Social Justice Ireland's Response to the European Commission's Country Specific Recommendations

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Introduction

Social Justice Ireland is an independent social justice think tank that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole. We welcome the opportunity to respond to the Commission in respect of the Country Specific Recommendations for Ireland.

More information on these and other proposals towards a fairer, more just society may be found in our recent publications, most notably our Socioeconomic Review, published in February 2019, and on our website. *Social Justice Ireland* is of course available to the Commission to discuss these proposals in greater detail.

Social Justice Ireland's Response to the European Commission

In response to the Commission, we take each Recommendation separately and provide both context and proposals for how these recommendations might be implemented.

Achieve the medium-term budgetary objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio. Limit the scope and number of tax expenditures, and broaden the tax base. Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans.

Broadening the Tax Base and Making Taxation Fairer

Previous benchmarks, set relative to the overall proportion of national income collected in taxation, have become redundant following recent revisions to Ireland's GDP and GNP levels as a result of the tax-minimising operations of a small number of large multinational firms. Consequently, an alternative benchmark is required.

We propose a new tax take target set on a per-capita basis; an approach which minimises some of the distortionary effects that have emerged in recent years. Our target is calculated using CSO population data, ESRI population projections, and CSO and Department of Finance data on recent and future nominal overall taxation levels. The target is as follows:

Ireland's overall level of taxation should reach a level equivalent to €15,000 per capita in 2017 terms. This target should increase each year in line with growth in GNI*.

Table 1 compares our target to the Budget 2019 expectations of the Department of Finance. We also calculate the overall tax gap for the economy; the difference between the level of taxation that is proposed to be collected and that which would be collected if the *Social Justice Ireland* target was achieved. In 2019 the overall tax gap is €3.5 billion and the average gap over the period 2018-2020 will be €3.2 billion per annum.

Table 1: Ireland's Tax Gap, 2018-2020

	2018	2019	2020
Tax-take € per capita			
Budget 2019 projection	€15,366	€15,959	€16,617
Social Justice Ireland target	€15,885	€16,505	€17,049
Difference	€519	€545	€432

Overall Tax-take €m			
Budget 2019 projection	€73,641m	€77,515m	€81,354m
Social Justice Ireland target	€77,153m	€80,804m	€84,138m
Tax Gap	**€3,513m**	**€3,289m**	**€2,784m**

Notes: Calculated from Department of Finance (2018a: 54), CSO population data and ESRI population projections (Morgenroth, 2018:48). GNI* is assumed to move in line with GNP – as per Department of Finance (2017:49). The Tax Gap is calculated as the difference between the Department of Finance projected tax take and that which would be collected if total tax receipts were equal to the *Social Justice Ireland* target.

Increasing the overall tax take to this level would require a number of changes to the tax base and the current structure of the Irish taxation system, reforms which we address in the next section of this chapter. Increasing the overall taxation revenue to meet this new target would represent a small overall increase in taxation levels and one which is unlikely to have any significant negative impact on the economy.

Social Justice Ireland believes that there is merit in developing a tax package which places less emphasis on taxing people and organisations on what they earn by their own useful work and enterprise, or on the value they add or on what they contribute to the common good. Rather, the tax that people and organisations should be required to pay should be based more on the value they subtract by their use of common resources. Whatever changes are made should also be guided by the need to build a fairer taxation system; one which adheres to our already stated core policy objective.

Social Justice Ireland proposes some radical, but achievable, changes to Ireland's tax package that would move Ireland towards a fairer system.

- *Reform and Broaden the Tax Base*

It is time to move away from a taxation system that relies less heavily on taxing people and organisations on what they earn by their own productive work, and looks instead to base taxation on the value that people and organisations subtract by their use of common resources. These would include

i) reforming tax breaks and expenditures so that reliefs were only available to those who were adding demonstrable value;
ii) the introduction of a minimum effective tax rate for higher earners and reform of the High Income Individuals' Restriction to include all tax expenditures;
iii) reform of the corporation tax system whereby profitable firms with substantial income would make a fair contribution to society rather than seeking to avoid them;
iv) replacing the local property tax with a site value tax which would also incentivise more efficient land use;
v) the reintroduction and reform of the Non-Principal Private Residence charge and the introduction of penalties for speculators holding on to vacant buildings and underdeveloped land;
vi) the reintroduction of a Windfall Gains Tax, at a rate of 80%, on profits accumulated by speculators due to the rezoning of land by local authorities;
vii) the introduction of a Financial Transaction Tax in line with European initiatives in this area; and
viii) an increase to the carbon tax levy, with revenue raised being ring-fenced to support transitional measures to support those households, communities and small businesses who would be adversely affected by it.

