October
2011

ISSN: 1649-4954

SOCIAL JUSTICE IRELAND

Policy Briefing

Budget Choices
A Fairer Future is Possible

Social Justice Ireland believes a fairer future is possible and that Budget 2012 can take some key steps towards such a future.

In this *Policy Briefing* we outline a detailed set of costed proposals within the overall parameters Government has set for Budget 2012. While we reach the same bottom line in terms of reducing borrowing in 2012, the choices on how to reach that target that we outline here are different to those set out in the Memorandum of Understanding Ireland has with the IMF, ECB and the European Commission.

We take a different approach because the measures contained in the Memorandum

- fail to protect poor or vulnerable people;
- continue the process of dispossessing poor people so that bankers and bond holders may be repaid in full, a process we consider to be profoundly immoral and unjust;
- provide no investment to help generate economic recovery.

When meeting the troika, *Social Justice Ireland* was assured that different pathways were acceptable in reaching the borrowing reduction.

The major differences between our proposals and the troika's are that in our proposals:

- The borrowing reduction target is achieved by tax increases and expenditure reductions on a ratio of 2:1 the opposite to the Memorandum's approach.
- There are no reductions in welfare rates and we leave Child Benefit unchanged.
- The situation of the working poor is improved by making tax credits refundable.
- A new initiative of scale would see up to 100,000 long-term unemployed people take up real part-time jobs.
- The support infrastructure for social services would be protected.

We also make costed proposals to protect vulnerable people in areas such as healthcare, education, social housing, rural transport and Third World Aid. We also propose a new capital investment programme.

We are hampered by the fact that the Comprehensive Expenditure Review (CER) conducted by Government has not been published to date. We will provide specific details on our choices regarding the CER's proposals once they are published.

Finally we wish to place on record that we do not believe the parameters set out in the Bailout agreement are viable in terms of securing Ireland's development. In particular we do not believe the projected growth rate for 2012 will be attained, nor will there be any improvement of substance on unemployment. We present these proposals to show that poor and vulnerable people can be protected even within the troika's parameters.

Inside this issue:

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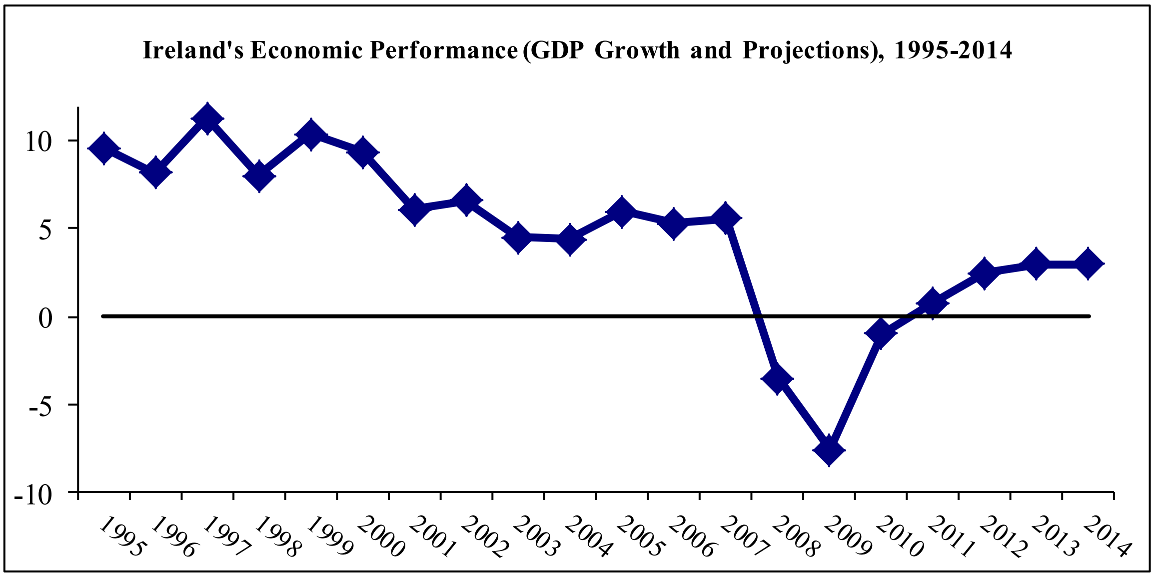
Policy Briefing *is a regular publication issued by Social Justice Ireland. It addresses a wide range of current policy issues from the perspective of those who are poor and/or socially excluded. Comments, observations and suggestions on this briefing are welcome.*

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*



Data on this page is from: OECD *Economic Outlook*; Department of Finance *Budget Documents* and *Monthly Economic Bulletins*; and CSO *QNHS*.

