depending on the extent of the economic slowdown, the potential for these individuals to become long-term unemployed must be monitored.

It is necessary that the government should make provision for this situation by providing the necessary resources to prepare and enable unemployed people to access jobs.

This should involve providing:

- additional resources to support education and retraining.
- expanded opportunities for workplace experience.
- adequate numbers of places on pro-

grammes such as Community Employment.

## 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.

CORI Justice believes that government should more formally recognise and acknowledge all forms of work. We believe that everybody has a right to work, i.e. to contribute to his or her own development and that of the community and the wider society. However, we believe that policy making in this area should not be exclusively focused on job creation. Policy should recognise that *work* and a *job* are not always the same thing.

Consequently, we believe that Budget 2008 should provide resources to conduct a survey to discover the value of all unpaid work in Ireland. Such a survey should also be integrated into the process of developing a set of satellite national accounts as committed to by government in *Towards 2016*.

## THE IMPORTANCE OF BALANCE

The current 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. Budget 2008 should take policy initiatives to promote that approach.

## Proposals for Budget 2008

- **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.
  - ◆ Maintain a sufficient numbers of places on Active Labour Market Programmes (ALMP).
- **ALMPs need to be resourced adequately to ensure that appropriate pathways are available to all who need them.**
- **Increase the education/training grants for participants in active labour market programmes.**
- **Resource life long learning.**
- **Allocate resources to address the youth unemployment problem.**
- **Resource the development of employment-friendly income-tax policies which ensure that no unemployment traps exist.**
- **As part of the process of addressing the working poor issue, reform the taxation system to make tax credits refundable.**
- **Recognise the right to work of all asylum seekers whose application for asylum is at least six months old.**
- **Resource the CSO to conduct an annual survey to discover the value of all unpaid work in the country (including community and voluntary work and work in the home).**

# Public Services

## Core Policy Objective

**To ensure the provision of, and access to, a level of public services regarded as acceptable by Irish society generally.**

Increasingly Ireland is being identified as a country whose public services are underdeveloped. Given the wealth of the economy, this is a situation that is far from acceptable. Because poorer people rely on public services more than those who are better off, it is they who are most acutely affected by this shortage.

## PUBLIC TRANSPORT

Despite the development of LUAS and the development of major road initiatives, transport remains a most problematic area. Bottlenecks throughout the country are adding to the difficulty and cost experienced by everybody in conducting their lives. Budget 2008 needs to support a transport policy which would prioritise easy access, affordable and high-quality public transport. This is essential given the high costs of ownership and use of private vehicles. Additional resources to the national rail services and public transport schemes in rural Ireland are also needed.

## LIBRARY SERVICES

Libraries are obvious centres to support Government commitments to life-long learning. They can provide access to information and to modern means of communication. To play this role, a continued expansion of the library service is essential. Budget 2008 should further increase this funding. Failure to support this service properly is short-sighted.

## INFORMATION TECHNOLOGY

Increasingly the ability to use information and communications technology (ICT) is becoming a central requirement in modern society. The phenomenon of a technological divide is becoming evident. In particular it is of concern that a number of young peo-

ple, including early school-leavers, have little or no skill in ICT. Consequently initiatives are necessary to improve information technology provision in schools, as well as to increase its availability in areas such as public libraries and community centres. Budget 2008 needs to show greater commitment to this area.

It also needs to address the issue of including everybody in the information society. In addressing this issue it is crucial that priority is given to ensuring access is available to those who currently cannot afford the market costs. Ignoring this will ensure that the "digital divide" will increase social exclusion. Budget 2008 should allocate resources to ensure that further progress is made in this area.

It should also allocate the resources required to ensure broadband is available nationwide.

## SPORTS FACILITIES

Recent studies indicate a declining level of participation by Irish people, and in particular young people, in sports activities. Alongside this is a growing problem of obesity among young people. These developments have significant health consequences. There is a special case to be made for poor areas, most of which have limited, if any, sports facilities. The National Sports Council has introduced a creative initiative of local sports partnerships. Budget 2008 should take steps to expand the funding available for these most worthwhile initiatives.