Fairness should be a central tenet of the Irish taxation system. This could be progressed by standard-rating all tax reliefs at 20% so that, should there be a case to be made in a favour of a tax relief, it is experienced in the same way by all. There is also a case to be made for ensuring that proposed income tax reforms are 'fairness proofed', so that their distributive impact is doing the most good for those who need it. *Social Justice Ireland* has proposed the introduction of refundable tax credits as a means of addressing some of the income inadequacies experienced by the 109,000 working poor. And as a final move towards a fairer tax system, the reform of the current individualisation of the tax system. We would also argue that windfall gains should be used on once off infrastructure expenditure to address some of the many deficits Ireland has, particularly in the area of social and affordable housing, retrofitting to address energy poverty, digital infrastructure and water infrastructure.

Parts of Ireland's tax system have been described as 'among the most complex in the world'. A lack of transparency in how Ireland raises its revenue hardly inspires confidence. Reasons given for this complexity include the rewarding of behaviour considered desirable by a particular ideology at a given time, while punishing those behaviours considered to be undesirable. This is inherently unfair and arbitrarily discriminatory. In many cases, these tax regimes also fail to produce the economic or social outcomes they set out to achieve. Complexity makes tax easier to evade, invites the design of avoidance schemes and increases collection costs. This inequality is also compounded by the fact that those who can most afford to pay the taxes are those who can also afford the advice on how to avoid it. A simpler tax system would level the playing field and better serve Irish society as a whole and so we welcome the Commissions focus on addressing aggressive tax planning. We have consistently argued for a European wide minimum effective corporate tax rate and the elimination of loopholes that facilitate aggressive tax planning.

Planning for Demographic Changes, particularly in Healthcare

Ageing populations are associated with increased longevity, a success story that is to be welcomed. But significant increases, particularly in the numbers of those who are over 85, will result in an increase in numbers living with long-term illness or disability and this must be planned for using an appropriate model of healthcare. Statistics from the 2016 Census demonstrates a strong link between disability and increased age: in 2016, over 220,000 people aged 65+ had a disability, representing 35 per cent of that age group and also 35 per cent of the overall disabled population.

One clear implication is additional demand for healthcare services and facilities. The ESRI projected that demand for health and social care will increase across all sectors in the years to 2030. Home care packages are projected to show the greatest increase in demand - of 66 per cent, reflecting a high level of unmet demand. At 40 to 54 per cent, even greater percentage increases in demand are projected for long-term and intermediate care places. Demand for public hospital services could increase by up to 37 per cent in the case of inpatient bed days.

Support for people to remain in their own homes is a key and appropriate policy objective and coincides with the wishes of most older people. A well-developed, co-ordinated and integrated approach to the management of older people's needs reduces referrals to long-term residential care. However, formal home care funded by the State in Ireland is considered low by comparison with other countries. For example, one study found that only 7 per cent of those aged 65+ used domestic help in Ireland, compared to 17 per cent in Northern Ireland.

Over 60 per cent of the older people's budget goes towards long-term residential care while only approximately 4 per cent of the over 65 population live in residential care settings. The numbers supported by the NHSS (Fair Deal) scheme in 2017 were approximately 23,000 or around 3.5 per cent of those aged 65+.

A consultation process was commenced to consider establishing a statutory homecare scheme. A statutory basis for home care packages has been called for by *Social Justice Ireland* and moves in this direction are welcome. However, supporting people to live at home requires an integrated approach that ensures access to a range of supports in the home as well as transitional facilities. To achieve this, deficits in infrastructure need to be addressed urgently with an emphasis on replacement and/or refurbishment of facilities. If this is not done, the inappropriate admission of older people to acute care facilities will continue with consequent negative effects on acute services and unnecessary stress on people and their families. A related issue is the shortage of short-stay community beds intended to enable people to return to their own homes after a period of intervention and support (including step-up, step-down, convalescence, assessment and review, respite and rehabilitation services).

The National Clinical Programme for Older People (2012) recommendations have not been implemented requiring that hospitals have a dedicated specialist geriatric ward and a multi-disciplinary team and access to structured rehabilitation. Thus the fundamental right of an older person to receive an adequate period of rehabilitation before a decision with regard to long-term care is made is not upheld.

Planning and investment is required to meet the challenges presented by demographic change, and also to address the infrastructural deficits created by underinvestment within the past decade. Health-promotion measures and action to facilitate the full participation of people with disabilities – including older disabled people - in social life are also required, as well as a comprehensive approach to care services that would include integrated services across the areas of GP care, public health nursing, home care supports, acute hospital care, rehabilitation, short-term and long-term care.

Social Justice Ireland believes that on the capital side, an investment in the order of a total of €500 million over five years, (€100 million each year), is required to meet growing need. This would enable some 12 to 15 community nursing facilities with about 50 beds each to be replaced or refurbished each year. In addition to supporting the needs of older people, this proposal would also stimulate economic activity and increase employment in many local communities during the construction periods.

Social Justice Ireland also believes that on the revenue side funding in excess of €100m is required at a minimum to bring core community services for HCPs, Home Help, and residential care supports through the Fair Deal scheme to more sustainable levels. This funding will assist in stabilising the current system and allow for a progressive development towards an integrated model of service over a period of years based on an appropriate allocation for demographic growth each year.