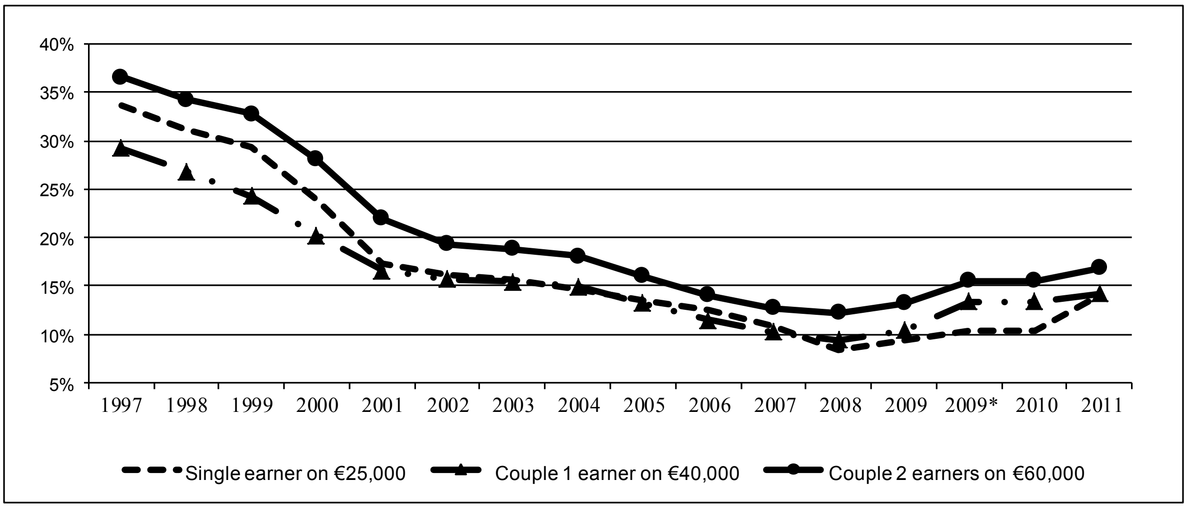
Table 1: Unemployment and Long-Term Unemployment, 2002-2011
(all data for 2nd quarter except 2011 quarter 1)

Year	Unemp %	LT Unemp %
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
2011	14.1	7.8

Table 2: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2011

Household containing:	Weekly line	Annual line
1 adult	€222.18	€11,585
1 adult + 1 child	€295.50	€15,408
1 adult + 2 children	€368.82	€19,231
1 adult + 3 children	€442.14	€23,054
2 adults	€368.82	€19,231
2 adults + 1 child	€442.14	€23,054
2 adults + 2 children	€515.46	€26,877
2 adults + 3 children	€588.78	€30,701
3 adults	€515.46	€26,877

Chart 2: Effective (Average) Taxation rates in Ireland, 1997-2011



The Social and Economic Context of Budget 2012

To provide a brief overview of the social and economic context of Budget 2012, 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 slowly emerging. 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 substantial borrowing to fund that rescue; and

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

The consensus view remains that Ireland's crisis has been predominantly home grown (i.e. items i and ii above).

The terms of Ireland's bailout from the IMF/EU and the sustained instability of the international economy also play a central role in the context of Budget 2012.

The net result of these simultaneous events has seen a rapid increase in the national debt, the collapse of taxation revenues despite large increases in personal 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 (see chart 2 p2).

The Budget is also framed in the context of high, though declining, poverty levels; a sustained problem with child poverty; on-going 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 2011 Socio-Economic Review *'A New and Fairer Ireland'* available on our website: www.socialjustice.ie

Table 3: Ireland's Social and Economic Position in 2012

Real GDP growth 2011*	0.8%	Minimum Wage (per hour / 39hr week)	€8.65 / €337.35
Real GDP growth 2012*	2.5%	Minimum Social Welfare Payment (1 adult)	€188.00
Real GNP growth 2011*	0.3%	Average Gross Household Income (2009)	€1,083 per week
Real GNP growth 2012*	2.0%	Average Disposable H-hold Income (2009)	€881 per week
2011 General Gov Balance (%GDP)*	- 10%	Poverty line 1 Adult (week / year)	€222.18 / €11,585
National Debt (%GDP) 2009	65.2%	Poverty line 2 Adults (week / year)	€368.82 / €19,231
National Debt (%GDP) 2011*(pre NAMA)	110.8%	Poverty line 1 Adult + 1 Child (week / year)	€295.50 / €15,408
National Debt (%GDP) 2012* (pre NAMA)	121%	Poverty line 2 A + 2 Children (week / year)	€515.46 / €26,877
National Capital Investment 2011	Approx. 5.4 % GNP	% of population living in poverty (numbers)	14.1% (628,761)
Total Taxation as % GDP 2011*	30.5%	% of children living in poverty (numbers)	18.6% (210,000)
%Tax on €25,000 income (single / 2 earners)	14% / 2.5%	LA Housing Waiting list - households	56,249
%Tax on €60,000 income (single / 2 earners)	33.4% / 16.8%	LA Housing Waiting list - persons	approx 150,000
%Tax on €100,000 income (single / 2 earners)	40.9% / 29.7%	Illiteracy rate of adult population (1996 data)^	25%
Corporation Tax rate	12.5%	% Waste Landfilled (2007 data)	60.1%
Capital Gain Tax rate	25%	Greenhouse Gas Emissions v. Kyoto target	+8.28%
Value of all Tax Reliefs (per annum)	€11.49 billion	Population 2011 Census	4,581,269
Labour Force	2,099,900	Population 2016 *	5.093m
Employment	1,804,200	Population 2021* / 2041*	5.449m / 6.247m
Unemployment 2011 /rate (ILO Basis)	295,700 / 14.1%	Inflation rate (CPI) 2010	-1%
Unemployment rate 2012*	14%	Inflation rate (CPI) 2011*	+2.5%

