Social Justice Ireland
Working to build a just society

Budget 2010

Proposals from *Social Justice Ireland*

Context for Budget 2010

Ireland is currently facing a series of inter-related crises i.e.: banking (property bubble collapse and little lending to small and medium-sized businesses); fiscal; economic (competitiveness and job losses); social (income loss, services being cut back as demand rises); reputational.

Framing a Response

As Ireland faces this range of interrelated crises it is important to realise that:

- Ireland is not a poor country;
- Ireland's total tax-take is one of the lowest in the developed world and continues to fall *as a percentage of GDP*;
- 15.8% of people are at risk of poverty with incomes below €12,000 for a single person or €28,000 for a family of four;
- 31% 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.
- It is both essential and possible to protect the vulnerable in the choices Government makes;
- An integrated approach to tackling the country's current problems is essential if they are to be addressed successfully.

Taking an Integrated Approach

An integrated approach requires Government to

1. Increase the over-all tax take while keeping Ireland a low-tax country and without raising income tax rates;
2. Secure better value for money in the delivery of our public services;
3. Reform the public sector;
4. Target expenditure cuts where required but ensure that vulnerable people are protected. A good starting point would be the elimination of waste identified in the Comptroller and Auditor General's recent report;
5. Focus expenditure on the common good to provide required infrastructure and public services.

Prioritising the Vulnerable

In practice giving priority to the vulnerable would mean:

- No cuts in social welfare rates;
- No cut in the minimum wage;
- Compensating those on lowest incomes for any increases in living costs associated with initiatives such as the introduction of a carbon tax;
- Giving priority in education to funding primary education;
- Giving priority in health to primary care teams;
- Giving priority in housing to social housing programmes;
- Giving priority to the unemployed, especially the long-term unemployed.
- Increasing the tax-take fairly.

In its *Policy Briefing* on 'Budget Choices' published earlier this month *Social Justice Ireland* elaborated on all of these proposals. This publication can be accessed on the *Social Justice Ireland* website at: http://www.socialjustice.ie/

Ireland is at a critical moment in its development and Government decisions in Budget 2010 will have a huge impact on the future. It is essential that the vulnerable are protected and that the economy is protected.

The Broader Context: Where does Ireland stand compared to other EU countries?

Table 1 contains a great deal of the most up-to-date comparative information.

Table 1:	**EU-27 Rankings (highest to lowest) on Three National Policy Indicators**	
Taxation as a % of GDP	**Total Government Expenditure as a % of GDP**	**Total Social Protection Expenditure as a % of GDP**
Denmark	Sweden	France
Sweden	France	Sweden
Belgium	Denmark	Belgium
France	Hungary	Netherlands
Finland	Austria	Denmark
Italy	Belgium	Germany
Austria	Italy	Austria
Netherlands	Finland	Italy
Germany	Portugal	United Kingdom
Slovenia	Netherlands	Finland
United Kingdom	Germany	Portugal
Hungary	Greece	Greece
EU-27 AVERAGE	United Kingdom	**EU-27 AVERAGE**
Cyprus	**EU-27 AVERAGE**	Slovenia
Spain	Cyprus	Hungary
Czech Rep	Czech Republic	Spain
Portugal	Malta	Luxembourg
Luxembourg	Slovenia	Poland
Bulgaria	Poland	Czech Republic

Malta	Bulgaria	Cyprus
Poland	Spain	**IRELAND**
IRELAND	Luxembourg	Malta
Greece	Romania	Slovakia
Estonia	Latvia	Bulgaria
Latvia	**IRELAND**	Romania
Lithuania	Estonia	Lithuania
Slovakia	Lithuania	Estonia
Romania	Slovakia	Latvia
Source:	Eurostat - online database (2009)	
Note:	A more extensive assessment of each of these indicators is available from *Social Justice Ireland*.	