## OTHER PUBLIC SERVICES

While we address some public services in this section others, in particular housing and accommodation, health-care and education, are considered in other sections.

**For more information on  
Public Services see our  
website:  
[www.cori.ie/justice](http://www.cori.ie/justice)**

## Proposals for Budget 2008

- **Target funding strategies to ensure that far greater priority is given to providing an easy-access, affordable and high quality public transport system.**
- **Provide substantial additional resources for the development of library services throughout the country.**
- **Increase the provision of open-access information technology in public libraries and meet the commitment in the national agreement to "include everybody in the information society".**
- **Take the initiatives required to ensure broadband is available nationwide.**
- **Introduce a system that ensures people on low incomes can access information communications technology on an ongoing basis.**
- **Adopt further information technology programmes to increase the skills of school children, early school-leavers and the unemployed.**
- **Regulate the removal of public payphone services. This is particularly necessary for poor areas and rural areas where the revenue generated by a pay-phone can give a misleading interpretation of its significance in the community.**
- **Provide additional funding to the Sports Partnership initiative.**
- **Take initiatives to ensure equality of access across all public services.**
- **Increase the allocation for the local sports partnerships.**

# Housing and Accommodation

## Core Policy Objective

**To ensure that adequate accommodation is available for all people and to 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 accommodation. 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 has supported owner occupation to the detriment of all other forms of housing tenure.

## CURRENT AND FUTURE HOUSING NEEDS

The most recent assessment of local authority waiting lists occurred on the 31<sup>st</sup> of March 2005 and was reported in a Department of Environment, Heritage and Local Government publication in December 2005. It found that there was a total of 43,684 households on local-authority housing waiting lists. This figure represents a decrease of 9.8 per cent since the 2002 assessment – a welcome improvement. However, since 1996 waiting lists have grown by 59.2 per cent and the 2005 figure indicates that across Ireland about 120,000 people are in need of accommodation.

## THE PROVISION OF SOCIAL HOUSING

At the end of 2004 the National Economic and Social Council (NESC) published a major report on housing. Entitled *Housing in Ireland: Performance and Policy* the report spanned over 230 pages and provided guidelines for the future direction of policy in this area.

In particular, the report made impor-

tant suggestions for policy initiatives focused on social housing. Overall, NESC concluded that it was particularly concerned about two issues. These were:

- the quality of the neighbourhoods, villages, towns and cities being constructed in Ireland, and
- the provision of social and affordable housing

A central conclusion of the NESC housing report is that the supply of social housing will have to rise dramatically if the needs of Irish society are to be addressed in the years ahead.

CORI Justice believes that reaching the NESC target for social housing in 2013 is essential if Ireland is to achieve the goal of ensuring that everyone in the country has appropriate accommodation. Furthermore, we welcome the acknowledgement of this in *Towards 2016*. Budget 2008 must allocate sufficient resources to ensure an increase of 9,000 social housing units in 2008.

Now that private house-building is declining, the capacity in the construction sector should be harnessed by Government to meet this social housing target contained in *Towards 2016*.

## HOUSING & PEOPLE WITH A DISABILITY

CORI Justice welcomed the recognition by NESC in its review of housing policy that “a particular gap is the lack of a strategic framework to support the provision of tailored housing and housing supports for people with disabilities”.

A feature of having a disability is additional housing costs. Primarily these costs are for adjustments to residences to ensure access and continued use.

For some years local authorities have provided a disabled persons housing grant. However, the Irish Wheelchair Association have reported that an estimated six thousand people with disabilities across the state were waiting for these grants. Little progress has been made. Budget 2008 should allocate funds to reduce these unnecessarily long waiting lists.