Pension Reform

Among policymakers it seems that the support for an increased role by the private pensions industry in providing retirement income coverage and adequacy grows stronger with practically every government report or consultation on the subject, without any increasing strength in the supporting arguments. The Government's Roadmap for Pension Reform, published in March of last year, is the latest such publication of this kind.

There is no empirical evidence to suggest that private pension providers are better at delivering pensions than public ones, but plenty of evidence to suggest they do a far poorer job, and that the manner in which they provide pensions is poor value for taxpayer money. The costs and distribution of the tax expenditure on pensions are both expensive and problematic from a point of view of distribution. Social Justice Ireland does not oppose the idea of encouraging people to save for their retirement privately. But it is clear that the benefits of this encouragement are going to the people who need it least, and there is no justification for the tax relief granted by the state to subsidise a pension in excess of what would be required for a person to live a decent standard of living.

Automatic Enrolment, seemingly Government's preferred method for providing "universal coverage" to the system will, in any format and by any measure, greatly increase the (already significant) cost to the Exchequer of a private system that is failing to achieve its goals. The private pension industry already receives a subsidy that (across all different reliefs and exemptions availed of) costs the Irish taxpayer billions of euros every year. Automatic Enrolment will increase this bill by several hundred million euros more.

Yet pension coverage rates are low, and adequacy of income retirement from private pensions is generally poor.

It should be clear that the only way to ensure that anomalies in coverage in the Irish pension system are closed, and ensure that each retired person has sufficient income to live life with dignity, is by implementing a universal pension based on residency and setting that pensions at a level that allows a minimum decent standard of living. *Social Justice Ireland* has published research showing how such a proposal could be paid for. This would ensure that the contribution that each person makes to Ireland's economic and social well-being, whether in employment, working in caring roles, engaged in further education or working in the community, is recognised with a benefit in retirement which allows them to retire without the risk of poverty.

Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity. Increase access to affordable and quality childcare.

Active Integration Supports

The most recent report from the Expert Group on Future Skills Needs (2018) examines the potential impacts of digitalisation on the workforce in Ireland. The findings indicate significant disruption on job roles and tasks with increased career changes, constant reskilling, and workforce transitions to become a feature for employees. One in three jobs in Ireland has a high risk of being disrupted by digital technologies, although the report points out that this is more likely to mean changes to job roles and tasks rather than job losses. The sectors most at risk are retail, transport, hospitality, agriculture and manufacturing.

The most significant finding is that the jobs at highest risk are elementary, low-skilled occupations and the impact is most likely to be felt by people with lower levels of educational attainment. It is clear that Further Education and Training and Lifelong Learning will play an integral role in the lives of people in the labour force to prepare people for the impact of digitalisation and to enable them to take full advantages of potential opportunities.

Lifelong learning has an important contribution to make to people's wellbeing, to creating a more inclusive society and to supporting a vibrant and sustainable economy. Lifelong learning and community education also bring major social and health benefits to participants outside the labour force and this non-vocational element must also be resourced. Ireland's lifelong learning participation rate is slowly improving, rising to just under 9 per cent in 2017. However, we are still well below our target of 15 per cent by 2025 as set out in the National Skills Strategy.

Access to lifelong learning should be an integral part of the education system in order to address the income and labour market challenges that some members of society face. It also must be accessible and flexible to address the challenges of unmet demand and being difficult to access which were identified in the Adult Skills Survey.

Various agencies (European Commission, Expert Group on Future Skills Needs) identify generic skills and key competences as a core element of the lifelong learning framework. These include basic skills such as literacy, numeracy, digital competence, language skills, people-related and conceptual skills, critical thinking, problem solving, creativity, risk assessment and decision making. The Action Plan for Education 2018 contains a commitment to rolling out Springboard+ 2018 offering courses to all those in employment for the first time and developing new traineeships and apprenticeships. These actions are to be welcomed, but need to be developed and extended to all employees who wish to partake in further education.

Social Justice Ireland welcomed the Department of Education commitment to doubling the number of apprenticeships registered to 9,000 by 2020, with 26 new national apprenticeships approved for further development across a range of sectors including healthcare assistants. In order to meet this target Government must implement the five action areas identified in the review of apprenticeship participation. Particular focus must be given to increasing diversity of participation and developing and promoting new pathways to apprenticeships.

Social Justice Ireland also welcomed the development of an 'Upskilling Pathways Plan – New Opportunities for Adults' included in the Action Plan for Education 2018 aimed at helping adults attain a basic level of literacy, numeracy and digital skills, and calls on Government to provide ambitious targets incorporating all recommendations made by the Council of the European Union in their Recommendation of the 19th December 2016 .

Basic literacy skills are required for higher-order skills and 'learning to learn' skills, which are necessary for participating and engaging in the economy. Accurate reporting is critical to determining future education policy. *Social Justice Ireland* calls for continued assessment of literacy and numeracy rates in throughout the education system in order to inform the Government's plans for reform.

