

Budget Choices

CORI JUSTICE

Policy Briefing

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In a time of economic uncertainty and less than expected exchequer resources it is crucial that Budget 2009 protect the vulnerable while also doing what is required to strengthen the economy in the period ahead. Building a fair and inclusive society that promotes the wellbeing of all must be the core long-term objective of government policy. Budget 2009 should do what is required to ensure this objective is kept at the centre of Government decision-making. If it is to promote the economy and protect the vulnerable in its forthcoming Budget Government should:

- Maintain substantial investment in infrastructure development.
- Protect the vulnerable, especially the working poor and those depending on social welfare.
- Be prepared to borrow for investment.
- Acknowledge that exceeding the 3% Stability and Growth Pact borrowing ceiling is acceptable in

the context of Ireland still being in a developmental phase.

- Broaden the tax base particularly by standard rating all tax expenditures.
- Suspend the contribution to the pension fund until the current account returns to surplus.
- Support and develop public services realising that vulnerable groups especially rely on these services.

Government must recognise the complementarity of the economic, social and environmental dimensions of development. Economic development is crucial if the required social development is to be put in place. At the same time, however, it should also be recognized that the economy requires good social services and infrastructure if it is to develop to its full potential.

Ireland has failed to recognise this complementarity in the past particularly at moments that were especially challenging for Government's budget. In

such moments in the past Government has at times failed to protect the vulnerable. Such mistakes must not be repeated at this time.

In making its decisions government should give priority to resourcing initiatives that are good for the vulnerable and good for the economy. An example of this would be funding the continuation of the social housing programme contained in the *Towards 2016* national agreement and in the *National Development Plan* (NDP).

The national agreement *Towards 2016* contains a series of high level goals that remain as valid today as when they were negotiated in early 2006. These goals are supported by most people in Ireland. It is crucial that Government remain committed to achieving these goals.

Budget 2009 should outline the steps to be taken in the coming year and in the period to 2016 to ensure these goals are achieved by that target date.

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Policy Briefing is a regular publication issued by 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.

Ireland: Some Key Diagrams and Tables

These diagrams and tables offer some insights on various aspects of Ireland's economy and society. A more comprehensive assessment of these topics can be found in our annual Socio-Economic Review *Planning for Progress and Fairness*.

Table 1:

Taxation as a % of GDP, Selected EU countries

Sweden	51.3%
Denmark	50.3%
France	44.0%
UK	37.0%
Spain	35.6%
Ireland	30.8%
Lithuania	28.9%
Romania	28.0%
EU-average	37.4%

