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# Budget Choices

## A Fairer Future is Possible

SOCIAL JUSTICE IRELAND

# Policy Briefing

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**S**ocial Justice Ireland believes a fairer future is possible and that Budget 2011 can take some key steps towards such a future.

To do this Budget 2011 needs to:

- ⇒ Make the tax system fairer;
- ⇒ Address the working poor issue;
- ⇒ Take action to produce real work for a large number of unemployed people;
- ⇒ Take action on education and healthcare to make them fairer;
- ⇒ Maintain the living standards of Ireland's poorest.
- ⇒ Ensure the corporate sector makes some contribution towards Ireland's readjustment process.
- ⇒ Resist the temptation to target those on low incomes while ignoring the benefits that only go to the better-off.
- ⇒ Do all of this while reducing Ireland's bor-

rowing by €3bn in 2011 as Government has proposed.

This *Policy Briefing* provides a series of proposals that meet these criteria. It also provides costings for the proposals made.

### Key Proposals

The key initiatives proposed are:

- Standard rate the tax-break for pension contributions;
- Make tax credits refundable;
- Introduce a Part-Time Job Opportunities Programme that would produce real part-time jobs for 100,000 unemployed people on a voluntary basis;
- Introduce an income-contingent loan facility which would enable all third-level students borrow money to pay fees and cover their living costs;
- Increase funding for primary level education and adult literacy programmes.

- Provide substantial support for developing an integrated health-care model through supporting primary care teams, older people and children and family programmes.

- Increase all social welfare rates;
- Introduce a levy on corporate sector profits.

These and many other proposals are outlined in the following pages. The proposals are accurately costed using the most up-to-date information available as this *Policy Briefing* goes to press.

Taken together these proposals provide an integrated, coherent approach to building a fairer future that is both achievable and desirable. They are fiscally responsible. They preserve the living standards of Ireland's poorest and most vulnerable people. They also seek to develop greater fairness in the tax system and in Ireland's response to its present series of crises.

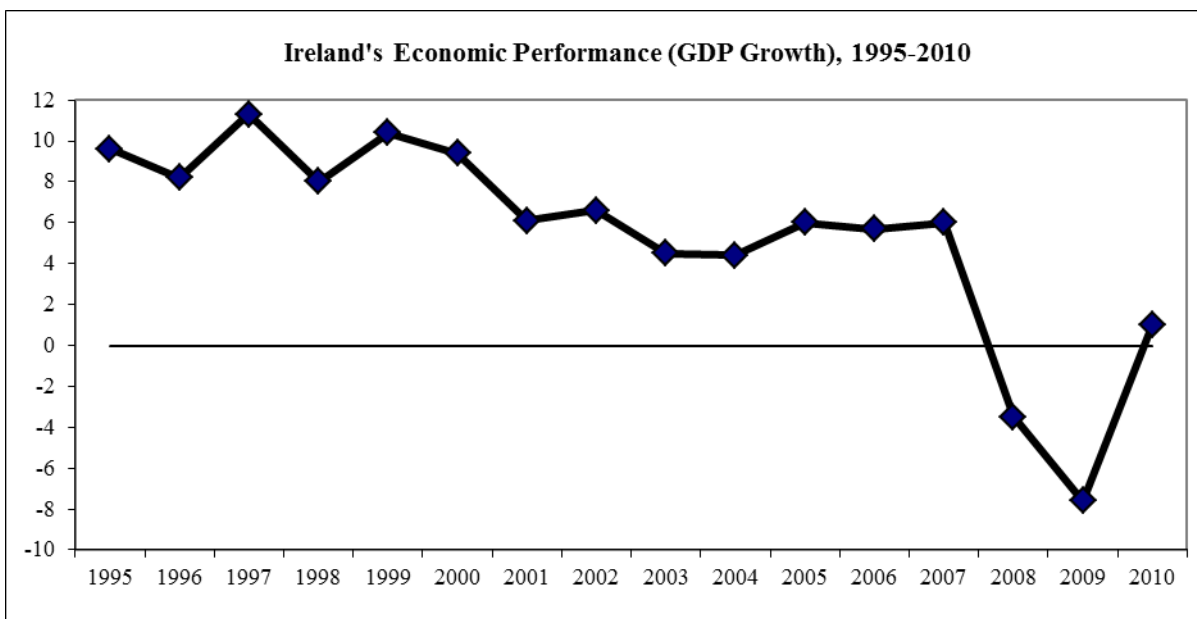
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*Policy Briefing* is a regular publication issued by Social Justice Ireland. It addresses a wide range of current policy issues from the perspective of those who are poor and/or socially excluded. Comments, observations and suggestions on this briefing 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 available online at [www.socialjustice.ie](http://www.socialjustice.ie)



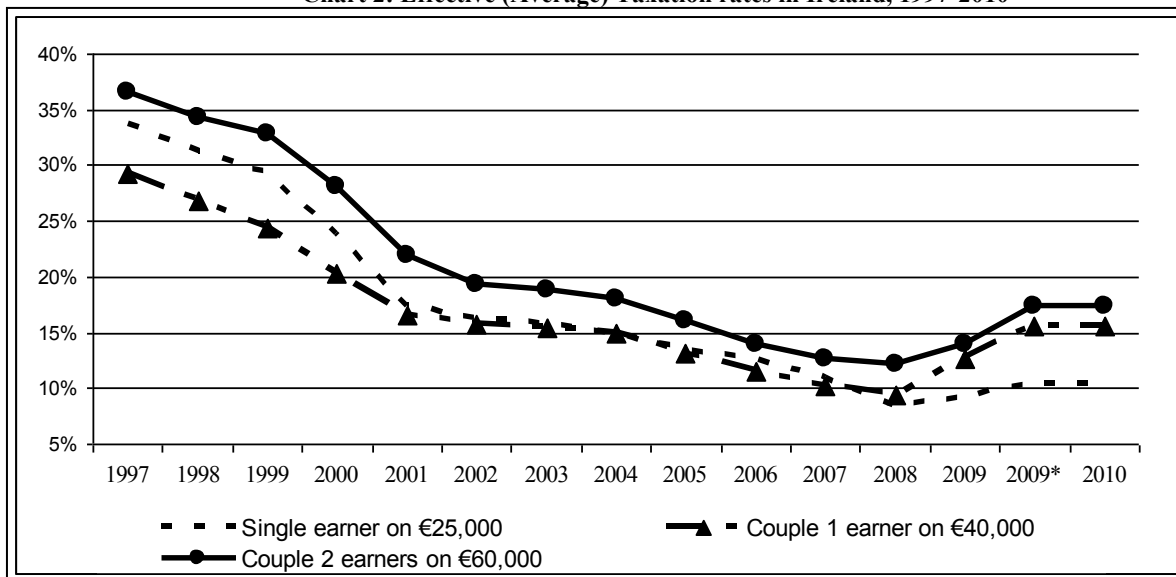
**Table 1: Unemployment and Long-Term Unemployment, 2001-2010**  
(all data for 2nd quarter)

Year	Unemp %	LT Unemp %
2001	3.8	1.1
2002	4.4	1.2
2003	4.6	1.4
2004	4.5	1.4
2005	4.7	1.4
2006	4.6	1.4
2007	4.7	1.3
2008	5.7	1.5
2009	12.0	2.6
2010	13.6	5.9

**Table 2: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2010**

Household containing:	Weekly line	Annual line
1 adult	€224.75	€11,719
1 adult + 1 child	€298.92	€15,586
1 adult + 2 children	€373.09	€19,454
1 adult + 3 children	€447.25	€23,321
2 adults	€373.09	€19,454
2 adults + 1 child	€447.25	€23,321
2 adults + 2 children	€521.42	€27,188
2 adults + 3 children	€595.59	€31,056
3 adults	€521.42	€27,188

**Chart 2: Effective (Average) Taxation rates in Ireland, 1997-2010**



# The Social and Economic Context of Budget 2011

To provide a brief overview of the social and economic context of Budget 2011, table 3 brings together a range of data and indicators reflecting various aspects of Ireland today.

The Budget is framed in the context of a severe recession from which Ireland is just beginning to emerge. The background to that recession derives from three major economic factors that have significantly undermined the exchequer's finances:

- (i) the collapse of the Irish construction sector and associated housing bubble;
- (ii) the collapse of the Irish banking system and the decision by government to effectively rescue all the major Irish financial institutions and engage in sub-

stantial borrowing to fund that rescue; and

(iii) an international economic slowdown associated with the 'credit crunch' in the United States and its international repercussions.