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

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

Terms of Bailout Set Budget 2012 Agenda

The overall scale and composition of the decisions Government is to make in Budget 2012 are clear as they have been set out in the Memorandum of Understanding (MOU) with the EU and IMF. The MOU was originally signed in late 2010 and revised by the new Government in early 2011. The document contains a set of commitments and targets that the Irish Government must adhere to in order for the flow of bailout funds to continue. The EU/IMF use the MOU as the basis of their examination of progress when they undertake their quarterly visits to Ireland.

The MOU sections detailing 'actions to be completed by end Q4-2011' provides an outline of the Budget measures the Minister for Finance is required to undertake in Budget 2012. Table 4 reproduces the text from this section of the document. Overall, it requires a budgetary adjustment of €3.6 billion with €1.5 billion coming from additional taxation and €2.1 billion coming from reductions in public expenditure.

Tax increases are due to be achieved via decreases in personal tax credits and bands, a reduction in tax breaks, higher carbon taxes, a new property tax and adjustments to capital taxation. We consider these revenue raising measures further on pages 8, 9 and 15 of this *Policy Briefing*. Indeed, as these sections show, and as *Social Justice Ireland* has continued to point out, there remains significant potential for revenue raising through the creation of a broader and fairer taxation system. While the MOU is less specific on expenditure adjustments, we provide costed details on our view of these adjustments on pages 18 and 19.

Importantly, in launching their *Country Report* for Ireland in May last, the IMF noted the Government's commitments to this programme stating that: "The budget is on track for the ambitious 2011 fiscal adjustment targets, and the new government has committed to medium-term fiscal consolidation in line with the program." This contrasts with some of the recent public discourse which has suggested larger adjustments than the MOU requires.

Table 4: EU/IMF *Memorandum of Understanding* Text for Budget 2012

Government will propose a budget for 2012 aiming to further reduce the general government deficit in line with the fiscal targets set out in the Council Recommendation in the context of the excessive deficit procedure and including the detailed presentation of consolidation measures amounting to at least €3.6bn.

The EU/IMF Programme of Financial Support for Ireland agreed in December 2010 provides for the following commitments in relation to measures for 2012:

◊ **Revenue measures to yield €1,500m** (inclusive of 2011 carryover) in a full year will be introduced, including:

- A lowering of personal income tax bands and credits.
- A reduction in private pension tax reliefs.
- A reduction in general tax expenditures.
- A property tax.
- A reform of capital gains tax and acquisitions tax.
- An increase in the carbon tax.

◊ **Expenditure reduction of €2,100m in 2012 including:**

- Social expenditure reductions.
- Reduction of public service numbers and public service pension adjustments.
- Other programme expenditure, and reductions in capital expenditure.

Source: EU/IMF *Memorandum of Understanding* and IMF *Country Report* July 2011

Carryover from Budget 2011

A feature of the requirements of the MOU is that the Government may count any additional revenues which derive from decisions taken in Budget 2011, but which have yet to be realised in additional income flows to the exchequer, as part of the 2012 revenue adjustment.

For example, such a situation arises as a result of a tax reform which yields lower additional revenues in its first year than in a 'full year'. In Budget 2011, the reduction of tax credits by 10%, yielded €435m in additional taxes in 2011 and will provide a 'full year' yield of an additional €150m (total €585m) in 2012. In general, the additional revenues flow from self-employed taxpayers who complete their tax return for 2011 in October/November 2012 - although they will have paid a preliminary payment in 2011. This additional yield, the Budget 2011 carryover, is counted as part of the adjustment for Budget 2012.

While the effect is sizeable for income taxes and PRSI, it is even greater for reforms to tax breaks which are more heavily availed of by high income earners many of whom make tax returns as self employed individuals or companies. The carryover effect can also be negative to the overall tax yield where for example a measure is announces in Budget 2011 and the tax cost (generally via a tax break) is given in the following year. Budget 2011's extension of the tax break for energy efficiency measures imposed no additional tax revenue cost on the exchequer in 2011 but, as the relief is allowed in the subsequent year to the investment, it will result in a decrease of €30m in the 2012 tax take - a negative carryover.