Source: Eurostat, 2007

Chart 1: Effective (Average) Taxation rates in Ireland, 1997-2008

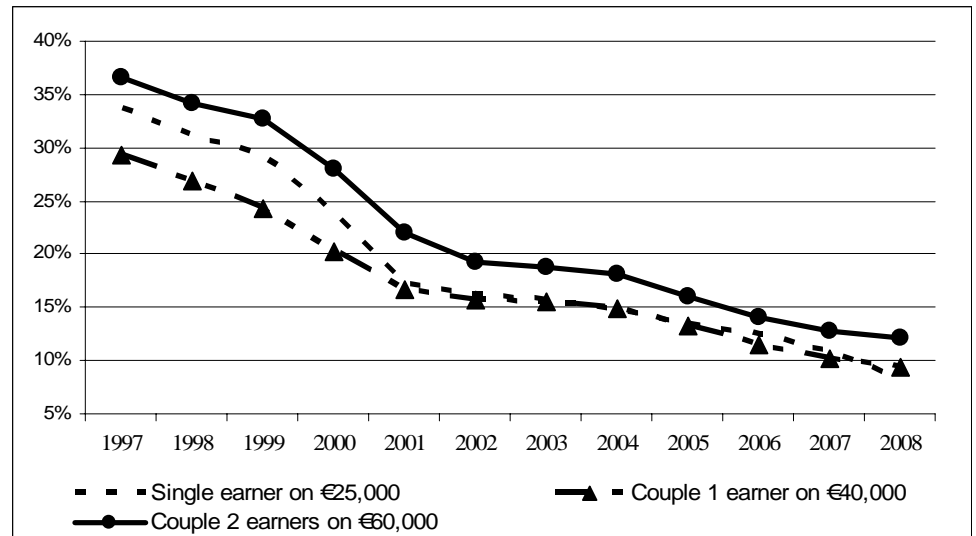


Chart 2: Weekly benefits from Budget 2007

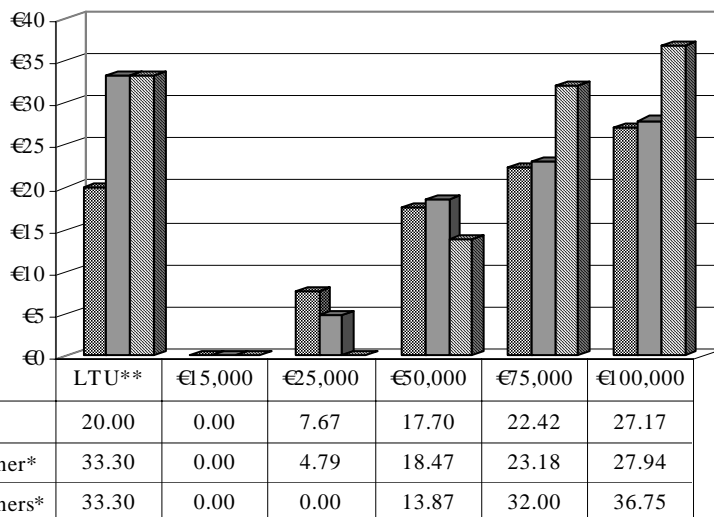


Chart 3: Weekly benefits from Budget 2008

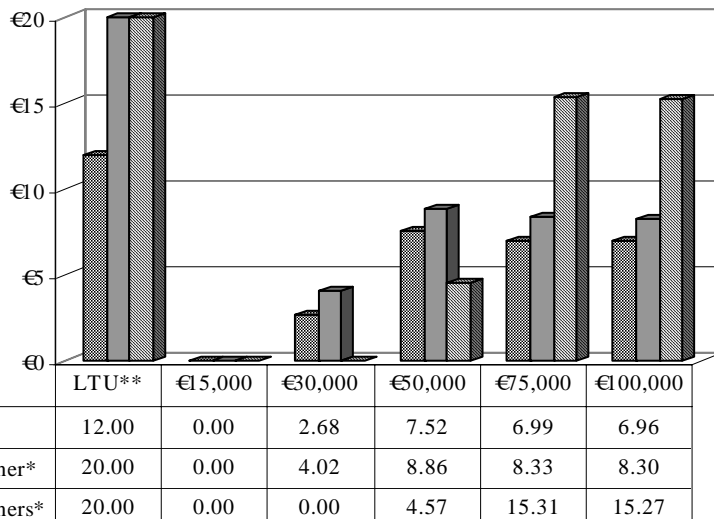


Table 2:

Unemployment and Long-Term Unemployment (%), 1999-2008

Year	Unemp	LT Unemp
1999	5.7%	2.5%
2000	4.3%	1.6%
2001	3.6%	1.2%
2002	4.2%	1.2%
2003	4.4%	1.5%
2004	4.4%	1.4%
2005	4.3%	1.4%
2006	4.4%	1.4%
2007	4.6%	1.3%
2008	5.2%	1.5%

Source: CSO QNHS (table 16) various editions

Note: All data for 2nd quarter

Table 3: ODA as % GNP

Year	% of GNP
1993	0.18%
2000	0.29%
2003	0.40%
2008	0.54%
2010 (target)	0.60%

Notes: * Except in LTU case where there is no earner; ** LTU= Long Term Unemployed

The Social and Economic Context of Budget 2009

To provide a brief overview of the social and economic context of Budget 2009, table 4 brings together a range of data and indicators reflecting various aspects of Ireland today.

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

- (i) a decline in the Irish construction sector; and
- (ii) an international economic slowdown associated with the 'credit crunch' in the United States.

Within the Irish economy both have reduced levels of economic activity, employment and taxation flows to the

government. In the longer term the ESRI, Central Bank and others have suggested that Ireland's economy will recover strongly (from 2010 onwards).

Budget 2009, like Budget 2008, will see the government run a budget deficit, meaning the exchequer will spend more than it will collect in taxation. However, it is important to note that a large proportion of this deficit will occur due to substantial amounts of capital investment - at levels equal to twice the average levels across other EU states.

Overall, government spending as a % of national income remains low equalling 34.2% of GDP (40% of GNP) - the third lowest in Europe and well below the EU average of 43.6% of GDP.