During the past year a review of the origins of the current crises, by the Governor of the Central Bank Professor Patrick Honohan, indicated that the crisis was predominantly home grown (i.e. items i and ii above).

As we detail elsewhere in this briefing, taxation revenues have also collapsed and remained at historically low levels as a proportion of national income.

The net result of these simultaneous events has seen a rapid increase in the national debt, large increases in per-

sonal taxation and pressure to make cuts in government spending. However, 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; rapidly increasing unemployment and lengthening 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 2010 Socio-Economic Review available on our website: [www.socialjustice.ie](http://www.socialjustice.ie)

**Table 3: Ireland's Social and Economic Position in 2010**

Real GDP growth 2010*	1%	Minimum Wage (per hour / 39hr week)	€8.65 / €337.35
GDP growth 2011*	2.75%	Minimum Social Welfare Payment (1 adult)	€196.00
Real GNP growth 2010*	-0.7%	Average Gross Household Income (2008)	€1,161 per week
GNP growth 2011*	2.5%	Average Disposable H-hold Income (2008)	€940 per week
2001 General Gov Balance (%GDP)*	-19.75%	Poverty line 1 Adult (week / year)	€224.75 / €11,719
National Debt (%GDP) 2009*	65.6%	Poverty line 2 Adults (week / year)	€373.09 / €19,454
National Debt (%GDP) 2010*(pre NAMA)	85.5%	Poverty line 1 Adult + 1 Child (week / year)	€298.92 / €15,586
National Debt (%GDP) 2011* (pre NAMA)	93.5%	Poverty line 2 A + 2 Children (week / year)	€521.42 / €27,188
National Capital Investment 2010	Approx. 5% GNP	% of population living in poverty (numbers)	13.9% (614,672)
Total Taxation as % GDP 2010	< 30%	% of children living in poverty (numbers)	17.4% (187,000)
%Tax on €25,000 income (single / 2 earners)	10.3% / 1.3%	LA Housing Waiting list - households	56,249
%Tax on €60,000 income (single / 2 earners)	31.7% / 15.5%	LA Housing Waiting list - persons	approx 150,000
%Tax on €100,000 income (single / 2 earners)	39.2% / 27.9%	Illiteracy rate of adult population (1996 data)^	25%
Corporation Tax rate	12.5%	% Waste Landfilled (2007 data)	63.5%
Capital Gain Tax rate	25%	Greenhouse Gas Emissions v. Kyoto target	+8.9%
Value of all Tax Reliefs (per annum)	€8.4 billion	Population 2006 Census	4,239,848
Labour Force	2,152,700	Population 2011* / 2016 *	4.685m / 5.093m
Employment	1,859,100	Population 2021* / 2041*	5.449m / 6.247m
Unemployment 2010 /rate (ILO Basis)	293,600 / 13.6%	Inflation rate (CPI) 2009	-4.5%
Unemployment rate 2011*	13%	Inflation rate (CPI) 2010*	-0.5%

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

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

## Broader Context: Benchmarking Ireland in the EU

A key question that must be central to the framing of Budget 2011 is: What type of Ireland do we want? Certainly, the Ireland of the future needs to be very different from that of recent years.

In considering the answer to that question, it is useful to review the data presented in table 4. Using figures from Eurostat, the EU's statistics agency, it outlines where Ireland stands today

relative to our fellow EU members on three key indicators – total taxation, total Government expenditure and total social protection expenditure. In all cases, Ireland is near the bottom of the rankings.

The rankings are based on Eurostat data compiled before the current economic collapse. In developing policy for the longer-term it is better to use this data rather than depend on data

that is temporarily thrown out of balance because of a deep recession.

The obvious question arising from this table is: against whom do we benchmark ourselves as a society? Is it Latvia, Lithuania, Estonia, Slovakia and Romania? Are these the countries we wish to emulate in terms of public services, pensions, social welfare payments and wage rates (private and public)?

**Table 4: EU-27 Rankings (highest to lowest) on Three National Policy Indicators**

<b>Taxation as a % of GDP</b>	<b>Total Government Expenditure as a % of GDP</b>	<b>Total Social Protection Expenditure as a % of GDP</b>
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
<b>EU-27 AVERAGE</b>	United Kingdom	<b>EU-27 AVERAGE</b>
Cyprus	<b>EU-27 AVERAGE</b>	Slovenia
Spain	Cyprus	Hungary
Czech Rep	Czech Republic	Spain
Portugal	Malta	Luxembourg
Luxembourg	Slovenia	Poland
Bulgaria	Poland	Czech Republic
Malta	Bulgaria	Cyprus
Poland	Spain	<b>IRELAND</b>
<b>IRELAND</b>	Luxembourg	Malta
Greece	Romania	Slovakia
Estonia	Latvia	Bulgaria
Latvia	<b>IRELAND</b>	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 can be found in corresponding tables throughout our 2010 *Social and Economic Review* which is available for download from our website [www.socialjustice.ie](http://www.socialjustice.ie). They are: table 3.2.1, table A1 and table 2.8.

# Broader Context: Assumptions, Values and Attitudes

**B**udget 2011 is being prepared in a period of ongoing crisis for Ireland. Despite various interventions to date, all of the 5 crises NESC identified almost two years ago are ongoing; indeed some have intensified. These are: a banking crisis, a public finance crisis, an economic crisis, a social crisis and a reputational crisis.

In times of crisis it is often the case that strategic thinking and planning are set-aside. This approach has been very visible in Ireland since the inception of the current crises. Its most visible manifestation has been the acceptance into the conventional wisdom of a series of assumptions that are not valid. These include:

- That the economy should have priority over all else.
- That preventing all the major banks from collapse is the major economic priority.
- That cuts in public expenditure are the key. (They are only part of the solution.)

The widely quoted assumptions listed above have been adopted with limited consideration of their meaning or implications. Consequently, those that are not valid generate ill-considered policies which are met with widespread opposition and anger. As a society we are lacking a coherent set of guiding values and assumptions to shape the policies and actions of the decade to come.

These assumptions fail to grasp the fact that economic development and social development are two sides of the one coin. Economic development is required to provide resources for social development. On the other hand social development is essential if economic development is to be successful. There will be no lasting economic development of substance without the provision of social services and infrastructure. For example, it will not be possible to promote a smart, green, hi-tech economy without having an education system that ensures people are capable of taking up jobs in these areas. Likewise infrastructure in areas

such as public transport and Information and Communication Technology (ICT) is essential for a successful economy in the twenty first century. Thinking we can have economic development first and then follow-up with social development is to ignore many of the major lessons that have been learned over the past two decades.

There are other assumptions which are

***Despite various interventions to date, all of the five crises NESC identified almost two years ago are ongoing; indeed some have intensified***

only half true that are repeated like mantras in much of what Government states and in what passes for analysis in much of the public commentary. These include:

- That everybody should make a contribution to the adjustment required.
- That fairness is important but taxes should not be increased.

Yes, we agree everyone should make a

contribution insofar as they can. But we do not accept that some people should be driven into poverty because of the contribution that is demanded of them. To do this would be to solve one problem by creating a deeper and more long-lasting one. We reject any attempt to solve Ireland's problems by increasing inequality or by forcing the most vulnerable members of the population into a situation where they do

not have the resources to live life with dignity. We also agree that fairness is critically important but we do not believe that Ireland's socio-economic situation can be rectified fairly

while we persist in having one of the lowest total tax-takes in the EU.

There are other values that are regularly repeated that we do accept. These include:

- That there should be far better value got for public expenditure.
- That reform of the public sector is a major priority.

## Ireland's Social Crisis

**T**he ramifications for Ireland's people of the recent economic turmoil have been severe. Most notably, in the space of a few months, one of the great achievements of recent years has been reversed with unemployment returning as a widespread phenomenon. In late 2006, 90,300 people were recorded as unemployed by the CSO's quarterly national household survey (QNHS), a figure which represented 4.2 per cent of the labour force. Three years later, the number of people unemployed tripled to reach almost 280,000 (approximately 13.75 per cent of the labour force). Suddenly, Ireland has returned to unemployment levels equivalent to those experienced in the mid-1980s. Behind each of these figures are people and families - the society-wide impact of these increases cannot be over-estimated. Simultaneously, another of the social ghosts of the 1980s and 1990s has also returned - emigration.

The collapse in taxation revenues has forced the government into three challenging budgets and a series of spending cutbacks in 2008, 2009 and 2010. Elsewhere, we have highlighted and critiqued many of the cuts in social spending including the unacceptable cut to most social welfare payments delivered in Budget 2010.