Taken together, figures from the Department of Finances' *Summary of 2011 Budget Measures* suggest that the carryover effect for Budget 2012 will be between €650-€700m. The effect is particularly big in 2012 as Budget 2011 included a significant number of tax changes. As such, the Minister for Finance has, before he even begins to compile the Budget, achieved over 40% of the targeted tax increases.

Guiding Principle: Protecting the Vulnerable

In making choices in Budget 2012 Government should be guided by the principle of protecting the needs of the vulnerable.

14.1% of Ireland's population is at risk of poverty with incomes below €11,585 for a single person or €26,877 for a household of four.

37% of all the households at risk of poverty today are headed by a person ***with*** a job. A further 44% 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 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** to ensure that those on the lowest incomes are protected from the harshness of the Budgetary adjustments.

It would also involve giving priority in **healthcare** to developing primary care teams rather than increasing consultants 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 **capital expenditure** it would give priority to initiatives that are good for the vulnerable and for the economy (such as retrofitting houses and developing broadband).

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.

In the area of **foreign policy** it would mean honouring Ireland's commitment to provide 0.7% of GNP in foreign aid by 2015 and move towards the UN target in 2012.

The Social Support Infrastructure must not be destroyed

An issue that is often overlooked in decision-making at times of crisis is that particular budgetary decisions may provide a short-term gain or saving but have huge negative long-term consequences. In reality many decisions made during the current series of crises are set to have such effects.

An example of this in practice can be seen in the cuts in welfare payments and support services for people with disabilities. These decisions had short-term gains for government in that they saved money. On the other hand, however, they also had very negative long-term consequences in that they led to people with disabilities becoming prisoners in their own home.

Such a development is an extraordinary indictment of Government's decision-making which sees some of Ireland's most vulnerable people being among the hardest hit as a result of Budget decisions. Decisions were made for short term gain but these decisions inflicted enormous long-term pain.

This approach to decision-making which prioritises short-term gain and fails to address the long-term impact is being applied across a whole range of social services by Government. Many public services are provided by Community and Voluntary organisations. These have come under huge pressure in recent years as the recession has forced an ever-growing number of people to seek their help on a wide range of fronts. But, just at the very moment when the demand for their services increased Government reduced the funding being made available to many such organisations.

It is very noticeable that the scale of cutbacks by Government in the funding provided for provision of public services by the Community and Voluntary sector is proportionately much larger than the cutbacks to funding for public services provided by the public sector.

There should be no further reductions in the income supports for vulnerable people who are dependent on benefits. Likewise there should be no reduction in funding for services needed by people in this situation.

The social infrastructure is being undermined by Government without any regard to the long term consequences of these actions.

Those who are poor and/or vulnerable are bearing an inordinate part of the burden of restructuring.

Government has made no assessment of what the long term impacts of the cuts to services and service reductions will mean for Ireland in ten years' time.

We ask Government to state its vision of Ireland's future which is guiding its decision-making and to clarify how Government initiatives are contributing towards achieving that vision.

Proposal:
Social Justice Ireland proposes that government conduct a long-term impact assessment of decisions to be made in Budget 2012 to ensure they do not lead to a deterioration in Ireland's social support infrastructure.

More Appropriate Tax/Expenditure Adjustment Needed

Governments plans for adjusting public spending and taxation so that Ireland achieves a General Government Deficit of 3% of GDP in 2014 have been detailed in both the *National Recovery Plan 2011-2014* and the EU/IMF *Memorandum of Understanding*. Table 5 summarises these plans showing the adjustment of €6bn completed in 2011 and the proposed structure of the adjustments planned for the next three Budgets. The commitments for adjustments in 2014 have not been specified in the *Memorandum of Understanding* - indeed that document contains limited specific budgetary commitments beyond the end of 2012. They are, however, included in the *National Recovery Plan*.

Overall, the proposal is for a total adjustment of almost €16bn over the period from 2011-2014. As table 5 shows, the division of that adjustment is heavily weighted towards cuts in public spending as opposed to taxation increases. According to these plans (which Government may change but have yet to signal that they will) 63% of the adjustment is from decreases in spending while 32% is from taxation increases.

Social Justice Ireland believes that this is not the most appropriate way of achieving the adjustment to an annual borrowing requirement equal to 3% of GDP. Given the structure and scale of Ireland's taxation system, we have continually highlighted that a far greater proportion of the adjustment can be achieved from additional taxation sources. Furthermore, imposing overall spending reductions of €10bn guarantees that many essential public services will be damaged or removed. A fairer adjustment would be to take at least 66% of the overall adjustment from additional taxation sources.