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

The Budget is also framed in the context of high, though declining, poverty levels; a sustained problem with child poverty; ongoing literacy challenges; growing unemployment 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 *Planning for Progress and Fairness*.

Real GDP growth 2008*	0 - 0.6%	Minimum Wage (per hour / 39hr week)	€8.65 / €37.35
GDP growth 2009*	2.0%	Minimum Social Welfare Payment (1 adult)	€197.80
Real GNP growth 2008*	0 - 0.3%	Average Gross Household Income (2006)	€1,055.48 per week
GNP growth 2009*	1.8%	Average Disposable H-hold Income (2006)	€336.44 per week
GNP growth 2010-15*	3.8% per annum	Poverty line 1 Adult (week / year)	€218.59 / €1,406
2008 General Gov Balance (%GDP)*	-2.75 to -5%	Poverty line 2 Adults (week / year)	€362.86 / €1,934
National Debt (%GDP) 2008*	25.9%	Poverty line 1 Adult + 1 Child (week / year)	€290.72 / €1,170
National Debt (%GDP) 2009*	27.6%	Poverty line 2 A + 2 Children (week / year)	€507.13 / €2,462
National Capital Investment 2008	Approx 5% GNP	% of population living in poverty (numbers)	17% (720,774)
Total Taxation as % GDP	30.8%	% of children living in poverty (numbers)	20.3% (190,000)
Total Taxation as % GNP	36.6%	LA Housing Waiting list - households	43,684
% Tax on €25,000 income (single / 2 earners)	8.3% / 0%	LA Housing Waiting list - persons	approx 120,000
% Tax on €60,000 income (single / 2 earners)	27.5% / 12.2%	Illiteracy rate of adult population (1996 data)^	25%
% Tax on €100,000 income (single / 2 earners)	33.8% / 23.8%	% Waste Landfilled (2005 data)	65.4%
Corporation Tax rate	12.5%	Greenhouse Gas Emissions v. Kyoto target	+11%
Value of all Tax Reliefs (per annum)	€8.4 billion	Population 2006 Census	4,239,848
Labour Force	2,223,900	Population 2011* / 2016 *	4.685m / 5.093m
Employment	2,108,500	Population 2021* / 2041*	5.449m / 6.247m
Unemployment 2008 /rate (ILO Basis)	115,500 (5.2%)	Inflation rate (CPI) 2008*	4.5%
Unemployment rate 2009*	6.8%	Inflation rate (CPI) 2009*	3.2%

Source: Various publications including Central Bank Quarterly Bulletins; ESRI Quarterly Economic Commentaries and Medium Term Review 2008-2015; CSO Statistical Reports and publications from various Government Departments and Agencies.

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

Guiding Principle: Protecting the Vulnerable

In making choices on how to allocate resources in Budget 2009 Government should be guided by the principle of giving priority to the needs of the vulnerable.

17% of Ireland's population is at risk of poverty with incomes below €1,400 for a single person or €26,500 for a household of four.

30% of all the households at risk of poverty today are headed by a person *with* a job. A further 50% are headed by a person *outside* the labour force (i.e. older people and people who are ill, have a serious disability or are in caring roles) and are totally dependent on social welfare.

An issue that needs to be factored into decision-making is that these groups spend a greater proportion of their income on food and fuel. In recent times food and fuel costs have risen faster than inflation.

Consequently, these groups have living costs that exceed the standard level of inflation.

Four out of every ten people in Ireland who are long-term ill or have a disability are at risk of poverty. These are faced with higher living costs.

Giving priority to the vulnerable

In practice this would mean giving priority in **healthcare** to developing primary care teams rather than increasing consultants salaries. It would also put the emphasis on primary care and community services rather than on the hospital system.

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

In **housing** it would recognise it is more important to provide resources for social housing ahead of other housing tenures.

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

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

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

In **distributing resources among those who are employed** priority would be given to the working poor (as 30% of all households at risk of poverty are headed by a person *with* a job).

On the issue of **taxation** it would mean ensuring that those with low incomes are not disadvantaged by the tax system (as they are at present in the way they benefit from tax exemptions cf. p. 7 of this *Policy Briefing*).

In **transport** policy it would mean giving priority to developing public transport. Within this context it would ensure that rural transport was adequate and sufficiently resourced.

In the area of **foreign policy** it would mean honouring Ireland's commitment to provide 0.6% of GNP in foreign aid by 2010.