Aside from growing unemployment and long-term unemployment, emigration, service and funding cutbacks and the ongoing problems of inequality and poverty, we continue to live in a society with alarming numbers of people with literacy difficulties across all age groups, schools with leaking roofs and 'temporary' portacabins and a two-tier health system where the availability of services is related to income rather than need.

Clearly, Ireland in 2010 has a major social crisis.

# Guiding Principle: Protecting the Vulnerable

**I**n making choices in Budget 2011 Government should be guided by the principle of protecting the needs of the vulnerable.

13.9% of Ireland's population is at risk of poverty with incomes below €11,719 for a single person or €27,188 for a household of four.

39% of all the households at risk of poverty today are headed by a person *with* a job. A further 45% 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.

In the current difficult economic climate, *Social Justice Ireland* believes that the Budget should pay particular attention to this group. Those surviving on low incomes continue to struggle and, unlike many other groups in society, have no room to absorb income cuts. Any such cuts would simply deepen their poverty and further undermine their attempts to live their lives with dignity.

## Giving priority to the vulnerable

In practice this would mean protecting **social welfare rates** and compensating those on the lowest income from any increase in living costs associated with the return to positive inflation rates in 2011.

It would also involve giving priority in **healthcare** to developing primary care teams rather than increasing consultant salaries. It would give priority to primary care and community services over 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 prioritise the provision of resources for a sustainable programme of social housing provision to reduce waiting lists.

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.

On the issue of **taxation** it would mean ensuring that those with low incomes are not disadvantaged by the tax system and that Budgetary reforms are focused on making the taxation system fairer (see our proposals on p. 8 and p. 9 of this *Policy Briefing*).

In **transport** policy it would mean assigning priority to developing public transport and within this context it would ensure that rural transport was adequate, sufficiently resourced and further supported.

In the area of **foreign policy** it would mean honouring Ireland's commitment to provide 0.7% of GNP in foreign aid by 2012 and avoiding any further cuts in the ODA.

## Five-Point Plan to ensure integration and fairness

**T**he need for an integrated approach to policy development is even more essential at this very difficult moment for Ireland. *Social Justice Ireland* proposes the following five-point integrated approach (already proposed by the Community and voluntary Pillar of Social Partners) that would enable Government address the current series of crises in a fair, effective and cost-efficient manner while ensuring that problems regarding the budget deficit would be addressed in a reasonable period of time.

1. **Increase the over-all tax take while keeping Ireland a low-tax country and without raising income tax rates.** Ireland is a low-tax economy. The starting point for increasing the total tax-take should be the 111 tax-breaks identified in by the Commission on Taxation (but not taxing child benefit). A programme should be set out to increase Ireland's total tax-take fairly to 34.9% of GDP which is well above the present level but would still keep Ireland a low-tax economy.

2. **Secure better value for money in the delivery of our public services;** Resources available to Government have fallen dramatically. It is essential that best-value be got for the money being spent on public services. In doing this it is crucial that Government take a long-term view and not take initiatives for short-term gain that will produce long-term negative outcomes on the vulnerable.
3. **Reform the public sector.** People trying to access services at present have to engage with a wide range of different agencies e.g. health, education, welfare, housing etc. to access their entitlements. A more integrated and person-centred structure is required. The recommendations contained in the OECD report on the Irish public sector should be implemented without delay.
4. **Target expenditure cuts where required but ensure that vulnerable people are protected.** A good starting point would be the elimination of waste identified by the reports

of the Comptroller and Auditor General. In this context it should be noted that tax 'breaks' are in effect Government expenditure. Cutting these would be another good place to find acceptable expenditure cuts.

5. **Focus expenditure on the common good to provide required infrastructure and public services.** Despite expenditure reductions Government will spend a substantial amount of money in 2011 and beyond. The choices made should ensure these resources are spent to promote the common good, assist economic recovery and protect the vulnerable.

Ireland is experiencing multiple crises because of the actions of some bankers, developers, politicians, speculators and economists. The misdeeds, sometimes illegal, of these people, should not be paid for by the vulnerable in Irish society.

This five-point plan would ensure that Government made decisions aimed at building a fairer future for all.

# Budget 2011: A Challenging Exchequer Position

The scale and composition of the decisions Government is to make in Budget 2011 are clear - indeed they are clearer than is the case for most Budgets.

In the 2010 Budget (December 2009) the Minister for Finance published a detailed set of Budgetary parameters to which he committed to adhere over the course of the next two years.

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 within the rules of the EU Stability and Growth Pact.

As regards Budget 2011, the Government committed to make a total of €3 billion in adjustments. Of these, €1b will come from capital spending (investment) reductions which have already been identified. The remaining €2 billion will come from a combina-

table which outlined these commitments in the December 2010 Budgetary documentation. It also includes the commitments made by government for Budget 2012, due to be delivered in December 2011.

Recent public discourse has ignored the detail of these parameters and interpreted the €3 billion adjustment indicated for Budget 2011 as exclusively focused on expenditure cuts. Clearly, this is not the case and as we have identified elsewhere in this *Policy Briefing*, there is potential for taxation reform which will more than adequately achieve much of the proposed adjustment.

***In the 2010 Budget the Minister for Finance published a detailed set of Budgetary parameters to which he committed to adhere over the course of the next two years....Recent public discourse has ignored the detail of these parameters and interpreted the €3 billion adjustment as exclusively focused on expenditure cuts***

tion of current spending cuts and taxation increases. Table 5 reproduces the

**Table 5: Scale and Composition of Future Budgetary Adjustments as Identified in Budget 2010 (December 2009)**

	Budget 2011	Budget 2012
<b>Overall Planned Budget Adjustment</b>	<b>€3 billion</b>	<b>€3 billion</b>
of which reductions in capital spending	€1 billion	€1 billion
of which expenditure cuts and tax increases	€2 billion	€2 billion

Source: Department of Finance Budget Documents 2010, Stability Programme Update (p. C19)

## The Substantial Impact of Social Welfare Payments

In framing Budget 2011, the Minister for Finance should take into account the very important role that social welfare plays in addressing poverty. As part of the *SILC* results the CSO has provided an interesting insight into the role that social welfare payments play in tackling Ireland's poverty levels. They have calculated what the levels of poverty are before and after the payment of social welfare benefits. Table 6 presents these results and shows that without the social welfare system Ireland's poverty rate in 2008 would have been 43 per cent. The actual poverty figure (calculated without removing the one-off SSIA effect) of 14.4 per cent reflects the fact that social welfare payments reduced poverty by 28.6 per cent.

Looking at the impact of these payments on poverty over time it is clear

that the recent increases in social welfare have yielded noticeable reductions in poverty levels. The small increases in social welfare payments in 2001 are reflected in the smaller effects achieved in that year. Conversely, the larger increases in recent years have delivered greater reductions. This has occurred even as poverty levels before social welfare have increased. *Social Justice Ireland* warmly welcomed these social

welfare increases and the CSO's data proves the effectiveness of this policy approach.

In Budget 2011, the government should increase social welfare rates for all recipients (see p.11). Furthermore, inflation is forecast to rise in 2011.

It is not acceptable that Ireland's poorest people be condemned to even deeper poverty in the year ahead.

<b>Table 6: The role of Social Welfare (SW) payments in addressing poverty</b>				
	2001	2004	2006	2008*
Poverty levels before SW	35.6	39.8	40.3	43.0
Poverty levels after SW	21.9	19.4	17.0	14.4
<b>The role of SW</b>	<b>-13.7</b>	<b>-20.4</b>	<b>-23.3</b>	<b>-28.6</b>

\* Data for 2008 including SSIA effect as published by CSO

## Tax take at record low levels: Reform Required

Despite significant increases in the tax-take from the PAYE sector in the last two Budgets, the scale of collapse in Ireland's tax revenues has been dramatic. National taxes (those announced in the Budget and collected centrally) have fallen by over €16b since 2007 with the largest fall in areas such as capital gains taxes, stamp duties, corporation taxes and VAT. Decreases in income taxes have been somewhat offset by increased revenues from the income levy. Overall, total tax receipts have fallen from in excess of €47 billion in 2007 to €32.5 billion in 2009; and current trends suggest that the 2010 figure is likely to be marginally lower than this (perhaps not as low as the €31 billion figure which the Department of Finance signalled in the December 2009 Budget).

The impact of these declines in taxation income, reflecting the scale of the national and international recession and the instability and narrowness of the na-

tional tax base, have had dramatic effects on the overall tax burden. Table 7 reports on this decline using data from Eurostat and Budget 2010. It shows how Ireland's overall taxation burden has dropped to 29.4 per cent of GDP in 2009 and 2010 – levels equivalent to those among the lowest European countries. Some increase in tax is planned in 2011, reflecting some recovery in economic activity and the Budget 2010 commitment to make expenditure and taxation adjustments equivalent to €2

billion in Budget 2011.