- Table 1 shows that Ireland is in a group of countries that includes Romania, Slovakia, Latvia, Lithuania and Estonia. These countries take a low proportion of national income in tax, have low total-Government expenditure and have low social expenditure.
- Is this where Government believes Ireland should situate itself? Are these the countries against which Government has decided to benchmark Ireland?
- If, as several members of Government have insisted in recent weeks, there is no scope for increasing taxation (other than small developments on carbon tax) then the answers to the questions above are 'yes'.
- It is not possible to develop a country with EU-average levels of social services (e.g. health, education, social welfare) and infrastructure (e.g. social housing, public transport) while having a total tax-take that is far below the EU-average.
- If we are going to have Romanian levels of taxation then we have to be prepared to accept Romanian levels of social services and infrastructure as well as Romanian levels of salaries. (Romania is simply used as an example here; the question could just as well be asked with other countries listed above.)
- *Social Justice Ireland* believes that Irish people do not want to settle for these low levels of services and infrastructure.

What should be Ireland's total tax-take level?

Table 2 shows the percentage of GDP each of the EU-27 countries takes in tax revenue

Table 2:	**Total tax revenue as a % of GDP, for EU-27 Countries**				
Country	**% of GDP**	**+/- from average**	**Country**	**% of GDP**	**+/- from average**
Denmark	49.1	+12.0	Spain	36.5	-0.6
Sweden	48.9	+11.8	Czech Rep	36.2	-0.9
Belgium	44.6	+7.5	Portugal	35.9	-1.2
France	44.2	+7.1	Luxembourg	35.6	-1.5
Finland	43.5	+6.4	Bulgaria	34.4	-2.7
Italy	42.3	+5.2	Malta	33.8	-3.3
Austria	41.8	+4.7	Poland	33.8	-3.3
Netherlands	39.5	+2.4	**Ireland GDP**	**32.6**	**-4.5**

Germany	39.3	+2.2	Greece	31.4	-5.7
Slovenia	39.1	+2.0	Estonia	31.0	-6.1
Ireland GNP	**37.9**	**+0.8**	Latvia	30.1	-7.0
United Kingdom	37.4	+0.3	Lithuania	29.7	-7.4
Hungary	37.2	+0.1	Slovakia	29.3	-7.8
Cyprus	36.6	-0.5	Romania	28.6	-8.5
Source:	Eurostat (2008:233) and CSO National Income and Expenditure Accounts (2008:3)				
Notes:	All data is for 2006. EU average (unweighted) is 37.1 per cent.				

- Since these statistics became available Ireland's total tax take has fallen by four percentage points of GDP. While the total tax-take has fallen dramatically, it is not widely appreciated that it has also been falling as a percentage of GDP.
- Table 3, below, taken from the Report of the Commission on Taxation, shows a fall from 31.4% of GDP to 27.4% between 2007 and 2009. The out-turn for 2009 may well be even less than this as both GDP and the total tax-take are likely to be lower than the projection in Budget #2 of 2009.

Table 3:	**Ireland's total tax take, 2007-2009**		
	2007	**2008**	**2009**
National Taxes	€47.50b	€41.07b	€34.40b
Social Insurance	€9.43b	€9.75b	€9.78b
Local Government	€2.70b	€2.75b	€2.83b
Total Taxes	**€59.63b**	**€53.57b**	**€47.01b**
GDP	€189.75b	€181.81b	€171.50b
Tax % GDP	**31.41%**	**29.46%**	**27.41%**
Source: Eurostat (2009), Commission on Taxation (2009), Department of Finance Budget 2009 # 2 (2009) and CSO National Accounts (2009)			

- The figures for 2009 represent the lowest tax take for Ireland since Eurostat commenced compiling this data. Ireland's total tax-take as a percentage of national income is now one of the lowest in the developed world.
- Eurostat defines a country as being low-tax if its total tax-take is below 35% of GDP. Ireland is a very long way from there.
- If Ireland had a tax-take of 34.9% of GDP in 2009 on the GDP listed in Table 3 then the tax-take would be €59.8b, a long way from the €47b projected above.
- While that cannot be attained in one or two years, it does illustrate how different the situation would be if Ireland, while maintaining its low-tax status, approached taxation along the lines of other developed countries in the EU.