Balance Economic and Social Development

Budget 2009 should recognise the need to maintain a balance between economic development and social development. This is essential if Ireland is to become a society characterised by fairness and wellbeing with an economy that is viable and sustainable in a changing world context.

Ireland's economic growth since the early 1990s has been dramatic. Wealth, employment and production have grown steadily. Ireland is now a prosperous country.

However, public transport is not in place where it is required. Neither are the schools, nor the broadband, nor the social houses, nor the primary health-care teams, nor much of the rest of the social and economic infrastructure that one would expect to see in a society with Ireland's level of income and wealth.

In the past there has been a failure to recognise that a successful economy requires social development just as much as social development requires a successful economy.

Budget 2009 should be seen to recognise the complementarity of economic development and social development. While economic development is essential to provide the resources required for social services it is equally true that good social services are essential if the economy is to develop in a sustainable manner.

This has two implications. On the one hand Government should invest in the infrastructure (economic and social) required to bring Ireland up to the EU average level of provision. Ireland is still in a developmental phase and should make as much progress as is possible in this area. In practice this will require borrowing. However, this should not be seen as problematic.

Capital investment produces little immediate revenue. However, in the long run, capital investments are regarded as worthwhile given that their provision facilitates economic activity which in turn produces future flows of taxation revenue. (This assumes that value for

money is achieved when Government makes capital investments.)

Exceeding the 3% Stability and Growth Pact borrowing ceiling is acceptable in the context of Ireland still being in a developmental phase.

The second implication of balancing economic and social development is that social services should be adequately resourced. At present Ireland's social services lag behind other EU-15 countries.

Our level of expenditure on social protection is below the EU-27 average and the consequences of this can be seen, for example, in our poverty rates, unequal income distribution, growing rich/poor gap and under-equipped health and education systems.

Consequently, it is crucial that Budget 2009 provides as much resources as possible for social development and, in allocating these resources within particular areas, gives priority to those who are vulnerable. This Briefing identifies the choices that should be made.

Welfare Package

Social Welfare Increase of €9.90 is required

CORI Justice believes that Budget 2009 should increase the minimum social welfare payment by €9.90 per week; bringing it to a weekly value of €203.75.

The justification for this increase, which is small in comparison with those delivered in recent years, is explained in tables 5 and 6 below.

To maintain the current benchmark of social welfare payments at 30% of Gross Average Industrial Earnings (GAIE) the minimum payment would need to increase by €5.95 per week. We have calculated this increase using projected increases in non-agricultural earnings for

2009 from the ESRI's *Medium Term Review 2008-2015*. However, we have revised down their projection, from 3.5% to 3%, to capture the likely effects of the recent slowdown in the economy.

To accompany this increase CORI Justice believe it is essential that Budget 2009 recognise the effect of recent increases in the cost of basic food and services (we address fuel separately below). The CSO has reported that in the past 12 months the price of food has increased by 6.8% and transport, including public transport, by 5.3%. These are items which comprise a large proportion of the consumption of low-income households

such as those dependent on social welfare. They are also increases well above the overall inflation rate of 4.4%. These increases in 'basic' goods imply further challenges for low income households.

As part of addressing this challenge CORI Justice believes that the Budget 2009 increase in the minimum social welfare rate should include a low-income inflation supplement of €3.95 per week. This increase would go some of the way towards assisting those dependent on social welfare payments who are among the most vulnerable in Irish society.

Table 5: Calculating the Baseline Increase in the Minimum Social Welfare Payment

2008		Increase 2008→2009		2009 (using CORI Justice revised rate)	
Min SW rate in 2008	€197.80	ESRI MTR	+ 3.5%	Min SW rate in 2008	€203.75
GAIE per week	€59.33	CORI Justice	+ 3.0%	GAIE per week	€79.11
GAIE per annum	€3,379.52	(revised down)		GAIE per annum	€3,410.91

Table 6: Social Welfare Increase Required in Budget 2009

Min SW rate in 2008	+ Baseline increase (see table 5)	+ Low-income inflation supplement	= Min SW ↑ in Budget 2009
€197.80	+ €5.95	+ €3.95	= €9.90

Equality in the SW 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 pensioner, 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 2008 a couple on the lowest social welfare rate will receive a payment of €329.10 per week. This amount is almost 1.66 times the payment for a single person (€197.80). Were these two people living separately they would receive €197.80 each (a total of €395.60). Thus by living as a household unit such a couple receive a lower income.