While a proportion of the tax decline is related to the recession, a large part is structural and requires attention. *Social Justice Ireland* believes that over the next few years policy should focus on increasing Ireland's tax take to 34.9 per cent of GDP, a figure defined by Eurostat as 'low-tax' (Eurostat, 2008:5). As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting the economic, social and infrastructural

**Table 7: Ireland's total tax take, 2008-2011**

	2008	2009	2010	2011
<b>Total Tax Take*</b>	€56,025m	€48,392m	€47,312m	€51,650m
<b>GDP</b>	€181,816m	€164,600m	€160,925m	€169,900m
<b>Tax % GDP**</b>	30.8%	29.4%	29.4%	30.4%

**Source:** Calculated from Department of Finance, Budget 2010: C10, C21, C46.

**Note:** \* Total tax take = current taxes + Social Insurance Fund income + charges by local government.

\*\* These are the tax burden figures as published and estimated by the Department of Finance in Budget 2010 – that document provided limited details on the nature and composition of these figures. Estimates for *Social Justice Ireland* suggest that the actual 2008, 2009 and 2010 figures will be lower than those reported above.

## Reforming Tax Reliefs

A significant outcome from the 2009 Commission on Taxation is contained in part 8 of their Report which details all the tax 'breaks' or tax 'expenditures' as they are referred to officially. For years we have sought to have a full list of these tax breaks and their actual cost published. However, despite our best endeavours, neither the Department of Finance nor the Revenue Commissioners were able to produce such a list. The Report identifies 111 tax breaks - information on many of these was not available previously. The Report also shows that Government has no idea what many of these tax breaks are costing the Exchequer. Given the scale of public expenditure involved, this is a bizarre and totally unacceptable situation. The Commission analysed each of the 111 tax breaks and made a recommendation on each one. We support most of these recommendations. However, we disagree with its proposal to tax child benefit. *Social Justice Ireland* believes that Government should move immediately to implement the recommendations of the Commission on tax breaks (with the exception of taxing child benefit). This would make the tax system fairer. It would also provide substantial additional resources towards achieving the adjustment Government has proposed for Budget 2011. We also believe the tax break for pensions should be standard rated at least as 80% of the benefit goes to the richest 20% of the population (cf. page 14)

## Protect the Minimum Wage

As we have outlined throughout this *Policy Briefing*, a key aspect of Budget 2011 should be to protect the weakest in society. At a time of unprecedented uncertainty, such an approach is even more important.

Among this vulnerable group are those workers who are living on the minimum wage; a wage of €8.65 per hour or €337 per week. The value of the minimum wage has not changed since July 2007. The minimum wage has also been subject to the 2% income levy since the 1<sup>st</sup> May 2009.

CSO earnings data suggests that there are approximately 2% of industrial workers on the minimum wage. Income data from the CSO's EU-SILC indicate that many others are on wages just above this level. Overall, 6.6 per cent of those at work are living at risk of poverty – about 116,000 workers.

*Social Justice Ireland* believes that in Budget 2011 Government should endorse the current value of the minimum wage. Arguments to cut it ignore the low incomes that those in receipt of this wage struggle to live. Similarly, they ignore the fact that this wage has not increased in line with general wages over time.

There is little to be gained from proposing a cut in the minimum wage; indeed the costs of exposing more workers to poverty and greater inequality while deepening the experience of others in poverty would far outweigh any possible gains.



# Working Poor Proposal

## Budget 2011 should introduce Refundable Tax Credits

**D**uring the past year *Social Justice Ireland* published a detailed study on the subject of refundable tax credits. Entitled '*Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits*' the study identified that the proposed system would benefit 113,000 low-income individuals in an efficient and cost-effective manner. When children and other adults in the household are taken into account the total number of beneficiaries would be 240,000. The cost of making this change would be €140m.

The *Social Justice Ireland* proposal to make tax credits refundable would make Ireland's tax system fairer, address part of the working poor problem and improve the living standards of a substantial number of people in Ireland.

The following is a summary of our proposal (based on 2006 data):

### **What is a refundable tax credit?**

When an individual's income is insufficient to use up all of his or her tax credits, the remaining credit is paid to the individual by means of a cash transfer. In the present system low paid employees i.e. the working poor, lose out as they do not benefit from increased tax credits after any budget.

### **Making tax credits refundable: the benefits**

- Would address the problem identified already in a straightforward and cost-effective manner.
- No administrative cost to the employer.
- Would incentivise employment over welfare as it would widen the gap between pay and welfare rates.
- Would be more appropriate for a 21st century system of tax and welfare.

### **Details of Social Justice Ireland proposal**

- Unused portion of the Personal and PAYE tax credit (and only these) would be refunded.

Eligibility criteria in the relevant year:

- Individuals must have unused personal and/or PAYE tax credits (by definition).
- Individuals must have been in paid employment.
- Individuals must be at least 23 years of age.
- Individuals must have earned a minimum annual income from employment of €4,000.
- Individuals must have accrued a minimum of 40 PRSI weeks.
- Individuals must not have earned an annual total income greater than €15,600.
- Married couples must not have earned a combined annual total income greater than €31,200.
- Payments would be made at the end of the tax year.

### **Cost of implementing the proposal**

⇒ The total cost of refunding unused tax credits to individuals satisfying all of the criteria mentioned in this proposal is estimated at €140,051,823.

### **Major findings**

⇒ Almost 113,300 low income individuals would directly benefit from a refund and would see their disposable income increase as a result of the proposal.

⇒ The majority of the refunds are valued at under €2,400 per annum (or €46 per week) with the most common value being individuals receiving a refund of between €800 to €1,000 per annum (or €15 to €19 per week).

⇒ Considering that the individuals receiving these payments have incomes of less than €15,600 (or €299 per week), such payments are significant to them.

⇒ Almost 40 per cent of refunds flow to low-income working poor households who live below the poverty line.

⇒ A total of 91,056 individuals (men, women and children) below the poverty threshold benefit either directly (through a payment to themselves) or indirectly (through a payment to their household) from a refundable tax

credit.

⇒ Of the 91,056 individuals living below the poverty line that benefit from refunds, most (over 71 per cent) receive refunds of more than €10 per week with 32 per cent receiving in excess of €20 per week.

⇒ A total of 148,863 individuals (men, women and children) above the poverty line benefit from refundable tax credits either directly (through a payment to themselves) or indirectly (through a payment to their household). Most of these beneficiaries have income less than €120 per week above the poverty line.

- Overall, almost 240,000 individuals (91,056 + 148,863) living in low-income households would experience an increase in income as a result of the introduction of refundable tax credits, either directly (through a refund to themselves) or indirectly (through a payment to their household).

Once adopted, a system of refundable tax credits as proposed in this study would result in all future changes in tax credits being equally experienced by all employees in Irish society. Such a reform would mark a significant step in the direction of building a fairer taxation system and represent a fairer way for Irish society to allocate its resources. Budget 2011 should pursue this policy reform agenda.

You can download a copy of the Refundable Tax Credits Study '*Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits*' from our website:

[www.socialjustice.ie](http://www.socialjustice.ie)

Alternatively, you can purchase a copy through our website or by contacting the office (see p. 20).

# Labour Market Proposal

The past two years have seen Ireland return to the phenomenon of widespread unemployment. The transition from near full-employment to high-unemployment has been one of the major characteristics of this recession.

The implications for people, families, social cohesion and the exchequer's finances have been serious. Economic forecasts indicate that unemployment will increase further in the period ahead.

The recent dramatic turnaround in the labour market contrasts with the fact that one of the major achievements of recent years has been the increase in employment and the reduction in unemployment, especially long-term unemployment.

In 1991 there were 1,155,900 people employed in Ireland. That figure increased by almost one million to peak at 2,146,000 in mid-2007.

Unemployment numbers are now at a record high. The seasonally adjusted Live Register total was 455,000 in August.

Unemployment as measured by the Quarterly National Household Survey and the latest seasonally adjusted figure, for January to March 2010, is 277,400 persons unemployed. This is an unemployment rate of 13.8%.

While the live register is not an accurate measure of unemployment it is a useful barometer of the nature and pace of change in employment and unemployment. Increases suggest a combination of more people unemployed and more people on reduced working hours.

Economic forecasters are almost unanimous that there will be no surge in job creation in the coming year. 148,402 people had been on the live register for more than a year in August 2010.

These in particular seem to be at huge risk of not getting back to employment in the short to medium term.