The lifelong opportunities of those who are educationally disadvantaged are in sharp contrast to the opportunities for meaningful participation of those who have completed a second or third-level education. If the Constitutionally-enshrined right to education is to be meaningful, there needs to be recognition of the barriers to learning that some children of school-going age experience, particularly in disadvantaged areas, which result in premature exit from education. In this context, second chance education and continuing education are vitally important and require on-going support and resourcing.

The Human Capital Initiative launched in Budget 2019 is welcome development in lifelong learning and skills development. This initiative must be linked with Further Education, Lifelong Learning and Adult Education and Literacy priorities and strategies.

An education and training strategy focussed on preparing people for the impact of digitalisation and the transitions within the workforce that this transformation will mean should be developed. This strategy must be flexible enough to adapt to regional needs, fully funded and linked to the National Skills Strategy, the Human Capital Initiative and Ireland 2040. People with low skill levels in particular must be a focus of this strategy.

Although the funding available for education increased in Budgets 2016, 2017, 2018 and 2019, the deficits that exist within the system, particularly as a result of the recent austerity budgeting, require significant additional resources. This requires the development of a long-term education policy strategy across the whole educational spectrum to ensure that education and continuous upskilling and development of the workforce is prioritised if Ireland is to remain competitive in an increasingly global marketplace and ensure the availability of sustainable employment.

Affordable Childcare

Affordable childcare and child-friendly employment arrangements are key requirements for greater labour participation among young mothers. High childcare costs present a barrier to employment, particularly among young women with children. In Ireland, the average cost of child care is 35 per cent of a family's income. As a percentage of wages, net childcare costs in Ireland are the highest in the EU. According to the OECD, childcare accounts for 42 per cent of the net income of lone parents. Research by the Vincentian Partnership for Social Justice (2015) shows that the minimum income cost required to afford formal childcare and all the essential elements of a socially acceptable minimum standard of living, is up to 150 per cent of the National Minimum Wage for two parent households, and up to 260 per cent of the National Minimum Wage for one parent families .

Research conducted by the Nevin Economic Research Institute found that affordability of childcare is much more of an issue in Dublin and surrounds, and Cork, than the rest of the country, with the subsidy accounting for just 9 per cent of the cost in the most expensive area . While the cost of childcare may have grown nationally by 4.3 per cent between 2015/2016 and 2016/2017, this hides the geographical disparity where, for example, in Leitrim the average cost of childcare, including the subsidy is €530, or one-third of a full-time minimum wage worker's take-home pay, this increases to 49 per cent of take-home pay in Dublin City Centre. Rates for part-time childcare have dropped in many counties, increasing the disparity, with Carlow cited as seeing a decrease of 30 per cent to €230 and Dun Laoghaire-Rathdown experiencing an 8 per cent increase to €558. This accounts for a cost of between 15 and 31 per cent of the take-home pay of a full-time minimum wage worker.

In addition, there are increasing demands on childcare workers to improve their skills and qualifications, leading to a realistic expectation of better pay. *Social Justice Ireland* believes that childcare staff should earn a decent wage and that Government should cover any such increases in pay, however care must be taken to ensure that any such subsidy aimed at improving conditions of childcare staff are not used to increase costs to parents.

In November 2018, the Department of Children and Youth Affairs published the first Early Years Strategy. First 5, A Whole of Government Strategy for Babies, Young Children and their Families 2019-2028 states that 96 per cent of children aged 0-5 years participate in some form of early learning and care provision before starting school. It recognises the importance of family care in the first twelve months of a child's life and outlines the objective to allow a mother or father access to paid parental leave during this time, with a further action point of encouraging greater work-life balance practices in employment, as outlined in the EU Directive on Work-Life Balance. A further objective, set out under Goal C – Positive play-based early learning, is to increase safe, high-quality, developmentally appropriate, integrated childcare, which reflects diversity of need, which will be met through making childcare more affordable, extend the provision of subsidised childcare and the integration of additional supports for children with increased needs.

Social Justice Ireland welcomed the publication of the Early Years Strategy, with its child-centred focus and inter-Departmental governance and implementation plan. The successful implementation of this ambitious Strategy will be determined in large part by the resources allocated to fund it. *Social Justice Ireland* has previously proposed that Government develop a multiannual investment strategy of €150m per annum in early childhood education and care and after-school care up to 2021. This level of investment is crucial to ensuring that all children have access to quality childcare and after-school care which supports their development and facilitates parents to participate in the labour market.

Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities. Implement measures, including those in the Future Jobs strategy, to diversify the economy and improve the productivity of Irish firms – small and medium enterprises in particular - by using more direct funding instruments to stimulate research and innovation and by reducing regulatory barriers to entrepreneurship.