## Proposals for Budget 2007

- Acknowledge that everyone has a right to appropriate accommodation and develop policy from this perspective.
- Take the necessary steps in Budget 2008 to ensure that social housing provision will reach 200,000 units by 2013. This would mean that Budget 2008 should:
  - ◇ Provide the resources to local authorities, to voluntary/non-profit and co-op housing organisations to ensure an increase of 9,000 social housing units in 2008.
  - ◇ Ensure the agreed additional sites are provided to the voluntary/non-profit and co-op organisations as committed in *Towards 2016*.
  - ◇ Allocate sufficient resources to the Rental Accommodation Scheme (RAS).
  - ◇ Provide sufficient resources to address the housing problems of those with a disability.
  - ◇ Provide sufficient resources to the rent supplement programme and to the housing support programme to ensure that both programmes are adequate to meet current needs.
- 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 to implementation of the Travellers Accommodation programme.

## 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.**

**H**ealthcare is a social right that every citizen should enjoy. People should be assured that care in their times of vulnerability is guaranteed. The standard of care is dependent on the resources made available which in turn is dependent on the expectations of the society. The obligation to provide healthcare as a social right rests on all people. In a democratic society this obligation is transferred through the taxation and insurance systems to government and other bodies who assume/contract this responsibility.

## HEALTH INEQUALITIES

A very welcome insight into the extent of health inequalities in Ireland has been provided by the Public Health Alliance Ireland (PHAI). Entitled "*Health in Ireland – An Unequal State*" the report gathered together the baseline information on health inequalities in Ireland and its findings are worthy of serious attention. Among these findings were the following:

- Between 1989 and 1998 the death rates for all causes of death were over three times higher in the lowest occupational class than in the highest
- The death rates for all cancers among the lowest occupational class is over twice as high as for the highest class, it is nearly three times higher for strokes, four times higher for lung cancer, six times for accidents
- Perinatal mortality is three times higher in poorer families than in richer families

## PRIMARY CARE

Primary Care has been recognised as one of the cornerstones of the health system. Between 90 and 95 per cent of the population are treated by the primary care system. The national agreement *Towards 2016* commits to providing sufficient investment to ensure integrated, accessible services for people within their own community with a target of 300 primary care teams by the end of 2008. The resources for these teams should be allocated and the steps taken to ensure this interim target is met.

## MEDICAL CARDS

The introduction of 30,000 new medical cards and 200,000 'doctor visit only' cards in Budget 2005 was a small step in the right direction. CORI Justice believes that what is required is full medical card coverage for all people in Ireland who are vulnerable. Currently, the income threshold for accessing a medical card is far below the poverty line. Budget 2008 should raise this threshold to the poverty line.

## MENTAL HEALTH

In 2006, *A Vision for Change* became the Government's policy on mental health. This report recommends significant changes and improvements in mental health services.

There are many inequities in the system one of which is that, according to the Inspector of Mental Health Services, there is a six-fold difference in funding between different mental health services, and some of the most socio-economically deprived urban areas are among the least well resourced.

The economic costs of mental health problems are considerable, and are estimated to be at least 3-4% of GNP across the EU member states.

The World Health Organization warns: "Without adequate financing, mental health policies and plans remain in the realm of rhetoric and good intentions. (*Mental Health Financing*. WHO, 2003). Budget 2008 should provide additional resources to address these issues.

## Proposals for Budget 2008

- Fund 100 additional primary care teams in 2008 to bring the total to 300 teams by the end of 2008 as committed to in *Towards 2016*.
- Enhance the provision of community care and restructure the healthcare budget accordingly. This requires development of infrastructure in the community which has not been provided over the years in the capital programme e.g. primary care centres, long-stay facilities for older people, community-based mental health facilities and residential and day facilities.
- Provide the resources necessary to meet the targets on homecare packages.
- Resource and implement targets on health status within the NAP Inclusion.
- Increase the percentage of the health budget allocated to health promotion and education in partnership with all relevant stakeholders.
- Provide the childcare services with the additional resources necessary to effectively implement the Child Care Act.
- Resource the development of mental health services, recognising that this will play a key factor in health status.
- Facilitate and fund a campaign to give greater attention to the issue of suicide in Irish society.
- Raise the eligibility threshold for the medical card.
- Adequately resource the Local and Regional Drugs Task Forces.