- ***Social Justice Ireland* believes that**:
    1. It is nonsense to claim that Ireland cannot raise its total tax-take as a percentage of GDP.
    2. Ireland should remain a low-tax country and should have a fairer tax system.
    3. Ireland should raise its total tax-take towards 34.9% of GDP over a number of years.
    4. Budget 2010 should begin this process in a fair, viable and equitable manner which would mean doing it without targeting those on low incomes.
    5. If this approach were used then it would provide the resources required by Government to finance the services and infrastructure Ireland requires.
    6. This would not remove the need to get value for public spending and to reform the public service. However, it would mean that it could be done in a sensible and systematic manner over a number of years.

Table 4 shows the total Government expenditure for each of the EU-27 countries for 2007, the most recent year for which data are available. Table 5 shows each of the EU-27 countries total expenditure on social protection. In both tables Ireland is in a group of countries with the lowest level of expenditure. These countries mirror those with a low total tax-take. The links between tax-take, total expenditure and social protection expenditure are obvious. The *Social Justice Ireland* proposals made above would produce a far better situation for Ireland on a wide range of fronts.

Table 4:	**Total Government Expenditure as a % of GDP, for the EU-27 in 2007**			
Country	**% of GDP**		**Country**	**% of GDP**
Sweden	52.5		Cyprus	42.9
France	52.3		Czech Republic	42.6
Denmark	51.0		Malta	42.6
Hungary	49.7		Slovenia	42.4
Austria	48.7		Poland	42.1
Belgium	48.3		Bulgaria	41.5
Italy	47.9		Spain	38.8
Finland	47.3		Luxembourg	37.2
Portugal	45.8		Romania	36.6
Netherlands	45.3		Latvia	35.9
Germany	44.2		**IRELAND GDP**	**35.7**
Greece	44.0		Estonia	35.5
United Kingdom	44.0		Lithuania	34.9
IRELAND GNP	**43.5**		Slovakia	34.4
Source:	Eurostat (2007:165), Eurostat online database (2009) and CSO (2009:3)			
Notes:	EU-27 arithmetic average of 43.1% of GDP.			

Table 5:	National Social Protection Expenditure as a % of GDP, for the EU-27 in 2006			
Country	**% of GDP**		**Country**	**% of GDP**
France	31.1		**IRELAND GNP**	**21.2**
Sweden	30.7		Spain	20.9
Belgium	30.1		Luxembourg	20.4
Netherlands	29.3		Poland	19.2
Denmark	29.1		Czech Republic	18.7
Germany	28.7		Cyprus	18.4
Austria	28.5		**IRELAND GDP**	**18.2**
Italy	26.6		Malta	18.1
United Kingdom	26.4		Slovakia	15.9
Finland	26.2		Bulgaria	15.0
Portugal	25.4		Romania	14.0
Greece	24.2		Lithuania	13.2
Slovenia	22.8		Estonia	12.4
Hungary	22.3		Latvia	12.2
Source:	Eurostat online database (2009) and CSO (2009:3)			
Note:	EU-27 arithmetic average of 22.9% of GDP.			

What specific adjustments should Government make in Budget 2010?

- In the documentation accompanying its second Budget for 2009, published in April 2009, Government set out its proposed levels of adjustments for Budget 2010. Table 6 contains the details.