## Proposal:

Introduce a new programme to ensure real employment at the going hourly rate for the job is available to 100,000 people currently long-term unemployed. Participation must be voluntary.

It should be modelled on the *Part-*

*Time Job Opportunities Programme* that was piloted in the 1994-1998 period. (The current Directors of *Social Justice Ireland* led this pilot programme.) Details of the pilot programme are reported in the box below.

The new programme:

- ⇒ Would create 100,000 part-time jobs for unemployed people;
- ⇒ Paid at the going hourly rate for the job;
- ⇒ Participants working the number of hours required to earn the equivalent of their social welfare payment and a small top-up
- ⇒ Up to a maximum of 19.5 hours a week.
- ⇒ Access on a voluntary basis only;
- ⇒ Jobs would be created in the public sector and the community and voluntary sector;

⇒ Participants would be remunerated principally through the reallocation of social welfare payments.

⇒ Working on these jobs participants would be allowed to take up other paid employment in their spare time without incurring loss of benefits and would be liable to tax in the normal way if their income was sufficient to bring them into the tax net.

**Consequently, *Social Justice Ireland* believes that a Part-Time Job Opportunities programme should be established along the lines of the programme piloted in the 1994-1998 period. Additional funding of €300m should be allocated in Budget 2011. The funding currently being spent on social welfare payments to participants on this programme should be switched to their new employer.**

## PTJO Pilot Programme 1994-1998

The early 1990s saw high unemployment levels in Ireland and little prospect of jobs being available for some time even though the economy was beginning to recover. Jobless growth was the reality. A proposal made by the current Directors of *Social Justice Ireland* was formally adopted by the Irish Government and announced in Budget 1994.

The proposal sought to create real part-time jobs in the community and voluntary sector principally. Long-term unemployed people could access these jobs on a voluntary basis. They were paid the going hourly rate for the job and they worked the number of hours required to earn the equivalent of their social welfare payment with a small top up. The going hourly rate for the job was agreed with the relevant trade unions and employers.

This programme was piloted in Finglas/Blanchardstown, Co. Laois, Waterford City, Four towns in South Tipperary (Clonmel, Carrick-on-Suir, Cashel and Tipperary Town), Co. Kerry and the offshore islands. It created 1,000 part-time jobs in community and voluntary organisations in those pilot areas within six months of its establishment. These jobs were sustained throughout the pilot period. More than 500 of the original participants departed to take up full-time employment or full-time education during those years and all were replaced by new participants.

The market economy is unable to provide anywhere near to the number of jobs required to reduce unemployment anytime soon. This programme contributes to *Social Justice Ireland's* view that public policy should change so that 1) it recognises that people have a right to work; 2) that unemployed people should not be forced to spend their lives doing nothing when jobs don't exist; and 3) that all meaningful work should be recognised.

### Summary of Proposal on the labour market

Introduce a new Part-Time Job Opportunity Programme to provide real, part-time jobs for 100,000 long-term unemployed people.

### Impact of this proposal on Government's Income and Expenditure in Budget 2011

Transfer of social welfare payments for participants.

**Increased expenditure: €300m**

# Corporate Levy and Social Welfare Proposals

The contribution being made by the corporate sector to addressing Ireland's current series of crises is problematic. The corporate sector played a major role in undermining Ireland's economy through the irresponsible activity of many in the banking and financial services sector. Yet very little has been asked of this sector in terms of making a contribution to Ireland's recovery.

We acknowledge that many companies are in a loss-making situation and unable to make a contribution. Most of these are small and medium-sized businesses. However, much of corporate Ireland is doing very well.

There is no justification for insisting that the lowest-paid workers (who had no responsibility for the country's financial collapse and economic mismanagement) must make a large contribution through paying more tax and having fewer services and at the same time arguing that the profitable corporate sector can escape without making any contribution to Ireland's rescue.

Budget 2010 estimated that corporation tax would provide €3,160m in revenue to the state in 2010. In fact the exchequer returns to date suggest this will be slightly higher. This revenue is based on a maximum corporation tax rate of 12.5%. It is important to put this into context.

In Budget 2002 the corporation tax rate was reduced from 20 per cent to 16 per cent. Following Budget 2003, the standard rate of corporation tax was reduced from 16 per cent to 12.5 per cent.

The total cost in lost revenue to the exchequer of these two reductions was estimated at over €650m per annum at the time. The banks benefited by more than some other parts of the corporate sector as their tax rate had been much higher prior to the standardisation of the corporate tax rate at 12.5%. As a result windfall profits flowed to a sector that was already extremely profitable.

As their profits increased dramatically parts of the corporate sector were simultaneously undermining Ireland's economy. Now we are told that the

corporate sector is not required to make any contribution to rescuing Ireland from its current economic mess. This is simply unacceptable.

Ireland's corporation tax rate is now considerably below the corresponding rates in most of Europe. Across the relevant literature no evidence of substance exists to support the contention that corporations would leave if the corporate tax rate were higher – at 17.5 per cent for example. Furthermore, the

***There is no justification for insisting that the lowest-paid workers (who had no responsibility for the country's financial collapse and economic mismanagement) must make a large contribution through paying more tax and having fewer services and at the same time arguing that the profitable corporate sector can escape without making any contribution to Ireland's rescue.***

logic of having a uniform rate of corporation tax for all sectors is questionable. In the last few years there has been some improvement in this situation with special, and higher, tax rates being charged on natural resource industries. *Social Justice Ireland* welcomed this as an overdue step in the right direction. However, much more is required of the corporate sector as Ireland struggles to reduce its borrowing requirement.

**Proposal:**

Corporate Ireland should play its part in addressing the need to reduce Ireland's Exchequer borrowing.

**Consequently, *Social Justice Ireland* proposes that a levy of 2.5% be introduced on corporate profits in Budget 2011. This would provide an additional €632m towards reducing Ireland's borrowing in 2011.**

## Social welfare rates

There are 614,672 people at risk of poverty in Ireland. One in three households at risk of poverty is headed by a person with a job. These are the working poor. We have proposed that tax credits be made refundable to address their situation (cf. p. 9).

Well in excess of a quarter of a million adults at risk of poverty are not in the labour force. They are ill or have a disability or are retired or are in caring roles that don't allow them to take a job. Social welfare rates are critically important for these people. The cuts in welfare rates combined with other changes introduced in Budget 2010 had

a devastating impact on these - Ireland's most vulnerable people. The cost of living is forecast to rise in 2011. Budget 2011 must protect Ireland's most vulnerable.

**Proposal:**

Basic social welfare rates should be increased to ensure Ireland's poorest do not fall further into poverty in 2011.

**Consequently, *Social Justice Ireland* believes that Social Welfare rates should be increased by €5 a week for all recipients with proportionate increases for qualified adults (i.e. €3.50 a week bringing the increase for a couple to €8.50 a week).**

**For further information**

See: *Social Justice Ireland's Socio-Economic Review 2010*

**On Taxation**      Section 3.2  
**On Poverty**      Section 3.1

Summary of Proposals on corporate levy and social welfare rates	Impact on Government income and expenditure
Introduce a levy of 2.5% on all corporate profits	<b>Increased income of: €632m</b>
Increase social welfare rates by €5 with corresponding increases for qualifying adults	<b>Increased expenditure of: €365m</b>

# Health Proposals

**U**rgent action is required in three key areas if the basic model of care that is to underpin the health services is not to be undermined. There areas are:

1. Older People's Services
2. Primary Care Teams
3. Children and Family Services

## Model of Care

Community-based health and social services require a model of care that:

- Is accessible and acceptable to the community they serve;
- Is responsive to the needs of the local community and its particular set of needs and requirements;
- Is supportive of local communities in their efforts to build social cohesion;
- Accepts primary care as the key component of the model of care and gives it priority over acute services as the place where health and social care options are accessed by the community.

## Older People

If the health of older people is to be addressed appropriately then it is essential that there be support for older people to live at home by providing appropriate community-based services to meet their needs. This approach needs to be complemented by ensuring access to acute services is available in an appropriate manner when required.

If this approach is to be followed then there is an urgent need to address the specific deficits in infrastructure that exist at present. There should be an emphasis on replacement and/or refurbishment of facilities.

If this is not done then we will see the inappropriate admission of older people to acute care facilities with the consequent negative impacts on acute services across the country.

### Proposal:

Make a total investment of €500m over five year i.e. €100m each year. This would enable 12-15 units with about 50 beds each to be replaced or refurbished each year.

**Consequently, Social Justice Ireland believes that €100m should be allocated in Budget 2011 as the first tranche of funding for this purpose.**

## Primary Care Teams

At the moment the HSE is developing Primary Care Teams and Social Care Networks as the basic 'building blocks' of local public health care provision.