Table 5: Distribution of Expenditure and Taxation Adjustments for Period, 2011-2014

	2011	2012	2013	2014	TOTAL
Expenditure Cuts	€3.9bn	€2.1bn	€2.0bn	€2.0bn	**€10.0bn**
Taxation Increases	€1.4bn	€1.5bn	€1.1bn	€1.1bn	**€5.1bn**
Other adjustments	€0.7bn				**€0.7bn**
Overall Budget adjustment	**€6.0bn**	**€3.6bn**	**€3.1bn**	**€3.1bn**	**€15.8bn**

Source: National Recovery Plan 2011-2014 (p19) and EU/IMF MOU.

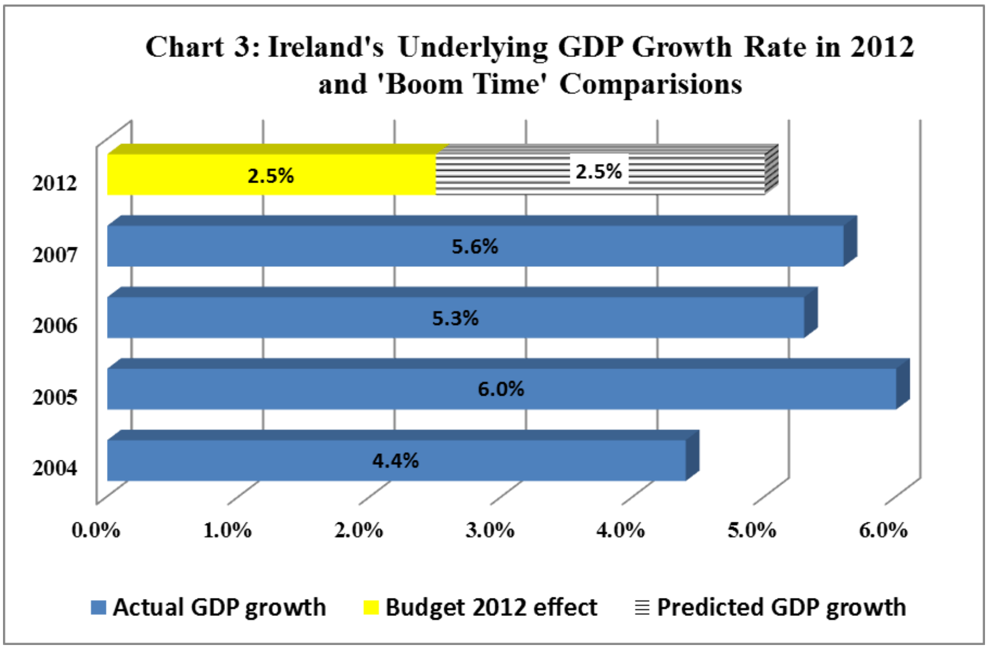
'Boom time' Growth Needed to meet Budget Targets

The overall effect of Budget 2012's proposed €3.6 billion adjustment to the Irish economy will be approximately €4 billion in reduced economic activity in Ireland in 2012. The size of this effect is driven by both the direct reduction in government and consumer spending from the Budget's decisions and the indirect effect on the economy of the knock-on effect of these decisions (the multiplier effect). Put simply, a reduction in an area of government spending means there is less money circulating in the economy and less money passing from company to company and consumer to consumer - i.e. there will be less economic activity. Additional taxation has a similar effect.

Taking this multiplier effect into account means that in 2012 for the Irish economy to stand still (achieve 0% GDP growth) it must replace through new economic activity (growth) the total effect of the Budget's adjustments which will be approximately €4 billion or 2.5% of GDP.

Furthermore, for the economy to achieve the growth targets most recently set out by the Department of Finance (2.5% GDP growth) the economy must replace the effect of Budget 2012 and generate a further €3.9 billion in additional economic activity in 2012. Overall, as Chart 3 shows, this implies that Ireland must experience an underlying growth rate of 5% in 2012 - equivalent to the growth levels experiences in boom times.

Is this credible?



Welfare Payments and Welfare Reform in Budget 2012

There is no justification for reducing **social welfare rates** in Budget 2012 because:

1. SW payments are low and for most households do not cover the minimum they require to live life with dignity.
2. Inflation is likely to rise by 1.5% in the coming year so to stand still welfare rates should rise by that amount.
3. Without the social welfare system Ireland's poverty rate would have been 46 per cent. The actual poverty figure of 14.1 per cent reflects the fact that social welfare payments reduced poverty by 28.6 percentage points.
4. Without any social welfare payments 88% of all those aged 65+yrs would be living in poverty as would 47.3 per cent of under-18s
5. Government can achieve its fiscal targets without reducing welfare rates.

Likewise there is no justification for reducing or taxing **Child Benefit** payments. Child Benefit is a key instrument in tackling child poverty and is of particular benefit to those families on low incomes. Reducing child poverty should be a very important part of Government's policy agenda. We believe that any further cuts to Child Benefit will lead to an increase in child poverty and will represent a major step backwards for Ireland's children. We believe Child Benefit should be universal and the full, untaxed payment should be available to every child in Ireland. However a change in the methodology through which Child Benefit is delivered, e.g. through a universal refundable tax credit available for every child irrespective of the employment status of parents, would have the same effect.