Table 6:	**Scale and composition of future Budgetary adjustments as identified in Budget 2009 #2 (April 2009)**			
	Budget 2010		**Budget 2011**	
	First Year	Full Year	First Year	Full Year
Additional Taxation	€1,750m	€2,500m	€1,500m	€2,100m
Current Expenditure	€1,500m	€1,500m	€1,500m	€1,500m
Capital Expenditure	€750m	€750m	€1,000m	€1,000m
Total Adjustments	**€4,000m**	**€4,750m**	**€4,000m**	**€4,600m**
Source:	Department of Finance Budget Documents 2009 #2, Macroeconomic and Fiscal Framework 2009-2013 (p12)			

- These commitments were made to convince the public, investors, international lenders, the European Commission and the European Central Bank, of Ireland's commitment to address over five years its fiscal problems and return the exchequer to compliance with the rules of the EU Stability and Growth Pact.
- The Government's commitments for Budget 2010 were to:
    - Raise taxation by €1,750 million
    - Reduce current expenditure by €1,500 million
    - Reduce capital expenditure by €750 million.

- Recent statements from Government ministers and many commentators have ignored these parameters and focused almost exclusively on cutting public services, social welfare and public sector pay.
- On the other hand some, including the Irish Congress of Trade Unions, have claimed that cutting €4b would wreck the economy.

What are the facts?

- The Budget deficit is going to be higher than Government forecast in April.
- The Department of Finance maintains that if the Budget deficit is to be maintained at the same level as the 2009 out-turn then adjustments (not cuts) of €4b will be required.
- Let's take a closer look at the Exchequer deficit. On October 2, 2009 the Department of Finance issued a press release[1] on the End-September 2009 Exchequer returns. This reported that *"At end-September 2009, the Exchequer deficit is €20,158 million, compared to €9,404 million at end-September last year. The year-on-year deterioration in the deficit of some €10.8 billion is primarily explained by a decline in tax receipts of €4.8 billion, the €4 billion payment to Anglo Irish Bank and €1.7 billion in respect of the frontloading of the annual contribution to the National Pensions Reserve Fund (NPRF).*
  Non-voted capital expenditure at end-September was €7,026 million. This compares to €1,270 million in the same period of last year. The year-on-year increase is due to the payment of €4 billion to Anglo Irish Bank in 2009 and the increase of €1.7 billion in the payment to the NPRF (a total of €3 billion has been paid to the NPRF in 2009 as part of the bank recapitalisation programme, at this stage last year some €1.3 billion had been transferred to the NPRF)."
- Some of the key points to note are:
    - The Exchequer deficit at the end of September was €20,158 million.
    - Of this €4,000 million was payment to Anglo Irish Bank.
    - €3,000 million was payment to the National Pension Reserve Fund.
    - When these two items are removed from the deficit the end-September deficit was €13,158 million. The fall in tax receipts accounts for a further €4,800 million of this total.

- These facts give rise to some very worrying conclusions including the following:
    - Government argues this deficit must be reduced dramatically and proposes, among other things, to reduce social welfare rates as a means of reducing this deficit. In practice this means that Ireland's poorest people are being forced to pay for the recklessness and corrupt activity of a number of extremely wealthy people and institutions. This is not acceptable.

[1] http://www.finance.gov.ie/viewdoc.asp?DocID=6007

- Government is borrowing €3,000 million this year to pay into the National Pension Reserve Fund, to fund mainly public sector pensions in the 2030s. This is being done at a time when there is a serious deficit. *Social Justice Ireland* has consistently argued that the NPRF payments should be suspended for a number of years until Ireland's finances are back in surplus. The required change in legislation could be done in a day.
- When put in the context of the additional costs of funding NAMA (i.e. up to €54,000 million in bond issues to be used as collateral by the commercial banks in exchange for capital from the European Central Bank) what we find is that Government is committing more than 30% of GDP (to fund NAMA) and diverting a further €4,000 million in a 'cash for trash' investment to support banks.
- At the same time Government is demanding that services be cut and that Ireland's poorest people have their meagre income reduced.