We understand a Primary Care Team (or "PCT") to be a team of health professionals (catering for a population of 7-10,000) who work closely together to meet the needs of people living in a community.

These professionals include GPs and Practice Nurses, community nursing i.e. public health nurses and community RGNs, physiotherapists, occupational therapists and home-care staff. They provide the first point of contact when individuals need to access the health system. When fully developed, it is expected that 530 primary care teams could cover the whole country.

PCTs are also expected to link in with other community-based disciplines to ensure that health and social needs are addressed. These include: speech & language therapists, dieticians, area medical officers, community welfare officers, addiction counsellors, community mental health nursing, consultant psychiatrists, etc.

PCTs provide a single point of contact for the person and the health system. They facilitate navigation 'in', 'around' and 'out' of the health system. The *Towards 2016* National Agreement committed to put 500 of these primary care teams in place by 2012. Progress has been made but more is required if this essential development is to be secured.

### Proposal:

Invest a total of €250m over a five-year period to support infrastructural development in putting in place the 530 primary care teams that are required to cover the whole country.

**Consequently, Social Justice Ireland believes that €50m should be allocated in Budget 2011 as the first tranche of funding for this purpose.**

## Children and Family Services

In tandem with the development of Primary Care Team services there is a need to focus on health and social care provision to children and families.

The obligation on the State to develop and provide services and facilities to support vulnerable and at risk children has been well highlighted recently.

The standard of care as monitored by HIQA and the challenges posed to provide care to young people with complex needs have proven difficult to address both in public and private provision.

In many communities there are community & voluntary services being operated out of very poor facilities in need of refurbishment /rebuilding. Despite poor infrastructure, these services are the heart of local communities and provide vital services that are locally 'owned'. There is a need to support this activity and in particular meet the infrastructural requirements which will in the main be by way of minor development at local level.

### Proposal:

Invest a total of €250m over a five-year period to address the infrastructural deficit in Children and Family Services. This amounts to €27m per area for each of the nine Children Services Committee areas and a national investment of €7m in Residential and Special Care.

**Consequently, Social Justice Ireland believes that €50m should be allocated in Budget 2011 as the first tranche of funding for this purpose.**

Summary of Proposals on Health and Children	5-year requirement 2011-2015	Budget 2011
Older People	€500m	€100m
Primary Care Teams	€250m	€50m
Children and Family Services	€250m	€50m
<b>Total increase in expenditure:</b>	<b>€1 billion</b>	<b>€200m</b>

# Education Proposals

**E**ducation can be an agent for social transformation. *Social Justice Ireland* believes that education can be a powerful force in counteracting inequality and poverty while recognising that, in many ways, the present education system has quite the opposite effect.

Recent studies confirm the persistence of social class inequalities which are seemingly ingrained in the system. Even in the context of the increased participation and economic expansion of much of the last decade, the education system continues to mediate the vicious cycle of disadvantage and social exclusion between generations.

When viewed in an international context, the most striking feature of investment in education in Ireland, relative to other OECD and EU countries, is our comparative under-investment in primary education relative to international norms (not to mention our very limited public funding for early childhood education). Irish investment in third-level education, which is widely regarded as inadequate, is approximately at the OECD average.

However, our public investment at second level and, in particular, at primary level is substantially below the OECD average and is among the lowest of all OECD countries when the expenditure is standardised as a percentage of GDP

## Contributing to higher education costs

There are strong arguments from an equity perspective that those who benefit from higher education, and who can afford to contribute to the costs of their higher education, should do so. This principle is well established internationally and is an important component of funding strategies for many of the better higher education systems across the world.

### For further information on education and educational disadvantage

See: Social Justice Ireland's *Socio-Economic Review 2010* Section 3.7

*Social Justice Ireland* believes that Government should introduce a system in which

- ⇒ fees are paid by all participants in third level education
- ⇒ with an income-contingent loan facility being put in place to ensure that all participants who need to do so can borrow to pay their fees and cover their living costs, and
- ⇒ repay their borrowing when their income rises above a particular level.

***There are strong arguments from an equity perspective that those who benefit from higher education, and who can afford to contribute to the costs of their higher education, should do so. This principle is well established internationally and is an important component of funding strategies for many of the better higher education systems across the world.***

In this system

- ⇒ All students would be treated on the same basis insofar as both tuition and living cost loans would be available on a deferred re-payment basis;
- ⇒ All students would be treated on the same basis as repayment is based on their own future income rather than on current parental income;
- ⇒ Inclusion of all part-time students would reduce the present disparity between full-time and part-time students.

### Proposal:

Develop a new system in which a loan scheme is introduced along the lines outlined above

**Consequently, *Social Justice Ireland* believes such a scheme should be introduced in Budget 2011. the gain to the Exchequer would be €445m on a full-year basis. Of this €120m should go towards primary level and adult literacy programmes.**

## Adult Literacy

The Department of Education's policy for tackling literacy problems among adults is in the opinion of *Social Justice Ireland* simply unacceptable.

As part of the 2007 Government's National Action Plan for Social Inclusion a target for adult literacy policy was set stating that "the proportion of the population aged 16-64 with restricted literacy will be reduced to between 10%-15% by 2016, from the level of 25% found in 1997" where "restricted literacy" is defined as level 1 on the International Adult Literacy Scale. People at this level of literacy are considered to possess "very poor skills, where the individual may, for example, be unable

to determine the correct amount of medicine to give a child from information printed on the package" (OECD). In numerical terms this implies that the aim of government policy is to have "only" 301,960 adults with serious literacy difficulties in Ireland in 2016.

Would 'achievement' of this target be a fitting way to honour the centenary of the publication of the 1916 Proclamation? *Social Justice Ireland* doesn't think it would be. We re-iterate our previous claims that this target is illogical, un-ambitious and suggest a complete lack of serious interest in seriously addressing this problem.

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Would 'achievement' of this target be a fitting way to honour the centenary of the publication of the 1916 Proclamation? *Social Justice Ireland* doesn't think it would be. We re-iterate our previous claims that this target is illogical, un-ambitious and suggest a complete lack of serious interest in seriously addressing this problem.

### Proposal:

Make a major step-change in adult literacy programmes.

**Consequently, *Social Justice Ireland* believes that €20m should be allocated in Budget 2011 as the first tranche of additional funding for this purpose.**

Summary of Proposals on education	Impact on Government income and expenditure
Introduce a loan scheme for 3rd level students	Increased income of: €445m
Increase funding for adult literacy	Increased expenditure of: €20m
Increase primary school funding	Increased expenditure of: €100m

# Pensions Proposal

In 1994 5.9% of people aged 65 and over were at risk of poverty. This number has been very volatile over the past decade and a half. It now stands at 10%. While there have been welcome decreases in recent years to bring it down to this level it is still much higher than it was in 1994. It is also of great concern that so many senior citizens are living on so little.

It needs to be understood that social welfare payments are the key to reducing poverty among older people. Without social welfare payments 84% of all those aged between 65-74 would be living in poverty. Without social welfare payments 88.6% of those aged 75 and over would be living in poverty. Social welfare payments reduce the poverty level among these groups to 12.1% and 9.9% respectively a fact which underscores the importance of these payments to older people. This is one of the reasons we propose that social welfare rates be increased in Budget 2011.

## Government's Current Approach

The Government's approach to pensions has been to provide a relatively low State pension and provide large tax-breaks to encourage people to invest in private pension provision. This has resulted in a situation where about €2.6bn of tax is not collected but given instead to those with resources to invest in a private pension. Tax relief is available at the standard rate (20%) for those on low incomes and at the higher rate (41% for those on higher incomes). In practice this has led to a situation where 80% of the benefit of this tax relief is going to the richest 20% of the population. *Social Justice Ireland* considers this to be a scandal that should be addressed immediately.

## Preferred Option

*Social Justice Ireland's* preferred option on pensions would be to the introduction of a universal pension which

would provide an individualised standard payment to all pensioners satisfying the residence condition, make possible an equitable payment to those who worked inside and outside the home, deal with the many anomalies that exist in the Social Welfare system in relation to average contribution conditions and the differential between contributory and non-contributory pensions, largely eliminate means testing and special schemes such as the Home-maker's Scheme, and be simple to administer

***The tax break on pensions costs the Exchequer about €2.6bn. 80% of this tax break goes to the richest 20% of the population. Social Justice Ireland considers this to be a scandal that should be addressed immediately.***

Despite these advantages, the Irish Government's Green Paper on Pensions argued that a universal State pension would be contrary to entitlement based on participation in the labour market and would involve significant extra costs.