Low Carbon and Energy Transition and the Reduction of Greenhouse Gas Emissions

Ireland's greenhouse gas emissions are nearly 3 million tonnes over the pathway required to meet our 2020 targets and we are on track to overshoot these targets significantly, according to the EPA. In fact, we are completely off course in terms of achieving our 2030 emissions reduction targets as well. This has very serious implications for our environment, our society and our economy.

The latest report on our greenhouse gas emissions shows that they decreased very slightly in 2017 due to 'circumstantial' issues, but emissions from agriculture increased by almost 3 per cent. This increase is primarily due to the expansion of the dairy herd and increase in milk production. Emissions from agriculture have increased annually since 2012 as a result of the Foodwise 2025 agriculture policy and the removal of milk quotas in 2015. This increase is entirely at odds with environmental policy since 2012, the Climate Change Framework, the Climate Action and Low Carbon Development Act, and our national and international commitments. Such policy incoherence at national level is unacceptable, particularly when agriculture accounts for one third of Ireland's total greenhouse gas emissions.

The EPA points out that Ireland's greenhouse gas emissions continue to increase in line with economic and employment growth in the energy industries, agriculture and transport sectors and that Ireland is headed in the wrong direction to meet our national climate policy goal to reduce CO2 emissions by 80 per cent by 2050. In 2016, the EPA recommended that Government implement measures to decarbonise the transport and energy sectors and ensure policy coherence between agricultural output targets and environmental ones. Government has clearly not taken heed of these recommendations.

While the environmental implications of not meeting our emissions targets are obvious, there are also significant economic implications as a result of not meeting our EU 2020 targets. As outlined earlier Ireland is projected to miss the 2020 targets by a large margin. This means that Ireland will have to make 'statistical transfers' at an estimated cost of between €65 million and €130 million per percentage point below the overall 16 per cent target. A bulletin published in March 2016 assessing Ireland's progress towards achieving emission reduction targets set under EU Effort Sharing Decision No 406/2009/EU for 2013-2020 suggests that Ireland's non-ETS emissions are projected to be 11 per cent below 2005 levels in 2020. The target is 20 per cent.

Ireland must make firm commitments to reduce total emissions outputs from agriculture, transport and energy. These commitments must be underpinned by ambitious and substantive policies which must be implemented fully. These policies will require sufficient resourcing and an all-of-Government approach to ensure that we meet our domestic and international environmental targets. In a paper presented at *Social Justice Ireland's* 2018 Annual Policy Conference, Dr. Cara Augustenborg pointed out that one 'advantage' of Ireland's poor climate performance is the myriad of ways to reduce greenhouse gas emissions when starting from such a low base. Dr. Augustenborg also noted that in order to lead in climate smart agriculture Ireland needs to reduce absolute emission from agriculture. This will require a step change in agricultural policy, and an end to incoherence of pursuing strategies that lead to an annual increase in agricultural emissions whilst simultaneously setting emissions reductions targets. Ireland should focus on developing alternative agricultural models and move away from extensive livestock farming.

Support for sustainable agricultural practice is important to ensure the long-term viability of the sector and consideration must also be given to how the projected increase in agricultural emissions can be offset. It is important that the agriculture sector be at the forefront of developing and implementing sustainable farming practices and be innovative in reducing emissions. In terms of our national and international climate commitments it must be asked what agricultural policy will be best-placed to ensure Ireland meets its national and international targets: Is it a policy of agricultural expansion and increased emissions to reach additional markets or is it a policy of ensuring Ireland produces the food required to meet our population needs and supports the agricultural sector in the developing world to ensure they can provide the food required to meet their own population needs? Progress towards changing farm practices has been limited and incentives to reduce on-farm greenhouse emissions have not been delivered on a wide scale. The agriculture and food sector must build on its scientific and technical knowledge base to meet the emissions challenge.

Reducing emissions requires the implementation policy decisions being made in the interest of a sustainable future rather than short-term sectoral interests. While this implementation may be difficult in the initial stages, it will lead to reduced emissions and benefits for all. This is where our Government and all members of the Oireachtas must show leadership and act in the national interest. Ireland has a window of opportunity to implement ambitious emission reduction policies that will ensure a sustainable future for us all. This requires immediate policy action.

Investment in Infrastructure

The expansion and contraction of capital spending on housing by central government demonstrates just how volatile this basic necessity for low-income families is, and how responsive to economic shocks. Capital expenditure on social housing increased steadily from 1994 to 2000, before declining sharply. A further period of increase between 2004 and 2008 was followed by another, more severe decline in the years 2009 to 2015. Since then, gross capital expenditure allocation has increased again, however the volatile nature of this expenditure pattern calls into question the sustainability of any long-term capital projects.

The role of local authorities in building long-term social housing was diminishing even before the crash in 2008, however, as Government looked to Approved Housing Bodies, seen until recently as 'off-balance sheet' providers of social housing. While capital spending increased in the years to 2008, neither this, nor the subsequent increase since 2015, is reflected in the proportion of Social Housing Output attributed to local authority 'builds', which currently stands at just over 4 per cent.