- These conclusions give rise to some very disturbing questions including:
    - Is it ethical to condemn this generation and the next generation to the consequences of a major bail-out of bankers, some developers and other decision-makers? *Social Justice Ireland* believes the answer to this question is no.
    - Is the current version of NAMA the best solution? *Social Justice Ireland* believes the answer to this question is no and has already published proposed revisions it believes should be made to the Government's proposals on this issue.
    - Will the deflation that will accompany a cut of €4,000 million in Government expenditure in a single year actually help the economy or the people? There is much evidence to suggest that the answer to this question is NO!

So, back to the question: what adjustments should government make in Budget 2010?

- ***Social Justice Ireland* believes that**:
    1. Contributions to the National Pension Reserve Fund should be suspended during the recession. This would provide an immediate saving of €3,000 million a year on the exchequer deficit. (In 2009 this contribution is €3,000 million which has been borrowed by the Exchequer.)
    2. There is need for a serious public debate on:
        a. What the real deficit that needs to be addressed is. In this context is the payment of €4,000 million to Anglo-Irish a one-off that will not require funding in 2010 and beyond?
        b. What percentage of GDP should be taken in tax (understood as above i.e. including social insurance and local taxation)?
    3. There is no justification for cutting €4b from expenditure in Budget 2010.
    4. There is no justification for forcing the country to complete its full fiscal adjustment within 4 years. Before the 2009 Budget #1 (October 2008) we maintained that a 7-year process was more likely to be both viable and acceptable.
    5. *If* adjustments of a further €4b are required to maintain the 2009 deficit level as a percentage of GDP then achieving that deficit should be the target.
    6. These adjustments should be made in a fair and equitable manner while protecting the vulnerable and protecting the economy.

Table 6 provides the Government's own commitment as stated in the Budget documents in April 2009. This would mean that the adjustments required in December's Budget would be:

- €1,750 million in additional taxation
- €1,500 million in reduced current expenditure
- €750 million in reduced capital expenditure.

The following pages outline our detailed proposals on how Government should achieve these adjustments.

On Taxation

Table 7 shows the changing nature of Ireland's tax-revenues in the period 2007-2009.

Table 7:	**The Changing Nature of Ireland's Tax Revenues, 2007-09**			
	Estimated Outturn 2007	**Estimated Outturn 2008**	**Budget 2009 #1 Projection***	**Budget 2009 #2 Projection***
	€m	**€m**	**€m**	**€m**
Customs	285	255	255	230
Excise Duties	5,815	5,581	5,739	4,634
Capital Gains Tax	3,145	1,710	1,700	625
Capital Acquisitions Tax	383	320	310	295
Stamp Duties	3,195	1,780	1,380	980
Income Tax and Levy**	13,605	13,200	14,035	12,475
Corporation Tax	6,349	6,000	5,950	3,740
Value Added Tax	14,545	13,525	13,410	11,420
Other Levies	3	1	1	1
Total Tax Receipts	**47,325**	**42,372**	**42,780**	**34,400**
Source:	Department of Finance, Budget Documents 2007-2009 #2			
Notes:	*Budget 2009 #1 was delivered in October 2008; Budget 2009#2 was delivered in April 2009.			
	** Income levy applied from 2009 onwards.			

- Tax breaks are correctly referred to as tax expenditures because they cost the Exchequer money. The first place to look for increases in the total tax-take and in making the tax system fairer is to address the current tax expenditures. The Report of the Commission on Taxation provides a very detailed analysis and critique of the 111 tax expenditures currently available in Ireland's tax system. [2] It also makes a recommendation on each of these e.g. retain, amend or remove.

- ***Social Justice Ireland*** **believes that**:
    1. All the recommendations of the Commission on Taxation on tax expenditures should be implemented with the exception of its proposal to tax child benefit. We provide some examples in Table 8.
    2. The ceiling should be removed from employees' PRSI.

[2] Commission on Taxation Report 2009, pp. 228-323.