Clearly the introduction of a universal pension would require a shift from entitlement based on labour force participation to entitlement based on citizenship. But that does not mean there would be a significant increase in cost if the narrow definition adopted in the Green Paper were broadened to encompass the cost to the Exchequer of tax expenditure on the private pension system.

Members of the Pension Policy Research Group at Trinity College Dublin have argued the case for adopting this broader approach to pensions policy and learning from the experience of the only country in the OECD, New Zealand, which had introduced a universal State pension and abolished all tax reliefs for saving for retirement.

The Government's Pensions Framework was a great disappointment as it decided to ignore this route and opted instead for slight changes to the current

system based on some very questionable calculations which were simply asserted. The basis for the Government's calculations was never authenticated by any independent research and no sources were cited.

New Zealand's experience shows a more radical approach to pension reform could help Ireland provide fairer treatment for the majority of taxpayers. This majority derives little benefit from the existing tax treatment of pension funds. A more radical approach could also improve the long-term sustainability of the public pension system

Evidence to support these claims was presented in a paper written by Professor Gerry Hughes and published in 2008

(available at [www.socialjustsice.ie](http://www.socialjustsice.ie)). Using the criteria of simplicity, adequacy, cost, equity, coverage, effectiveness in delivering pensions, and sustainability he showed how a universal State pension was not just viable but also the fairest option for Ireland.

That the Irish government decided to ignore this approach was unfortunate. Its Pensions Framework does not provide universal coverage, is based on unverified statistics and is inappropriate for the world of the 21st century.

The present unfair, unbalanced system should be addressed. The simplest initiative that can be taken immediately is to standard rate the tax-break for all pension contributions.

## Proposal:

Greater fairness is urgently required. Standard rating pension contributions in Budget 2011 would be a step towards a less skewed tax system

**Consequently, *Social Justice Ireland* believes that the tax-break for all pension contributions should be standard rated in Budget 2011. This would increase the tax-take by €1.4bn on a full-year basis.**

<p><b>For further information on older people and poverty</b></p> <p>See: Social Justice Ireland's <i>Socio-Economic Review 2010</i> Section 3.1</p>	<p><b>Summary of Proposals on Pensions</b></p> <p>Standard rate all pension contributions</p>	<p><b>Impact on Government income and expenditure</b></p> <p><b>Increased income of: €1,400m</b></p>
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# Budget 2011 Issues

## Training and Skills

**O**n pages 14 and 15 of this Policy Briefing we have already outlined key parts of *Social Justice Ireland's* response to the working poor issue and to the high level of unemployment. We have included Budget proposals to make tax credits refundable and to create a new Part-Time Job Opportunities programme for people who are long-term unemployed. However, there is also a great need to address issues concerning training and skills development for people who are unemployed or at risk of unemployment.

What is required is a suite of education, training and employment options that would give unemployed people the opportunity to maintain and improve their skills. Participation in these options should be voluntary. It is a complete waste of money forcing people onto unsuitable programmes which will offer them little if any future prospects.

**Proposal:**

Re-design the system to provide appropriate programmes with sufficient places to meet current needs.

**Consequently, *Social Justice Ireland* proposes that the substantial resources available to FAS should be re-focused in Budget 2011 on achieving this outcome. This would be revenue neutral.**

## Social Housing

**I**n 1996 there were less than 28,000 households on waiting lists for appropriate accommodation. Today there are close to 60,000 households on these waiting lists. It is a serious indictment of the Celtic Tiger years that while Ireland produced far more houses than it needed, at the same time it failed to address the waiting list issue. This failure is of such a scale that the numbers on waiting lists more than doubled in a decade and a half.

Government's response had to take account of the current difficult fiscal situation and the lack of resources available to build new houses. The move towards a greater focus on renting accommodation from the private sector and making it available to those in need of social housing has had some very positive impacts. But it does not address some of the key problems facing those who seek to provide social or co-operative housing. Much of the excess housing is not in the right places or is not appropriate for those on waiting lists.

**Proposal:**

Provide additional resourcing for appropriate schemes aimed at meeting current social housing needs.

**Consequently, *Social Justice Ireland* proposes an additional €20m be made available to support the work of social and co-operative housing organisations in addressing the needs in this area**

## Disability

**P**eople 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 35 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, to be made for the introduction of a non-means tested cost of disability allowance.

**Proposal:**

Develop a cost of disability allowance system.

**Consequently, *Social Justice Ireland* proposes that Government devise a scheme for introducing a cost of disability allowance and set out a pathway for its implementation.**

## Sustainability

**T**he need for development to be sustainable has been clearly recognised. Decisions made in Budgets should be economically, environmentally and socially sustainable. Otherwise they simply store up problems for future generations which will be even more difficult to address effectively.

There has been some evidence in recent years that Government recognises this fact and some initiatives focused on sustainable development have been taken in recent Budgets. There is a long way to go however before sustainability could be said to be at the core of decision-making.

Conventional economic models of development or progress fail to meet the needs of millions of people on this planet today. More appropriate alternative models are required. One initiative that would go some way towards achieving this goal would be the introduction of 'satellite' or 'shadow' national accounts as developed by many governments across the world. *Towards 2016* commits the Irish government to examine the application of satellite accounts.

**Proposal:**

Develop satellite national accounts along the lines outlined above.

**Consequently, *Social Justice Ireland* proposes that Government take the necessary steps to do this in 2011.**

## WORK

**Context:**

Unemployment has risen to 13.6%. Long-term unemployment must be addressed.

**Proposals:**

- Refocus FAS to appropriately resource the preparation and enabling of unemployed people to access jobs.
- Introduce a Part Time Opportunities Programme.

**Reference**

*Socio-Economic Review 2010*

Section 3.3

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## WORKING POOR

**Context:**

39% 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**

*Socio-Economic Review 2010*

Section 3.1 and 3.2

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## HOUSING

**Context:**

60,000 households 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**

*Socio-Economic Review 2010*

Section 3.5

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## DISABILITY

**Context:**

People who are ill or have a disability are among the two categories at highest risk of poverty (21.6%). They have additional expenses because of their disability.

**Proposal:**

- Devise a scheme for introducing a cost of disability allowance.

**Reference**

*Socio-Economic Review 2010*

Section 3.1 and 3.3

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## PUBLIC SERVICES

**Context:**

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

**Proposals:**

- Protect public service provision
- Give priority to public transport systems.

**Reference**

*Socio-Economic Review 2010*

Section 3.4

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## CHILD POVERTY & CHILD BENEFIT

**Context:**

More than 17% of children (approx. 187,000) are at risk of poverty. There is also an ongoing problem with the provision of childcare.

**Proposal:**

- Protect Child Benefit payments; do not cut or tax them.

**Reference**

*Socio-Economic Review 2010*

Section 3.1 and 3.2



## OVERSEAS AID

**Context:**

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

**Proposal:**

- Increase the ODA budget to bring it on target so that it meets the 2012 target.

**Reference**

*Socio-Economic Review 2010*

Section 3.12

## 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 and implement the National Carers Strategy immediately and resource its implementation adequately.

**Reference**

*Socio-Economic Review 2010*

Section 3.3

## 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**

*Socio-Economic Review 2010*

Section 3.10

## 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).
- Protect rural services such as the Rural Transport Initiative and the Community Services Programme.

**Reference**

*Socio-Economic Review 2010*

Section 3.11

## ASYLUM SEEKERS

**Context:**

Ireland is now the only EU country in which asylum seekers are not allowed to work. Direct Provision violates asylum seekers' rights to an adequate standard of living, particularly the right to adequate housing and the interrelated rights to food and health.

**Proposal:**

- Reverse this approach.

**Reference**

*Socio-Economic Review 2010*

Section 3.8

## MIGRATION

**Context:**

The influx of migrant workers in recent years presents Ireland with a major challenge—to integrate rather than isolate these populations. The challenge, though reduced by the current recession, remains.

**Proposal:**

- Implement & resource the *Towards 2016* commitment to establish a new framework to address integration issues.