CORI Justice believes that this system is unfair and inequitable. Recent Budgets have made some movements towards addressing this issue - in particular for pensioner households. As part of its welfare package Budget 2009 should complete this reform for all households in receipt of social welfare.

Increase Fuel Allowances

Fuel and energy prices have increased significantly in the last year. The latest CSO inflation figures indicate that energy costs jumped in price by 13.9% between July 2007 and July 2008. These increases are being experienced by households through higher costs of electricity, gas, coal and home heating oil.

The detailed results from the CSO's Household Budget Survey show that each of these products represents a large proportion of the total expenditure of households in the bottom deciles of the income distribution. While these price increases

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are already having an effect their impact on low income households can be expected to increase in the winter months following the Budget. There is a real danger of a serious fuel poverty problem and the associated consequences for people's health and wellbeing.

As a means of addressing this issue Budget 2009 should deliver a significant increase in the level and availability of fuel allowances. These allowances have the advantage of being targeted towards those groups most at risk.

Taxation Issues for Budget 2009

Building a fairer taxation system is an important part of building a fairer Ireland. CORI Justice believes that Budget 2009 offers Government the potential to implement a number of changes to the taxation system which will make it fairer. We outline these proposals over this page and the next.

Standard Rating Discretionary Tax Expenditures

One crucial step towards achieving a fairer tax system is to standard rate all discretionary tax reliefs/expenditures, making them available at the 20 per cent rate only. This policy is explored in more detail on page 7 of this briefing.

Keeping the Minimum Wage Out of the Tax Net

A major achievement of Budget 2005 was the decision by the Minister of Finance to remove those on the minimum wage from the tax net. This decision, which was updated in subsequent Budgets, has an important impact on the growing numbers of working-poor and addresses an issue CORI Justice has highlighted for some time. The most recent EU-SILC poverty figures indicate that 116,000 workers (6.5% of all those employed) live in poverty. Budget 2009 should continue to ensure that those living on the minimum wage continue to remain outside the tax net.

Prioritising Changes to Tax Credits Rather than Tax Bands

When choices are being made at Budget time it is important that fairness is prioritised. One area where this is most obvious is in the area of changes to tax credits and bands. We illustrate this point with an example:

If €35 million were available for distribution in a Budget it could be used to either (i) increase the 20 per cent tax band by €5,000 (full year cost €36.1m) or (ii) increase personal tax credits by €250 a year (full-year cost €33.75m). While the exchequer cost of these two alternatives is roughly the same, their impact is notably different:

(i) Increasing the tax band by €5,000 would be of no benefit to anyone with incomes at or below the top of the current band (i.e. €35,400 for a single per-

son) but would provide a benefit of €1,000 a year to a single person earning more than €40,400. Single people with incomes in the €35,400-40,400 range would benefit by a proportion of the €1,000.

(ii) Increasing the tax credit by €250 a year would mean that every earner with a tax bill in excess of €250 a year would benefit by that amount.

In terms of fairness, increasing tax credits is a fairer option than widening the standard rate tax band. If funds are available in Budget 2009 to make income taxation changes then CORI Justice believes that priority should be given to tax credits rather than tax bands.

Introducing Refundable Tax Credits

The move from tax allowances to tax credits was completed in Budget 2001. This was a very welcome change because it put in place a system that had been advocated for a long time by a range of groups including CORI Justice. One problem persists however, a problem that the old system of tax allowances also had. If a person does not earn enough to use up his or her full tax credit then he or she will not benefit from any tax reductions introduced by government in its annual budget. In effect this means that, under the present system, those with the lowest pay will not benefit in any way at budget time.

A simple solution exists to rectify this problem: make tax credits refundable. This would mean that the part of the tax credit that an employee did not benefit from would be "refunded" to him/her by the state. The major advantage of making tax credits refundable would lie in addressing the disincentives currently associated with low-paid employment. The main beneficiaries of refundable tax credits would be low-paid employees (full-time and part-time). Budget 2009 should commence this long overdue reform.

Reforming Individualisation

CORI Justice has long supported the individualisation of the tax system. However, the process of individualisation followed to date in Ireland has been 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.

All the predictions currently indicate that there will be a future increase in the level of unemployment. 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. Before individualisation was introduced, the standard-rate income-tax band was €35,553 for all couples. After that they would start paying the higher rate of tax. Now, the standard-rate income-tax band for single-income couples is €44,400, while the band for dual-income couples is €70,800. If one spouse (of a couple previously earning two salaries) leaves a job voluntarily or through redundancy, the couple loses the value of the second tax band. Budget 2009 should recognise and reform this inbuilt unfairness in the individualisation system.