3. A carbon tax should be introduced but care should be taken to provide the supports required to ensure people on low-income do not suffer as a result of the introduction of a carbon tax.
4. Excise duties on alcohol and tobacco should be increased because of factors such as health outcomes and public order issues.
5. A levy of 1% should be introduced on corporation profits. (Government has trumpeted the fact that the Commission on Taxation did not recommend an increase in the corporation tax rate. It fails to point out that one of the Commission's terms of reference required it to "guarantee that the 12.5% corporation tax rate will remain". Hardly an independent assessment!)
6. The capital gains tax rate should be raised to 40%.
7. The tax and welfare systems should be integrated. This cannot be done in 2010 but the detailed preparatory work and structural adjustments required should be put in place during the coming year.
8. A Site Value Tax should be introduced on non-agricultural land. Again, this cannot be done in 2010 but the preparatory structural, registration and related work should be completed within a year.

Table 8 outlines in more detail the tax adjustments *Social Justice Ireland* believes Government should make in Budget 2010.

Table 8:	**Tax adjustments (Government Target: €1,750m)**		
Area	Particular changes proposed	Annual yield €m	Total yield €
Tax Expenditures	Implement 110 recommendations on tax expenditures included in the Commission on Taxation Report (do not implement 1 recommendation i.e. on taxing child benefit). Below are some examples of recommendations that should be implemented.		
	Discontinue the tax exemption for patent royalties should	84	
	Discontinue the income tax relief for expenditure on heritage buildings and gardens	6	
	Discontinue the PRSI exemption for employee (unapproved) share options	18	
	Discontinue the artist's exemption (allow income averaging in the taxation for income from creative work).	66	
	Discontinue the income tax relief for		

	rent paid	48	
	Continue mortgage interest relief for first-time buyers only.	300	
	Other changes in tax expenditures	350	
	Total savings (i.e. increase in tax-take)	872	€872m
PRSI	Remove the ceiling from PRSI	150	
	Apply PRSI to employees' unearned income such as investment income and rental income	?	?
	Remuneration through share options should be subject to PRSI	29	
	Total yield from PRSI changes	179	€179m
Carbon Tax	Introduce a carbon tax	550	
	Provide the supports required to ensure people on low-income do not suffer as a result of the introduction of a carbon tax.	-200	
	Total net yield from carbon tax	350	€350m
Excise Duties	Taking account of factors such as health outcomes and public order issues, increase excise duties on alcohol and tobacco.	100	€100m
Integration of tax and welfare systems	Integrate these two systems to enable smooth transitions and greater integration of policy.	-1	-€1m
Site Value Tax	Do the preparation to introduce a Site Value Tax on non-agriculture land	-5	-€5m
Corporation Tax	Introduce a levy on corporation profits of 1%.	374	€374m
Capital Gains Tax	Raise the capital gains tax rate to 40%. While the gains for 2010 would be very small this is a key structural change if the tax system is to be fair in the future.	?	?
Mortgage interest relief	This should be available only for first-time buyers.	?	?
Total adjustments in Budget 2010			**€1,869m**

On Expenditure Adjustments

- **Social Justice Ireland believes that Government should:**

1. Reduce expenditure along the lines identified in Tables 9 (current) and 10 (capital)
2. Introduce a new job support programme to place 60,000 people who are currently in receipt of unemployment payments (and other related payments) in supported employment.
3. Provide funding for 200 Primary Care Teams.
4. Increase the allocation for adult literacy programmes by €10m
5. Increase the allocation to Overseas Development Assistance (Third World Aid) by €100m.

Table 9 provides more detail on the current expenditure adjustments Social Justice Ireland believes Government could make in Budget 2010 to reach its target of €1,500 million in cuts.