# Education & Education Disadvantage

## Core Policy Objective

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

**E**ducation can be an agent for social transformation. CORI Justice 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.

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. Our policy approach 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 perspective that we make our recommendations for Budget 2008.

## ADDRESSING ILLITERACY

As we pointed out in our recent *Policy Briefing* entitled *Monitoring Social Partnership*, the current government literacy target is un-ambitious, illogical and unacceptable. That target aims to reduce illiteracy, among those aged 16-64, to between 10-15% by 2016 - a target suggesting that it is acceptable that there will be between 320,000 - 475,000 people with basic literacy problems in Ireland in that age group in 2016.

CORI Justice believes that serious additional resources need to be provided

to ensure that by 2016 Ireland does not find itself in such a situation. Budget 2008 should outline a set of new targets and policy measures which significantly increase the resources supplied to address this issue.

## PRE-SCHOOL EDUCATION

There is need for the establishment, co-ordination and monitoring of early education and childcare to ensure quality provision of opportunities for holistic child development for all disadvantaged children. Budget 2008 should take steps to support such an initiative.

## EARLY SCHOOL LEAVING

Some 3% of young people leave school without any qualification. However, this figure is unevenly distributed reaching 30% in some seriously disadvantaged communities. Research on the marginalisation of young men and boys highlights the close link between under-achievement in school and the spiral of exclusion that leads to homelessness and other social problems.

The Back to Education Initiative (BTEI) is a programme with the potential to address this problem. As a priority it should target early school leavers with few or no formal qualifications or low literacy and numeracy skills.

In particular this initiative should target young early school leavers who have been alienated from the school-based educational system. To achieve this further resources are needed. Budget 2008 should provide these.

## EQUITY IN EDUCATION FUNDING

The exchequer invests 2.5 times more money per capita in the education of those who complete three years of third-level education than it does for those who leave school before the completion of post-primary education.

In light of the barriers to educational participation of the more disadvantaged people, especially at post-school level, consideration should be given to establishing a basic educational allowance. Budget 2008 should adopt policies to make this possible.

## Proposals for Budget 2008

- **Prioritise funding for Primary education and family based pre school.**
- **Provide early start programmes in all disadvantaged communities. This means extending the initiative outside disadvantaged areas to communities within which there are marked pockets of disadvantage.**
- **Significantly increase the funding provided to address literacy problems including the funding provided to the National Adult Literacy Agency (NALA).**
- **Introduce a Basic Educational Allowance for full-time and part-time education for each person between ages 18 and 40 who does not proceed to third level from school.**
- **Extend early start initiatives beyond school year framework to an all year support initiative anchored in the host community, with especial links to family units.**
- **Research pupil-teacher ratios in all Primary and Post Primary schools with a view to ensuring equity of provision.**
- **Exchequer funded pre-school initiatives should include ongoing credentialised training for providers and should include ongoing evaluation of the outcomes of these initiatives for children and their families.**
- **Extend current two year time-frame and greater flexibility for completion of modular Leaving Certificate Applied to facilitate certain workers and parents.**

# 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 sustainable development would be in place.**

Rural Ireland continues to change dramatically. The 1996 census recorded that 46 per cent of Ireland's population lived in small villages and in the open countryside. This figure declined to 40.4 per cent in census 2002 and to 39.3% (1,665,535 people) in census 2006. A factor in that reduction is the sustained decline in farm numbers. Agriculture, forestry and fishing now account for only 5.5 per cent (114,700 people) of the overall labour force. At present those in farming comprise one-quarter of the rural labour force, and are a minority of the rural population. Furthermore fewer farm children seek a future in farming.