Construction of social housing was overtaken by the introduction of the Housing Assistance Payment (HAP), a subsidy for landlords in the private rented sector paid by Local Authorities in respect of households that qualify for social housing. The decline in local authority construction, discretionary nature of HAP tenancies, increase in the cost of private rents and the promotion by Government of policies which seek to rely on the private rented sector for the provision of social housing places low-income households in precarious living situations. This is not a long-term solution, but a short-term fix that will have repercussions for generations.

Increase Construction of Social Housing

Reliance on the private rented sector, a sector entirely based on investments for return, to provide long-term accommodation for low income families is a clear policy failure. The introduction of HAP saw Government provide a subsidy for landlords which guaranteed them an income in leaner times while delivering no reciprocal protections for tenants in times of rent inflation. The difficulties accessing these tenancies, and their precariousness, means that low income families live in constant threat of eviction and homelessness. Government needs now to invest in capital projects to provide social housing and associated infrastructure. The change in classification of Tier 3 Approved Housing Bodies (AHBs), to inside the general government sector, means that local authorities and AHBs could pool their full property portfolios for the purpose of accessing low cost credit. This may initially see The European Investment Bank has committed to funding social housing projects in Ireland, with two cost rental projects already in the pipeline in Dublin and Cork in partnership with private companies. A pool of approximately 180,000 rented properties between local authorities and AHBs would likely attract lower lending rates, so that differential rents, which traditionally do not cover costs associated with the provision of housing, could service more of the loan.

The ring-fencing by local authorities of rents received, any sale proceeds from tenant-purchase schemes should also be considered. Rather than forming part of the general local authority budget, money received should be dedicated to the maintenance and development of local authority housing. In their report last year, Norris and Hayden (2018) recommended that local authorities freeze any tenant purchase schemes to maintain local authority housing stock and redesign the schemes so that former tenants can only sell their home back to the local authority. In the context of a national emergency, these are all areas which should be explored and implemented.

Introduce an Affordable Rental Model at scale

While the rate of rent inflation in Dublin is slowing, it is still accelerating across the rest of the country and remains in double-digits. In Budget 2019, the Government prioritised private landlords over the protection of tenants by reintroducing full tax relief on property-related loans. This was packaged as a support to landlords, particularly accidental landlords, struggling to make ends meet on their rental property. In reality, this move will disproportionately benefit institutional landlords new to the market. Accidental landlords are likely to be making interest and capital payments on their mortgage, which if taken out pre-2008 will have a significant capital element. Institutional landlords capable of accessing long-term interest only loans will therefore benefit to a far greater extent from an interest relief of 100 per cent. This relief will make it more attractive for existing landlords to evict tenants for the purpose of carrying out renovations which, if financed on an interest-only basis, could be recouped through the tax system. These landlords would then be able to put these properties back on the market at higher rents. Even where these properties are in Rent Pressure Zones, the lack of enforcement of these regulations means that tenants are paying above the 4 per cent increase envisaged.

Rent affordability is not only a problem for tenants, but groups such as the American Chamber of Commerce and IBEC have also expressed concern about the effect of the rental crisis on Ireland's competitiveness. A report published by Mercer in June 2018 found that Dublin had the most expensive cost of living in the eurozone. This is clearly unsustainable from a social and economic perspective. In June 2018, Social Justice Ireland made a submission to the Department of Housing, Planning and Local Government with an off-balance sheet model of cost rental as an affordable rental system. This model would see investment by both Government and private finance (the European Investment Bank funding could be part-utilised here), where Government would have a non-controlling stake in the delivery of affordable rented properties, the costs of which are fully recouped through the rent. Any subsidies available to other developers and tenants would apply here, so that tenants could avail of HAP or Rent Supplement, however as the nature of cost rent is to decrease over time with amortisation, this would present a significant saving to the State, which is currently at the mercy of a dysfunctional market.

Public Transport

According to the National Travel Survey 2016, 74.3 per cent of all journeys taken in 2016 were by private car (as driver or passenger), whereas public transport accounted for just 5.5 per cent of all journeys. Those in densely populated areas were less likely to use a car than those in thinly populated areas, with private cars accounting for 65 per cent of all journeys in urbanised areas, compared to 75.9 per cent in thinly populated areas and public transport was used over three times as much in densely populated areas. This may be explained by the greater availability of public transport in more densely populated areas, while thinly populated areas are reliant on private car use. This report also showed that the proportion of potential travellers who did not travel due to lack of access to transport doubled in the period 2014 to 2016, from 1.8 per cent to 3.6 per cent.

The Transport Omnibus 2017 showed an overall increase in passengers on public transport between 2010 and 2017, from 198.5 million to 217.6 million. However, while passenger numbers increased in Dublin city and Provincial city and town services, numbers on 'other scheduled services' and school transport schemes have declined.