Table 9:	**Current Expenditure Adjustments (Government Target: €1,500m)**			
Department/Area	**Item**	**Saving €**	**+ Spending €**	**Total Saving €**
Agriculture, Food and Fisheries	Transfer functions of *Bord Iascaigh Mhara* into D/AF&F;	€7.3m		€7.3m
	Rationalise the Departmental local office network	€7m		€7m
Arts, Sport and Tourism	Reduction in Horse and Greyhound Fund	€16.4		€16.4m
	Administrative efficiencies	€1.1		€1.1m
Communications, Energy and Natural Resources	Merge the *Digital Hub Development Agency* with *Enterprise Ireland*/IDA	€1.8m		€1.8m
	Partially Fund TG4 directly from TV Licence and reduce the direct Exchequer subvention	€10.0m		€10.0m
Defence	Reduce the Reserve Defence Force by two-thirds	€5.6m		€5.6m
	Reduce defence forces personnel by 500 through natural wastage and non-filling of non-essential vacancies taking account of barrack reorganisation etc.	€25m		€25M
Education	Reduce the allocation for research and development at third level. (€17.3m current, €10.2m capital)	€17.3		€17.3
	Reduce the allocation to the Strategic Innovation Fund	€10m		€10m

	(3rd level)			
	Rationalise research administration at third level institutions	€4m		€4m
	Increase the allocation for Adult Literacy Programmes (to address Ireland's serious adult literacy problems which have major social and economic implications for Ireland's future).		€10m	-€10m
Enterprise, Trade and Employment	Reduce IDA capital and administrative costs including rationalisation of regional offices in Ireland and shared services (€10.0m capital and €6m current) €16.0m	€6m		€6m
	Create a single funding stream for all science, technology and innovation (STI) activities across all Departments, with reduced grant support and efficiency savings (€4.9m current and €48mcapital in this D/ET+E).	€4.9m		€4.9m
	Enterprise Ireland - efficiency saving in administration; review and prioritisation of range of programmes, grants and supports offered (€26m current and €10.0m capital)	€26m		€26m
	Apply a 10% efficiency cut on FÁS administration	€15m		€15m
Finance	General administration and programme efficiencies	€5m		€5m
	Examine scope for further efficiencies in the Revenue Commissioners	€10m		€10m
	Reduce spare capacity in the Office of Public Works	€20m		€20m
	Benchmark rents & occupancy levels with private sector rates	€20m		€20m
Foreign Affairs	Increase the allocation for Official Development Assistance by		€100m	- €100m
Health and Children	Increase charges for private facilities in public hospitals	€50m		€50m

	by 20%			
	Invite tenders by open competition to provide services under the GMS	€370m		€370m
	Introduce mandatory protocols requiring hospitals and clinicians to prescribe generic medicines, off-patent drugs and value-for-money high-tech treatments as well as centralised procurement and better management of stocks	€30m		€30m
	Fund 200 Primary Care teams		€32m	-€32m
National Treasury Management Agency	Implement McCarthy Report recommendations	€5.3m		€5.3m
Social and Family Affairs	Introduce a new job support programme to place 60,000 people who are currently in receipt of unemployment payments (and other related payments) in supported employment. This would involve the employer receiving a subsidy equivalent to half the welfare payment paid to the unemployed person in return for providing a full-time job. This needs precautions to ensure no dead-weight effect and no gains for rogue employers. The principles and practices for such a programme could learn a great deal from the Part Time Job Opportunities Programme piloted in the 1994-98 period in the Community and Voluntary Sector. This will reduce the social welfare bill by €750m and reduce the total government expenditure by €450m (the €375m saved on social welfare payments plus the tax and PRSI paid	€750m		€750m