Broadening the Tax Base

As a means of broadening the tax base, we propose that Budget 2009 should:

- Standard rate discretionary tax expenditures
- Further expand the levy on financial institutions introduced in Budget 2003
- Introduce a speculative tax on windfall gains from land rezoning
- Introduce the promised carbon and environmental taxes
- Increase the tax on wealth (e.g. through increasing DIRT tax)
- Introduce 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

CORI Justice Submission to the Commission on Taxation

CORI Justice recently made a detailed, 81-page, submission to the Government-appointed Commission on Taxation. In it we outline our proposals for tax reform in Ireland. The document can be downloaded from our website: www.cori.ie/justice

Making Tax Reliefs Fairer

One crucial step towards achieving a fairer tax system is to standardise all discretionary tax reliefs/expenditures, making them available at the 20 per cent rate only.

If there is a legitimate case for making a tax relief/expenditure available then it should be made available in the same way to all. It is unfair that some people can claim certain tax reliefs at a rate of 20 per cent (the standard tax rate) and others with higher incomes can claim it at a higher rate. That unfairness is further exacerbated by the fact that it is those who are better off who can claim these reliefs at the upper rate.

The three examples in Box 1 illustrate this unfairness.

As part of preparing our November 2005 *Policy Briefing on Taxation*, CORI Jus-

sirable, a feature which the Revenue Commissioners acknowledge, we suspect that this estimate understates the additional revenue which the exchequer would collect were all discretionary tax expenditures standard rated. Standard rating tax expenditures offers the potential to simultaneously make the tax system fairer and fund these necessary developments without any significant macroeconomic implications.

Accordingly we believe that Budget 2009 should make all discretionary tax expenditures available at the standard rate only.

If there is a legitimate case for making a tax relief/expenditure available then it should be made available in the same way to all

...we estimated that the exchequer could collect an additional €2 billion in revenue if all tax relief schemes were made available only at the standard rate

could collect an additional €2 billion in revenue if all tax relief schemes were made available only at the standard rate. While the available data is less than de-

Box 1: Discretionary Tax Expenditures			
Example 1: HOW MUCH TO GET YOUR TEETH FIXED?			
Situation: A person requires €1,000 worth of dental work (e.g. a dental crown)			
Person earning the average industrial wage, €34,000 in 2008		Person earning twice the average industrial wage, €68,000 in 2008	
Dental Bill	€1,000	Dental Bill	€1,000
- Tax relief @ 20%	- €200	- Tax relief @ 41%	- €410
Net Cost	€800	Net Cost	€590
Example 2: WHAT IS THE COST OF BASIC MEDICAL EXPENSES?			
Situation: A person incurs €150 of unrefunded medical expenses (one visit to a GP and filling a prescription)			
Person earning the average industrial wage, €34,000 in 2008		Person earning twice the average industrial wage, €68,000 in 2008	
Unrefunded medical expenses	€150	Unrefunded medical expenses	€150
- Tax relief @ 20%	- €30	- Tax relief @ 41%	- €61.50
Net Cost	€120	Net Cost	€88.50
Example 3: WHAT IS THE COST OF TOPPING UP YOUR PENSION?			
Situation: A person decides to top-up their personal pension by €5,000			
Person earning the average industrial wage, €34,000 in 2008		Person earning twice the average industrial wage, €68,000 in 2008	
Increase in pension fund	€5,000	Increase in pension fund	€5,000
- Tax relief @ 20%	- €1,000	- Tax relief @ 41%	- €2,050
Net Cost	€4,000	Net Cost	€2,950

Other Budget issues

Literacy

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

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

- Reduce the proportion of the adult population (aged 16-64) with restricted literacy (i.e. level 1 on the international literacy scale) to between 10%-15% by 2016. If this target is achieved there will still be between 317,000 and 476,000 people with serious literacy difficulties in Ireland by 2016.
- Reduce the proportion of pupils with serious literacy difficulties in primary schools serving disadvantaged communities to less than 15% by 2016.

This is a recipe for failure. If the Government's target is achieved between now and 2016 then large numbers of people will not be in a position to take up a job. They will experience social exclusion. They will be living in poverty.

Failure to address this situation now will lead to serious economic and social problems in the future. Budget 2009 should commit resources to avoid this.