Traffic congestion due to our reliance on private cars contributes to our carbon footprint, adds to our commute times and reduces our quality of life. According to the Irish Government Economic and Evaluation Service, commute times increased between 2011 and 2016 with commuters in the counties bordering Dublin experiencing the longest average commute. Trips inside Dublin tend to be shorter than those outside, but take longer. In Dublin 21 per cent of commuters use public transport, compared to just 2 per cent in rural areas. Walking to work has also declined from a high of 15.2 per cent in 1986 to 3 per cent in 2016. A profile of the emissions share by transport sector showed road transport attributed 76 per cent of all transport emissions in 2015, higher than the EU average of 73 per cent. Government expenditure on public transport as a percentage of total land transport expenditure has fluctuated since 2002, reaching a low of 30 per cent in 2006. In 2018, the proportion attributed to public transport was 44 per cent in 2018, a reduction of 1 percentage point on 2017. Just 0.3 per cent was allocated for sustainable transport.

The lack of reliable public transport in rural areas means that rural households are more reliant on their car to access basic services and community to and from work and school. This reliance is contributing to our carbon footprint, with Transport being one of three main contributing industries. In order to combat the effects of climate change, Government will need to introduce a carbon tax. In terms of transport, this will disproportionately affect rural households and must be mitigated through the development of a transition plan, which should include an ambitious target for sustainable transport and the use of biofuels.

More must be done to promote the use of public transport. Infrastructure must be in place to support thinly populated areas to grow and thrive, while those living in Dublin and surrounds, with access to an extensive public transport network, should be encouraged and incentivised to use it.

Tying investment in infrastructure with the need to protect our planet, one of the most cost-effective measures to promote sustainable development is to increase building energy efficiency. Increasing building energy efficiency (through retrofitting, for example), along with reducing food waste are two of the most effective means to increase sustainability and meet international environmental targets. The Sustainable Energy Authority of Ireland (SEAI) are currently supporting a deep retrofitting pilot, at an anticipated spend of €21.2 million to 2019. The SEAI estimate that €35 billion would be needed over the coming 35 years to make Ireland's existing housing stock low carbon by 2050.

Social Justice Ireland welcomes the progress made in increasing energy efficiency in modern construction. The SEAI pilot should be closely monitored and if it is successful, Government should reduce the timeframe for the deep retrofit of the entire existing housing stock from 35 years to a more ambitious 10 year timeframe.

Job Creation and Sustainability

There has been rapid growth in the number and rates of long-term unemployment in Ireland. The number of long-term unemployed was 33,300 in 2007 and has increased since, exceeding 200,000 in 2012 before falling again to just over 50,000 in 2018. For the first time on record, in late 2010 the Labour Force Survey (LFS) data indicated that long-term unemployment accounted for more than 50 per cent of the unemployed. It took from then until late 2017 for this number to consistently drop below that threshold, reaching 34.9 per cent of the unemployed in the third quarter of 2018. The transition to these high levels was rapid. The experience of the 1980s showed the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates. It remains a policy challenge that Ireland's level of long-term unemployment remains high and that it is a policy area which receives limited attention.

Addressing a crisis such as this is a major challenge however, it is clear that reskilling many of the unemployed, in particular those with low education levels, will be a key component of the response. Using data for the third quarter of 2018, 48 per cent of the unemployed had no more than second level education with 21 per cent not having completed more than lower secondary (equivalent to the junior certificate). As employment recovers and as unemployment continues to decline, Social Justice Ireland believes that major emphasis should be placed on those who are trapped in long term unemployment – particularly those with the lowest education levels.

Previous experiences, in Ireland and elsewhere, have shown that many of those under 25 and many of those over 55 find it challenging to return to employment after a period of unemployment. This highlights the danger of the aforementioned increases in long-term unemployment and suggests a major commitment to retraining and re-skilling will be required.

While the increase in unemployment over the last 12 years was spread across all ages and sectors there was a very rapid increase in the numbers unemployed under 25 years-of-age. The numbers in this group more than doubled between 2007 and 2009, peaking at almost 105,000 in Quarter 2 2009. Since then decreases have occurred, reaching 45,900 in 2018.

As youth unemployment represents almost one-third of the total population that are unemployed, there is merit in giving it particular attention. Experiences of unemployment, and in particular long-term unemployment, alongside an inability to access any work, training or education, tends to leave a 'scarring effect' on young people. It increases the challenges associated with getting them active in the labour market at any stage in the future.

In the short-term it makes sense for Government to invest in the 'youth unemployed' and *Social Justice Ireland* considers this to be a central priority. At a European level, this issue has been receiving welcome attention over the past few years, driven by high levels of youth unemployment in other crisis countries.

The live register data offers a useful insight into the skills and experience of those signing on. Table 2 presents a breakdown of the December 2018 live register number by people's last occupation, and also examines the differences between those over and under 25 years. The figures highlight the need for targeted reskilling of people who hold skills in sectors of the economy that are unlikely to return to the employment levels of the early part of the last decade. As such they frame challenges for upskilling and retraining of many unemployed and underemployed individuals.