Finally *Social Justice Ireland* believes Government should reverse the **cuts to fuel, electricity and telephone allowances,** for those in receipt of social welfare, introduced in Budget 2011. These cuts have reduced payments to pensioners and other social welfare recipients by almost €20 a month and by as much as €35.29 during the winter months. This is unacceptable and should be reversed.

Social Justice Ireland **believes that Budget 2012 should not reduce social welfare rates nor change the value of Child Benefit payments for any household. Budget 2012 should also reverse the cuts to fuel, electricity and telephone allowances introduced in Budget 2011.**

Table 6: Social Welfare (SW) Rates 2011

	Weekly	**Annual**
Jobseekers Benefit	€188	€9,806
Pension	€230.30	€12,012.44
Child Benefit*	€140**	€1,680

*Based on 1 Child ** This is a monthly rate

The Substantial Impact of Social Welfare Payments

In framing Budget 2012, 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 2009 (the latest year for which data is available) would have been 46 per cent. The actual poverty figure of 14.1 per cent reflects the fact that social welfare payments reduced poverty by 28.6 percentage points.

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 subsequent 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.

As social welfare payments do not flow to everybody in the population it is interesting to examine the impact they have on alleviating poverty among certain groups such as older people. Without any social welfare payments 88% of all those aged 65+yrs would be living in poverty. Benefit entitlements reduce the poverty level among this group to 9.6 per cent. Similarly, social welfare payments (including child benefit) reduce poverty among those under 18 years from 47.3 per cent to 18.6 per cent.

In Budget 2012, the government should maintain social welfare rates for all recipients. While such a policy will not protect these recipients from price increases in the coming year, it will at least assist in limiting the impact of the Budgetary changes on those who can least afford to carry them.

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

Table 7: The role of Social Welfare (SW) payments in addressing poverty

	2001	**2004**	**2006**	**2009**
Poverty levels before SW	35.6	39.8	40.3	46.2
Poverty levels after SW	21.9	19.4	17.0	14.1
The role of SW	**-13.7**	**-20.4**	**-23.3**	**-32.1**

Source: CSO SILC Reports 2006-2010.

Low overall tax take is not sustainable

Despite significant increases in the tax-take from the PAYE sector in the last three 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 almost €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 and USC. Overall, total national tax receipts have fallen from in excess of €47 billion in 2007 to €34.9 billion in 2011.

The impact of these declines in taxation income, reflecting the scale of the national and international recession and the instability and narrowness of the national tax base, have had dramatic effects on the overall tax burden - national taxes plus social insurance and local government charges. Looking to the years immediately ahead, table 8 uses Department of Finance data to provide some insight into the expected future shape of Ireland's overall taxation revenues (from all sources). Over the next three years, assuming the policies announced in the National Recovery Plan and the EU/IMF deal are followed, overall tax receipts will climb to €60.5b mainly driven by increases in income, corporation and consumption taxes. However, even with these increases Ireland will remains a low tax economy with it tax burden (as a % GDP) equivalent to those among the lowest European countries.

While a proportion of the recent 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'. As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements.

Table 8: Ireland's projected total tax take, 2009-2014 (% GDP)*

Year	GDP (nominal)	Tax as % GDP	Total Tax Receipts
2009	€159,647m	30.2	€48,213m
2010	€157,300m	30.2	€47,505m
2011	€161,200m	30.5	€49,166m
2012	€168,100m	31.5	€52,952m
2013	€175,400m	32.3	€56,654m
2014	€183,500m	33.0	€60,555m

Source: Department of Finance, Budget 2011: D9, D25; CSO (2010:4)

Notes: * Total tax take = current taxes + Social Insurance Fund income + health levy (2009 and 2010 only) + charges by local government.
Further detail on this table can be found in section 3.2 of our 2011 Socio-Economic Review.

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. Subsequently, two members of the Commission have produced a detailed report for the TCD Policy Institute which offered further insight into this issue (Collins and Walsh, 2010). They showed that the annual cost of tax expenditures in 2006 (the year where most data was available) totalled in excess of €11.5b per annum and that of the 131 tax expenditures in the Irish system, cost estimates are only available for 89 of them (68 per cent). Given the scale of public expenditure involved, this is a bizarre and totally unacceptable situation.

Some progress has been made on addressing and reforming these tax breaks in recent Budgets, and we welcome this progress. However, there remains further potential to reduce the costs in this area. *Social Justice Ireland* believes that reforming the tax break system would make the tax system fairer. It would also provide substantial additional resources towards achieving the adjustment Government has proposed for the years to come. See p. 15, 18 and 19.

A Corporate Profits Levy

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.