Social Housing

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

The national partnership agreement *Towards 2016* extended the timeframe for reaching this target by one year to 2013 - to bring it into line with the *National Development Plan* (NDP). To ensure this commitment was credible the agreement made a commitment on social housing that the total number of new commencements/acquisitions in the period 2007-2009 would be 27,000 units.

Ireland has more than sufficient resources to ensure that adequate and appropriate accommodation is available for all people. For the first time ever it has outlined a pathway to achieving that target. It is crucial now that the commitments made are honoured in full and on time. Anything less would be a betrayal of some of the most vulnerable people in Irish society.

In the past decade improved levels of economic growth combined with low interest rates resulted in high levels of housing inflation. This in turn produced a housing 'bubble' that has now burst. In the context of Budget 2009 priority should be given to social housing serving those who never had the resources to provide appropriate accommodation for themselves.

Disability

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

Recent CSO figures show 40.8 per cent of people in the category called *ill/disabled* at highest risk of poverty. In 1994, according to ESRI studies, 29.5 per cent of this category were at risk of poverty. This significant increase for people with a disability is of major concern.

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

There is a strong case, for example, to be made, for the introduction of a non-means tested cost of disability allowance. This proposal is supported by the *NESC Strategy 2006* which asks that "the Government strongly consider the case for a separate 'cost of disability payment' that, in line with its analysis in the *Developmental Welfare State*, would be personally tailored and portable across the employment/non-employment divide." (NESC, 2005). Budget 2009 should progress these issues.

Primary Care Teams

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

The national agreement *Towards 2016* commits Government to putting 500 primary care teams in place by 2011. The total should have reached 300 by end-2008. This commitment is not being honoured and the actual out-turn for end-2008 is more likely to be about 100 teams.

This situation is totally unacceptable. There has been a serious failure to face up to the fact that Ireland's health system constantly gives priority to the acute hospitals over the provision of primary care and community services.

The proportion of the total health budget going on primary and continuing care should increase. This is what is required if the health system is to move from a medical model to a social model of health.

Budget 2009 should provide ring-fenced resources required to ensure there are 400 primary care teams in place by end-2009.

HEALTH

Context:

People should be assured that healthcare in their times of vulnerability is guaranteed. In 1977, 39 percent of the population were eligible for medical cards. By 2007 this figure had decreased to about 29.5 per cent and included people over 70 irrespective of their income. Because of costs people on low incomes defer seeking healthcare with long term negative outcomes for themselves, their families and the economy. Primary Care has been recognised as one of the cornerstones of the healthcare system and has been well argued in the Government's strategy *Primary Care – A New Direction* (2001). For the development of this strategy there is a clear need for an increase in the percentage of the healthcare budget being allocated for primary care. Ireland spends 7.2 per cent of GDP on health. The average spend on healthcare for the EU25 is 8.6 percent.

Proposals:

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

Reference

Planning for Progress and Fairness

Section 3.6
Pages: 137-150

EDUCATION

Context:

Despite the economic boom the education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations. Early school leaving is a particularly serious manifestation of wider inequality in education, which is embedded in and caused by the structures in the system itself. The low level of literacy among a significant proportion of the adult population is of concern. Likewise a 2004 study which shows that up to 30 per cent of pupils in disadvantaged primary schools have literacy difficulties. The target set by Government is to reduce illiteracy among those aged 16-64, to between 10-15% by 2016. This suggests that it is acceptable that there will be between 317,000–476,000 people with basic literacy problems in 2016. This will mean poor outcomes for the people themselves and is also bad for the economy. Ireland's expenditure on education equalled 4.6 percent of GDP in 2005, the latest year for which comparable OECD data is available. This compares to an EU average of 5.5 per cent in that year. Over time, as the national income has increased the share allocated to education has fallen. In 1995 expenditure on education equalled 5.2 per cent of GDP.

Proposals:

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

Reference

Planning for Progress and Fairness

Section 3.7
Pages: 151-161

Budget 2009 - Issues

WORK

Context:

Unemployment has risen dramatically. Long-term unemployment must be addressed.

Proposals:

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

Reference

Planning for Progress and Fairness
Section 3.3
Pages: 98-111

WORKING POOR

Context:

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

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.1 and 3.2
Pages: 28-29 and 89-94

HOUSING

Context:

Many people are on housing waiting lists. Many are homeless. These cannot afford to provide appropriate accommodation for themselves.