Table 2: Persons on Live Register by Last Occupation – December 2018

Occupational group	Overall	Under 25 yrs	Over 25 yrs
Managers and administrators	10,339	189	10,150
Professional	12,399	496	11,903
Associate prof. and technical	6,848	426	6,422
Clerical and secretarial	22,405	1,026	21,379
Craft and related	33,712	2,660	31,052
Personal and protective service	27,060	2,651	24,409
Sales	19,470	2,992	16,478
Plant and machine operatives	30,931	3,094	27,837
Other occupation	24,461	3,212	21,249
No occupation	12,044	3,175	8,869
Total	**199,669**	**19,921**	**179,748**

Source: CSO Live Register on-line database.

The figures in Table 2 also point towards the growth of various forms of precarious employment over recent years. The number of people employed is higher now than it ever has been. Because of the population increase, however, since 2007 employment has fallen by just under 1 per cent; but this figure masks a bigger decline in full-time employment (1.2 per cent) and a growth in part-time employment (+10.4 per cent). Within those part-time employed it is worth focusing on those who are underemployed, that is working part-time but at less hours than they are willing to work. By the third quarter of 2018 the numbers underemployed stood at 111,500 people, 4.6 per cent of the total labour force and about one-quarter of all part-time employees.

Increasing labour force participation, in particular among women, represents a further policy challenge for labour market policy. The proportion of individuals who are actively participating in the labour market has declined since 2007 despite the overall growth in employment.

Policy responses to this challenge need to be broad-based, and include initiatives addressing childcare provision and affordability, retraining, family-friendly employment strategies and enhanced employment quality. It is important that we remember these participation rates, and the challenges they imply, as we review the aforementioned recovery in employment and decreases in unemployment.

Social Justice Ireland believes that in the period ahead Government and policymakers generally should:

- Expand funded programmes supporting the community to meet the growing pressures throughout our society.

- Establish a new programme targeting those who are very long-term unemployed (i.e. 5+ years).
- Ensure that at all times policy seeks to ensure that new jobs have reasonable pay rates, and adequate resource are provided for the labour inspectorate.
- Develop employment-friendly income tax policies which ensure that no unemployment traps exist. Policies should also ease the transition from unemployment to employment;
- Adopt policies to address the obstacles facing women when they return to the labour force. These should focus on care initiatives, employment flexibility and the provision of information and training.
- Reduce the impediments faced by people with a disability in achieving employment. In particular, address the current situation in which many face losing their benefits, including the medical card, when they take up employment.

Conclusion

In conclusion, our response to the latest Country Specific Recommendations are broadly:

CSR 1

We welcome continued focus on broadening the tax base, an issue that *Social Justice Ireland* has consistently raised with the Commission and with Government and an issue we will continue to raise. We would argue that windfall gains should be used on once off infrastructure expenditure to address some of the many deficits Ireland has, particularly in the area of social and affordable housing, retrofitting to address energy poverty, digital infrastructure and water infrastructure. We welcome the focus on addressing aggressive tax planning and we have consistently argued for a European wide minimum effective corporate tax rate and the elimination of loopholes that facilitate aggressive tax planning.

In terms of health expenditure we advocate the move to primary care and community based care, an increase in the provision of home care and a move towards a statutory right to home care, and the full implementation of the Sláintecare Plan. This will involve an upfront cost to the State, but in the long-run lead to reduced expenditure on health as it will move to a preventative health system, and enable people to be treated in their communities, and easing pressure on the acute hospital setting.

The implementation of a Universal Pension for every person aged 66 and over in Ireland. We have published a research paper outlining how this can be funded and projected the costs using CSO demographic projections. This is the most appropriate form of pension reform for Ireland.

CSR 2

We welcome the focus on the active inclusion approach, and personalised integration and access to services and supports that people need to upskill. It is vital that this meets the needs of those who are most distant from the labour market and that they are supported in terms of training, access to quality employment opportunities and with appropriate income supports. These supports must be flexible to meet the needs of vulnerable groups, people with disabilities, ethnic minorities and people living in low work intensity households.

Access to care will be a key component in this regard. Increased access to quality and affordable childcare remains an issue in Ireland. Government must invest in this area and consider public provision as the current private providers are at their limit in terms of provision and providing sufficient places to meet demand.

CSR 3

We welcome the focus on investment in low carbon and energy transition, and investment in infrastructure, particularly for those who are most disadvantaged. *Social Justice Ireland* believes that windfall gains should be used to facilitate the one-off infrastructure required to facilitate a move to a low carbon economy and meeting our 2030 targets.

It is important that SMEs are supported in terms of research and innovation, with a particular focus on ensuring sustained employment across the regions, with a focus on the creation of sustainable jobs that take account of skills transference and meet the challenge of ensuring a Just Transition to a low carbon economy and society.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of that advances the lives of people and communities through providing independent social analysis and effective policy development to create a sustainable future for every member of society and for societies as a whole.

SOCIAL JUSTICE IRELAND

working to build a just society

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