What is required is that Corporate Ireland play its part in addressing the need to reduce Ireland's Exchequer borrowing.

Proposal:

Social Justice Ireland proposes that a levy of 2.5% be introduced on corporate profits in Budget 2012. This would provide an additional €892m in taxation revenue in 2012.

Taxation Issues

Earners over €100,000

As a result of the policies adopted in Budget 2011, there is now an anomaly in the taxation system among all those workers earning in excess of €100,000.

Self-employed earners currently face a tax rate of 55% on all income that they earn in excess of €100,000 - this is calculated as 41% income tax + 7% USC + 4% PRSI + an additional 3% USC levy. However, all other individuals with income above €100,000 are not subject to this additional 3% USC levy and therefore face a tax rate of 52% on all their income in excess of €100,000. It should be noted that the overall effective tax rate faced by both these groups is well below these marginal figures at around 40-42% of earnings.

Budget 2012 should address this anomaly. *Social Justice Ireland* believes that the Budget should extend the 3% USC levy to all income, irrespective of its source, in excess of €100,000. This would allow government to achieve a more appropriate contribution from the very highest earners in Irish society.

Proposal:

Social Justice Ireland proposes that a USC levy of 3% be extended to all income in excess of €100,000 irrespective of its source. We estimate that this would provide an additional €50m in taxation revenue in 2012.

Site Value Tax

Government proposes to introduce a flat household charge of €100 in Budget 2012. In due course it is committed to introducing a property tax in the form of a site value tax.

While we welcome the long overdue progress towards introducing a site value tax, the initial proposal is unfair as it does not discriminate between those with large well located dwellings with many public services close at hand and those living in areas with limited public services or in more modest accommodation.

Budget 2012 should clearly outline the governments commitment to the proper introduction of a site value tax in the near future. It should allocate sufficient resources to ensure this happens and it should commit the government to ensuring that it will be structured in a fair and equitable manner.

Social Justice Ireland has long called for the introduction of a site value tax - it is long overdue and a necessary part of the development of a broader-based fair taxation system. However, a priority must be that it is introduced with fairness and due attention to households' ability to pay.

Proposal:

Budget 2012 should allocate sufficient resources so that Government can proceed to introduce a fair site value tax in the near future.

Carbon Levy Increase

As we outline on p.4 of this *Policy Briefing*, the government is committed to increasing the carbon levy in Budget 2012. While the *Memorandum of Understanding* does not specify the scale of this increase, the *National Recovery Plan 2011-2014* indicated that government would raise an additional €330m from this tax by 2014 via an increase of €10 per tonne in 2012 and a further €5 in 2014. The current tax is levied at a rate of €15 per tonne of CO2 equivalent emissions. The increase in Budget 2012 is likely to generate an additional €160m for the exchequer.

Proposal:

Social Justice Ireland has supported the introduction of a carbon tax, however we regret that once introduced in 2010 Government did not use some of the money raised to target low income families and rural dwellers who were impacted most by this tax. As the tax is increased in Budget 2012, it is essential that Government set aside a portion of the additional revenue to assist these households. We suggest that €40m should be used in this way giving a net revenue increase of €120m in 2012. Our proposals elsewhere on these pages highlight how Government might address this revenue shortfall of €40m via other taxation reforms.

Introducing A Text Tax

A text (SMS) tax would be a simple way for government to raise additional revenue in a broad way from a large base with limited complexity. Social *Justice Ireland* believes that a nominal text tax of one third of one cent (€0.0033) should be levied on each SMS sent through mobile phones or any other device.

The Communications Regulator, ComReg, reported in the Quarter 1 2011 report that there were 3,045,142,000 (just over 3 billion) SMS messages sent in Ireland during the first three months of 2011. Based on this, there would be an annual SMS volume of 12 billion SMS messages. A text tax levied at one third of one cent on each of these messages would provide an annual income to Government of €40m.

Given the scale of this tax, it is unlikely to have much, if any, distortionary effect on SMS senders and it could be easily collected by mobile phone companies and passed on to the exchequer. The mandatory reporting of mobile phone usage data to ComReg by phone operators also provides Government with a easy way to monitor this tax.

Proposal:

Introduce a tax of one third of one cent (€0.0033) on each text sent by SMS through mobile phones or any other device. We estimate that this would provide an additional €40m in taxation revenue in 2012.

Public Expenditure: Reductions and Increases

The **Comprehensive Expenditure Review** led by the Department of Public Expenditure and Reform has not been published as we prepare this *Briefing* on *Budget Choices*.

When it is published *Social Justice Ireland* will identify reductions in expenditure totalling €600m to be added to those included in this *Briefing*.

In the meantime we note the McCarthy Report concludes that Government could save €300m in Budget 2012 by reducing the costs of public procurement contracts to departments. €10m can also be saved by reducing government payment for legal fees.