## LOW RURAL INCOMES

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. The Teagasc National Farm Survey estimates that the average family farm income (excluding off-farm income) was €16,680 in 2006.

Off-farm income is extremely important among farm families, especially in the western region. The National Farm Survey indicates that on 58 per cent of farms the farmer and/or spouse had an off-farm job and that overall on over 82 per cent of farms the farmer and/or spouse had some source of off farm income be it from employment, pen-

sion or social assistance. This situation is likely to intensify in the coming years, thus increasing the importance of additional off-farm income being available if rural poverty and social exclusion are to be addressed.

## LONG-TERM STRATEGIES

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 rural development. 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 regional development. Areas such as the western region have been losing ground to the rest of the country in recent years.

Our Policy Briefing on *Rural Ireland* examined a number of appropriate long-term strategies.

## STATE INVESTMENT

It is clear that the scale of the infrastructure and investment deficit in rural Ireland is unacceptably high. In recent years there have been major spatial changes and there are major spatial disparities as well. The failure of current policies in so many crucial areas requires that long-term strategies be developed to address these failures. Far more is required if rural Ireland is to be viable in the twenty-first century. Budget 2008 should address this.

## Proposals for Budget 2008

- 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.
- Ensure that decoupled payments are maintained as an ongoing basic income for all farmers in Ireland.
- 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.
- Double the number of places on the rural social scheme and make it available to people without herd numbers.
- 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 and Sustainability

## Core Policy Objective

**To ensure that all development is socially, economically and environmentally sustainable.**

### SATELLITE ACCOUNTS

**O**ur present national accounts miss fundamentals such as environmental sustainability. Their emphasis is on GNP/GDP as scorecards of wealth and progress. These measures more or less ignore the environment, and completely ignore unpaid work. Only money transactions are tracked. Some governments have picked up on these issues, especially in the environmental area. They have begun to develop “satellite” or “shadow” national accounts, which include items not traditionally measured. *Towards 2016* committed the Irish government to examine the application of satellite accounts in the area of environmental sustainability. This development, which CORI Justice warmly welcomed, was scheduled to occur during 2007 but to date progress has been slow. As such accounts have important roles to play in the framing of any Budget, Government should ensure that this process is immediately commenced.

### WASTE DISPOSAL AND RECYCLING

The management of Ireland’s waste remains a problem. In 2004 33.6% of our waste was recycled, while the remaining 66.4% was going to landfill (EPA, 2006). At this rate of growth it is of no surprise that our landfill capacity will soon be reached.

While our recycling rates are increasing, and this is long overdue, they still remain very low. Studies suggest that almost 80% of household waste and 94% of industrial waste can be recycled. Furthermore Ireland has agreed to an EU obligation to recycle 50% of our waste.

If we are to meet this target, major changes are required. Both industry

and households need to change their attitude towards recycling. Industry in all sectors will have to use fewer material inputs and emit fewer wastes. To facilitate this, government needs to move towards making material inputs and waste disposal far more expensive, and towards making increasing demands for the durability, repairability and recyclability of goods. EU moves which force white goods and car companies to take back their products at the end of their useful lives are a welcome step in this direction. However, more needs to be done.

To meet our EU obligation Budget 2008 must provide further funds to assist in providing incentives to recycle rather than landfill.

### CLIMATE AND GREENHOUSE GASES

Ireland’s air is becoming more and more polluted. Between 1990 and 2005 the EPA reveal that Ireland’s greenhouse gas emissions grew by over 25%. Total combined Irish emissions of the three main greenhouse gases regarded as having global warming potential amounted to 69.95m tonnes of CO<sub>2</sub>-equivalent in 2005, up from 55.6m tonnes in 1990.