**Reference**

*Socio-Economic Review 2010*

Section 3.8

# Social Justice Ireland's Proposals for Budget 2011

<b>Social Justice Ireland's key Budget Initiatives for Budget 2011</b>				
<b>Area</b>	<b>Proposal</b>	<b>Impact on Exchequer Income</b>	<b>Increase in Exchequer Expenditure</b>	<b>Decrease in Exchequer Expenditure</b>
<b>Taxation</b>	Standard-rate the tax-break on all pension contributions (cf. page 14).	+ € 1,400m		
	Make tax credits refundable (cf. page 9).		€ 140m	
	Implement Commission on Taxation recommendations re tax breaks (with exception of taxing child benefit) worth €872m in total (cf. page 8).	+ € 552m		
	Introduce a tax of one third of one cent on each text sent via SMS through mobile phones or any other device.	+ € 25m		
	Increase tax-take from gambling (bookmakers / inter-	+ € 40m		
<b>Corporate sector</b>	Introduce a 2.5% levy on all corporation profits as a contribution towards solving Ireland's current fiscal problems (cf. page 11).	+ € 632m		
<b>Labour Market</b>	Introduce a Part-Time Job Opportunity Programme for those who are long-term unemployed (cf. p 10)		€ 300m	
	Re-focus the work of FAS so that its Budget is spent on providing appropriate education, training and employment options (cf. page 15)	No extra cost	No extra cost	
<b>Enterprise, Trade and Employment</b>	Implement recommendations from the McCarthy Report on the IDA, Enterprise Ireland, FAS and the STI activities across all departments.			€ 51m
<b>Health</b>	Older people programme to enable 12-15 units with about 50 beds each to be replaced or refurbished. (cf. page 12)		€ 100m	
	Primary care teams programme (cf. page 12)		€ 50m	
	Children + Family Services programme (cf. p.12)		€ 50m	
<b>Education</b>	Introduce an income-contingent loan scheme for 3rd level students to pay their fees and cover their living costs (cf. page 13).			€ 445m
	Increase funding for adult literacy (cf. page 13)		€ 20m	
	Increase funding for primary schools (cf. page 13)		€ 100m	
<b>Social Welfare</b>	Increase social welfare rates by €5 a week for single people and €8.50 a week for couples. (cf. page 11)		€ 365m	
<b>Social Housing</b>	Increase provision for social housing (cf. page 15)		€ 20m	
<b>Third World</b>	Increase Aid Budget to meet UN target (cf. p.20)		€ 50m	
<b>Finance</b>	Implement McCarthy Report recommendations re general admin, Revenue Comms. the OPW etc.			€ 50m
<b>TOTALS</b>		<b>+ €2,649m</b>	<b>€ 1,195m</b>	<b>€ 546m</b>

# Social Justice Ireland's Proposals for Budget 2011

Fiscal impact of <i>Social Justice Ireland's</i> Budget Initiatives for Budget 2011			
Area	Impact on Government Expenditure	Impact on Government Income	Impact on Government Borrowing
<b>Increases in expenditure</b>	+ € 1,195m		
<b>Decreases in expenditure</b>	- € 546m		
<b>Overall Change in Expenditure</b>	+ € 649m		+ € 649m
<b>Increases in income</b>		+ € 2,649m	- € 2,649m
<b>Savings in capital expenditure already agreed by Government</b>	- € 1,000m		- € 1,000m
<b>TOTALS</b>	<b>- € 351m</b>	<b>+ € 2,649m</b>	<b>- € 3,000m</b>

## A Fair Budget to address Ireland's Current Crises

Ireland is in an exceedingly difficult position as Budget 2011 is finalised. Economic growth is not likely in 2010.

The forecast for 2011 is for some growth but not on a scale that would make a major impact on employment.

More than 600,000 people are at risk of poverty. More than one in three of all households at risk of poverty is headed by a person with a job.

These are the working poor and their situation has been consistently ignored by policy makers in recent years.

The banks who contributed in a major way to the current crisis are being rescued at tax-payers expense.

This has produced a situation where public finance is not available for other areas of government activity.

Services are being cut back, welfare payments have been reduced and poor people, who had no part whatsoever in producing the current crisis are being forced by Government to carry an inordinate part of the burden for Ireland's rescue.

Small and medium enterprises are finding it ever more difficult to access credit to allow them to carry on their businesses even where these businesses are viable.

Because of the retrenchment the current series of crises has produced there

are more people on the live register now (450,000+) than has ever been the case in Ireland. This number is not likely to fall dramatically in the immediate future.

Consequently, Budget 2011 should make decisions that are fair, that protect the vulnerable and that move Ireland towards a better future.

In this Policy Briefing *Social Justice Ireland* has presented a series of proposals that meet these criteria.

### Impact of these proposals

Taken together they would:

- ⇒ Introduce some tax reform;
- ⇒ Ensure progressive redistribution;
- ⇒ Produce a fairer sharing of the burden;
- ⇒ Protect the vulnerable
- ⇒ Address the working poor issue;
- ⇒ Produce real part-time jobs for 100,000 unemployed people;
- ⇒ Make progress towards a better healthcare system;
- ⇒ Produce greater equity in the education system;
- ⇒ Move towards attaining the UN target for supporting the world's poorest people;
- ⇒ Ensure the corporate sector would also make some small contribution towards rectifying Ireland's current

situation.

*Social Justice Ireland* has outlined on previous occasions what it believes should be done to address the banking crisis and to address the funding crisis faced by small and medium industries. We do not repeat these proposals here but they remain our position.

The budget is not an end in itself. Neither is the economy. They are means to an end. When framing a budget Government must address this issue of purpose.

*Social Justice Ireland* believes that Government decisions on Budget 2011 and beyond should be guided by a vision of building a society where the well-being of all is promoted and supported. The economy's purpose should also be to serve this purpose.

Budgets should not be developed as if the correct order is that people serve the economy. In fact the opposite should be the situation: the economy should serve people.

The proposals set out here have been developed and presented on this basis. They have been accurately costed using the most recent data available.

While they will not solve all of Ireland's current problems, no single budget could, they would have a very positive impact on Ireland's current situation and on the situation of all those living in Ireland.

# Budget 2011: A Need for Vision

The scale of the various crisis (banking, public finance, economic, social and reputational) facing Ireland today is dramatic. They imply a period of recovery, one that will take a number of years. The nature of that recovery has both international and national aspects. While the former is out of our control, decisions regarding our national policy responses to these crises will need to be considered and taken over the next few months and years.

*Social Justice Ireland* believes that these national decisions should be framed in the context of one central question:

***Where does Ireland, and Irish society, want to be in 10 years time?***

Budget 2011 offers Government an appropriate opportunity to outline an answer to this crucial question.

As we have outlined in our 2010 Socio-Economic Review (available at

[www.socialjustice.ie](http://www.socialjustice.ie); see section 2.4) we believe that such a long term vision should incorporate each of the following:

- Collect Sufficient Taxes with a Fair Tax System
- Protect Social Provision
- Address Unemployment and Support Employment
- Continue to Reduce Poverty
- Develop Long Term Planning
- Shift Policy to Target Growth of per-capita National Income
- Restate Commitments to the High Level Goals in *Towards 2016*
- Avoid Upwards Redistribution in Supporting Banks and Developers
- Maintain Ongoing Dialogue with Social Partners
- Develop a Rights-Based Approach in policy formation.

## Protecting the World's Poorest

*Social Justice Ireland* believes that in Budget 2011 Ireland's overseas aid budget should move towards the UN target. In the context of Ireland's current challenges it is important to bear in mind that many people in the world are in a far worse situation and have been in this situation for a very long time. Ireland and other countries in the better-off part of the world should not abandon the world's poorest at this crucial time.

One of the major cuts in Ireland's second Budget of 2009 was to the overseas aid budget. It was cut by €100 million, adding to a cut in January 2009 of €95 million. In 2010, Ireland will give €671 million in overseas aid; an amount equivalent to 0.52% of GNP. The Irish Government made a commitment to reach a target of spending 0.7% of our national income on overseas aid by 2012. *Social Justice Ireland* strongly urges Government to **provide an additional €50m in Budget 2011** towards reaching that 2012 ODA target.

### Social Justice Ireland Publications

#### Recent Publications from *Social Justice Ireland*

- The Future of the Welfare State
- Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits
- Policy Briefing on Poverty
- An Agenda for a New Ireland: Socio-Economic Review 2010
- Beyond GDP: What is progress and how should it be measured?

All of these are available on our website at [www.socialjustice.ie](http://www.socialjustice.ie). Printed copies can be purchased from the *Social Justice Ireland* offices.

#### Support Social Justice Ireland

If you wish to become a member of *Social Justice Ireland* or make a donation to support our work you may do so through our website at [www.socialjustice.ie](http://www.socialjustice.ie) or by contacting our offices directly.

We're on the web

[www.socialjustice.ie](http://www.socialjustice.ie)

*Social Justice Ireland* is a research and advocacy organisation of individuals and groups, lay and religious, throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected. It has taken over the programmes and projects previously run by *CORI Justice* including its social partnership role.

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