	for the new employees). This new programme would be targeted principally, but not totally, at young people and those over 55.			
	Increase expenditure for above. Total net cost includes the subsidy paid to the employers less the tax paid by the 60,000 who take up these places.		€300	-€300
	Administrative programme savings	€6m		€6m
Taoiseach	Chief State Solicitors Office and DPP – reduce professional fees for counsel	€5.2m		€5.2m
Public Sector Pay	Reduce the public sector pay bill by €520m. There are many ways this could be done. We in *Social Justice Ireland* are not part of the social partnership structure that negotiates public pay and consequently we do not offer specific concrete proposals. Decisions should be fair and equitable and would best be negotiated between Trade Unions and the Government. **One example:** The simplest and least damaging way of removing 1,000 people from the public pay pill is to make 1,000 employees of Anglo-Irish Bank redundant. There are 1,000 people currently employed stress testing loans for Anglo-Irish Bank – a job which they singularly failed to do when the bank was a going concern. The average wage in Anglo-Irish Bank is €99,000 so this move would save the government €99m in the	€520m		€520m

	public service pay bill.			
Totals		**€1,972m**	**€442m**	Net: €1,506.9m
Total Adjustments				**€1,506.9m**
National Pension Reserve Fund	Suspend payment to the National Pension Reserve Fund until Ireland's fiscal problems have been addressed successfully. This will provide an annual saving of €3bn to the Exchequer. This is additional to the €1,5bn already identified in this table as net reductions in expenditure in Budget 2010.	**€3bn**		**€3bn**

Table 10:	**Capital Expenditure Adjustments (Government Target: €750m)**	
Department	**Proposals**	**Total €**
Education	Reduce the allocation for research and development at third level. (€17.3m current, €10.2m capital)	€10.2m
Enterprise, Trade and Employment	Reduce IDA capital and administrative costs including rationalisation of regional offices in Ireland and shared services (€10.0m capital and €6m current) €16.0m	€10
	Create a single funding stream for all science, technology and innovation (STI) activities across all Departments, with reduced grant support and efficiency savings. (€4.9m current and €48m capital in this Department)	€48m
	Enterprise Ireland - efficiency saving in administration; review and prioritisation of range of programmes, grants and supports offered (€26m current and €10.0m capital)	€10m
Across the Board	Given the dramatic falls in prices in the building and construction sector much of the additional savings required should be possible through renegotiating prices and the postponement of projects if that is required.	€671.8m
Total		**€750m**

Note: Many of the costings in Tables 9 and 10 are taken from the **Report of the Special Group on Public Service Numbers and Expenditure Programmes**

Summary

The proposed adjustments to taxation and expenditure (Tables 8,9 and 10) are summarised in Table 11.

Table 11:	**Total Adjustments in Budget 2010**	
Area	**Government Target €**	**Proposals €**
Taxation (increase less additional expenditure on integration of tax and welfare systems and the development of a Site Value Tax System)	€1,750m	€1,869m
Current Expenditure (decreases less additional expenditure as indicated)	€1,500m	€1,507m
Capital Expenditure	€750m	€750m
TOTAL	**€4,000m**	**€4,126m**
Suspend payments to the National Pension Reserve Fund	**€3bn**	**€3bn**

Christmas Bonus Payments
Given the over-provision of €126m (i.e. €4,126m – 4,000m) in the adjustments identified above it should be possible to pay the Christmas Bonus Payments with some administrative savings achieved across various departments during 2010.

Credit availability for small and medium-sized enterprises
Government is rightly concerned with the lack of credit being made available for small businesses across the country. In devising a strategy to address this problem Government is simply relying on Ireland's two largest banks to give priority to supplying credit to businesses rather than seeking to improve their own balance sheets. This reliance may be misplaced. Government's proposals place no obligation on the banks to provide loans to small businesses once they are rescued at tax-payers' expense.

Social Justice Ireland wishes to draw attention to this alternative approach it proposed in September 2009:
An effective way of ensuring credit was made available for small businesses would be for Government to buy back the ICC Bank it sold to Bank of Scotland (Ireland) some years ago.

This was a bank focused specifically on providing credit to small businesses and it had a long track record of doing this successfully. Buying it back, which would cost the Government a very small percentage of what it is proposing to spend on NAMA, would provide Government with the required mechanism to address the credit problem being experienced by small and medium businesses. Further detail is available at http://www.socialjustice.ie/