These emissions now exceed the limits agreed under the Kyoto protocol. Major changes are required if we are to reduce our emissions and reach this target. Central to this is the need for full implementation of the National Climate Change Strategy.

### CARBON TAXES

CORI Justice believed that the decision by the last government to abandon their commitment to introducing carbon taxes in Budget 2005 was a mistake and a missed opportunity. Its rejection was based on a weak argument that the tax would have minimal impact. However the policy reasons for its introduction, as outlined by the ESRI and others, suggested that the tax be introduced at a low level and subsequently increased over time. CORI Justice believes this decision should be reversed and these taxes introduced as proposed, as a matter of priority, in Budget 2008.

## Proposals for Budget 2008

- **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.**
- **Resource the development of policy instruments that will allow these shadow accounts to be integrated into public policy making.**
- **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. (It remains a concern that over 30% of Ireland’s river channels are classified as polluted to some extent).**
- **Reverse the decision to abandon carbon taxation and introduce a coherent series of initiatives aimed at reducing dependence on oil, gas, coal and other fossil fuels.**
- **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.**
- **Reform Motor tax so that the highest polluting vehicles are taxed most (see page 5).**

# Government Spending in EU context

Many of the comments recently voiced with regard to levels of state spending in Ireland have suggested that Irish government expenditure has become too high. Associated with these views have been suggestions that expenditure levels should be scaled back.

CORI Justice has recently pointed out that it is more than ironic that government used to claim it could not spend money on socio-economic priorities because it did not have it; and now when it has the resources it is deemed economically inappropriate to spend money to adequately address these problems.

In that context, it is worthwhile examining levels of government expenditure in an EU context. The most recent figures from Eurostat, the EU's statistical agency, report the total expenditure by governments across the EU-25 in 2005 (*Europe in Figures, 2007*). Table 4 reports this data for a selection

of these countries. As it shows, total Irish government expenditure is considerably below the EU average. Only Spain, Slovakia, Latvia, Lithuania and Estonia record lower levels of government expenditure.

It remains a myth that Irish government spending is too high.

**Table 4: Total Government Expenditure as a % of GDP**

Country	% GDP
Sweden	56.4
France	53.8
<b>EU-25 average</b>	<b>47.2</b>
Germany	46.8
UK	44.7
IRELAND (GNP)	40.5
Spain	38.2
IRELAND (GDP)	34.1
Estonia	33.2

## New Budget Process

Following on from commitments made in Budget 2007, the Minister for Finance, Brian Cowen TD, has implemented a number of changes to the Budgetary process. From this year all new spending and tax measures will be brought together and announced as one in a unified way on Budget Day. Each October the Government will publish detailed pre-budget estimates in its *Pre-Budget Outlook*. This document, which replaces the *Book of Estimates*, will outline the resources required to maintain the existing level of public services in 2008 alongside outlining the projected economic and fiscal outlook for the next three years. Therefore increases and decreases should be more visible on Budget day.

CORI Justice welcomes these changes. They should bring long overdue clarity to the Budgetary process and allow more informed and detailed analysis of the spending and policy changes announced on Budget day.

### Other CORI Justice Publications

The following documents are available for purchase from the CORI Justice Office:

- **Addressing Inequality** (CORI Justice annual socio-economic review - 2007)
- **Policy Briefing on Poverty**
- **Policy Briefing on Environment**
- **Policy Briefing on Rural Development**
- **Policy Briefing on Monitoring Social Partnership**

You may also download these documents, and many more, for free on our website.

- **Social Policy in Ireland - Principles, Practice and Problems** published by Liffey Press in conjunction with CORI Justice, is also available at €27.95.

We're on the web  
[www.cori.ie/justice](http://www.cori.ie/justice)

CORI Justice publishes books and regular briefings on a wide range of public policy issues. Our core areas of work are: public policy; spirituality; enabling and empowering; advocacy and communication. CORI Justice has been a recognised social partner within the Community and Voluntary Pillar of social partnership since 1996.

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