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.5
Pages: 119-136

DISABILITY

Context:

People who are ill or have a disability are among the two categories at highest risk of poverty (40.6%). They have additional expenses because of their disability.

Proposal:

- Introduce a means-tested cost of disability allowance.

Reference

Planning for Progress and Fairness
Section 3.1 and 3.3
Pages: 30-36 and 103

PUBLIC SERVICES

Context:

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

Proposals:

- Give priority to public transport systems.
- Ensure development of broadband nationwide.

Reference

Planning for Progress and Fairness
Section 3.4
Pages: 112.-118

CHILD POVERTY & CHILDCARE

Context:

More than 20% of children (more than 190,000) are at risk of poverty. There is also an ongoing problem with the provision of childcare.

Proposal:

- Convert the childcare supplement into a refundable tax credit payable for all children irrespective of the labour force status of their parents and increase it substantially.

Reference

Planning for Progress and Fairness
Section 3.1 and 3.2
Pages: 29-30 and 93-94

OVERSEAS AID

Context:

Ireland has committed to providing 0.6% of GNP in foreign aid by 2010 and 0.7% by 2012 - reaching the UN target. This expenditure is targeted at the most vulnerable people on the planet.

Proposal:

- Increase the ODA budget so as to meet this commitment.

Reference

Planning for Progress and Fairness
Section 3.12
Pages: 205-214

CARERS

Context:

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

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.3
Pages: 107-108

SUSTAINABLE DEVELOPMENT

Context:

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

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.10
Pages: 176-180

COMMUNITY AND RURAL DEVELOPMENT

Context:

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

Proposals:

- Address rural disadvantage (e.g. transport, housing etc).
- Increase the resources for programmes such as the Community Services Programme.

Reference

Planning for Progress and Fairness
Section 3.11
Pages: 194-204

ASYLUM SEEKERS

Context:

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

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.8
Pages: 162-168

MIGRATION

Context:

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

Proposal:

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

Reference

Planning for Progress and Fairness
Section 3.8
Pages: 162-168

Priorities on Income Poverty

The latest data show that 720,774 people (17% of the population) have incomes less than the standard poverty line recognised by the European Commission and the United Nations. In 2008 this line is equivalent to €1,400 for a single person and to €6,400 for a household of 4. The number of people with incomes below that level is 120,000 fewer than was the case in 2001 when 21.9% of the population was at risk of poverty. This reduction is welcome but far more is needed to ensure every man, woman and child has sufficient income to live with dignity.

Almost 30% of all households at risk of poverty are headed by a person with a job. These are the 'working poor'.

50% of all households at risk of poverty are headed by a person outside the labour force (i.e. they are elderly, have a disability, are ill or in caring roles that prevent them from taking up a job).

More than 20% of all children in Ireland are at risk of poverty.

To tackle this situation Government should:

- Change the tax system to ensure that the working poor benefit from the full value of the tax credit to which they are entitled.
- Ensure the lowest social welfare rate for a single person is improved in real terms.
- Bring the welfare rate for the second adult in a household up to 100% of the single adult payment (from its current situation of 67%).
- Address child poverty and child care problems by increasing child benefit and/or increasing the Early Childhood Supplement. This could also be addressed by introducing a refundable tax credit payable for all children irrespective of the labour force status of their parents.

Details on these and other issues

By its very nature a publication such as this *Policy Briefing* cannot provide a great deal of detail on the wide range of issues it addresses.

However, a detailed analysis of the present context and explanations for the proposals being made are contained in the recently-published annual Socio-Economic Review from CORI Justice.

Entitled *Planning for Progress and Fairness*, this 234-page review looks at Ireland in 2008 and then goes on to analyse the range of issues identified in this *Briefing*. It focuses especially on policies to ensure economic development, social equity and sustainability.

Under each of the issues addressed in this Briefing we have identified the relevant pages of the Review in which the more detailed analysis is provided.

The review is available on the web at www.cori.ie. It can also be purchased from CORI Justice Office for €12.50.

Other CORI Justice Publications

The following publications (and many more) may be downloaded for free from our website and are available for purchase from the CORI Justice Office:

- **Planning For Progress and Fairness** (2008)
- **Making Choices - Choosing Future: Ireland at a Crossroads** (2008)
- **Values, Catholic Social Thought and Public Policy** (2007)
- **Policy Briefing on Monitoring Social Partnership** (2007)

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

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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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