Proposal:

***Social Justice Ireland* believes that in Budget 2012:**

- **€300m should be saved in the public procurement process**
- **€10m should be saved by reducing government payment for legal fees**
- **A further €600m should be saved from public expenditure** to be identified once the CER is available.

Social Housing

There are currently 98,318 households in Ireland on a waiting list for housing. While Ireland produced far more houses than it needed over the past decade, it failed to address the waiting list issue. As a result the numbers on waiting lists more than tripled in a decade and a half. At present over 78% of those in need of housing have annual incomes of less than €15,000 demonstrating the link between unemployment and housing need.

In view of the cuts to the local authority housing programme, funding is required through the new Capital Advance Leasing Facility (CALF) scheme for housing associations to ensure supply of social housing.

Likewise the Capital Assistance Scheme (CAS) provides vital funding for special needs housing and will be required to implement the Government's Housing Strategy for People with Disabilities and the Homeless Strategy.

Proposal:

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

Rural Transport

The availability of transport as a means of access to both public and private services is a major issue for people living in rural areas. Despite the recent transport initiatives, many communities in rural areas are still not well served.
While agriculture has been doing very well in recent times it should be noted that the population involved in farming is in decline. The number of Irish farms is set to fall to 105,000 by 2015. Only a third of these are likely to be economically viable. Rural development policy needs to protect the rural infrastructure. *Social Justice Ireland* believes that we are now reaching a crucial juncture that requires key decisions in ensuring that rural communities receive adequate public transport infrastructure services. Accessibility of transport is vital to support employment, development of local enterprise, access to services and infrastructure in rural communities.

Proposal:

Provide further resources for the development of local-transport strategies and initiatives tailored to meet local needs.
***Social Justice Ireland* proposes an increase of €10m in Budget 2012 to fund rural transport.**

2000-07: Welfare Boom?

A worrying feature of some commentary over the past few months has been a claim that there was a boom in welfare payments since 2000. These assessments tend to miss one key point - that welfare rates did increase since 2000, but that that increase followed a period, as the Celtic Tiger began to appear, where the living standards of people in Irish society had increased rapidly while welfare payments had barely changed. Table 9 below provides some telling evidence to reflect this. In 1994 the first Irish income distribution survey from the ESRI commenced and recorded poverty rates of 5.3% for those on old age pensions, 5.5% for those on widowed pensions and 10% for those who were ill or disabled. Seven years later these poverty rates had rocketed reflecting the fact that these groups were left behind as the economy boomed. Subsequently welfare payments did increase, but this was merely catching up so that recipients could enjoy basic living standards.

Table 9: Welfare Recipient Poverty Rates, 1994-2001

	1994	1997	2001
Old age pension	5.3	19.2	49.0
Unemployment benefit/assistance	23.9	30.6	43.1
Illness/disability	10.4	25.4	49.4
Lone Parents allowance	25.8	38.4	39.7
Widow's pension	5.5	38.0	42.1

Bad-nutrition tax

Ireland is known for its fresh and wholesome food produced locally. Now, however, the consumption of highly processed food is causing a major health problem because they are fuelling the increase in obesity which now affects one in five Irish adults and an estimated 300,000 children. These numbers are rising. This growing problem has very serious implications for people's wellbeing. In particular the increased rates of diabetes and cardiovascular disease are adding substantially to the cost of Ireland's healthcare services.

Social Justice Ireland proposes the introduction of a bad-nutrition tax on salt, alcohol, sugar and saturated fats. These are the most common ingredients in fast food, ready meals and soft drinks which are the major cause of obesity. They are also contained in confectionery, cakes, biscuits, sugary drinks, and salty savoury snacks.

The revenue generated from this tax should go directly back into resourcing the health service.

Proposal

Government should introduce a 'bad nutrition' tax on the main components of junk food, fast food and soft drinks.

***Social Justice Ireland* proposes the introduction of a 2% tax on salt, alcohol, sugar and saturated fats to yield €15m.**

Budget 2012 should introduce Refundable Tax Credits

During 2010 *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:

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 2012 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

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

Labour Market Proposal

The past three years have seen Ireland return to the phenomenon of widespread unemployment. The transition from near full-unemployment 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 had 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 447,900 in July.

Unemployment as measured by the Quarterly National Household Survey and the latest seasonally adjusted figure, for January to March 2011, is 295,700 persons unemployed. This is an unemployment rate of 14.1%.

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. 190,062 people had been on the live register for more than a year in July 2011.

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 period 1994-1998 . (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 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.

***Social Justice Ireland* proposes that a Part-Time Job Opportunities programme be established along the lines of the programme piloted in the 1994-1998 period. Additional funding of €150m should be allocated in Budget 2012. 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 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 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	Impact of this proposal on Government's Income and Expenditure in
Introduce a new Part-Time Job Opportunity Programme to provide real, part-time jobs for 100,000 long-term unemployed people.	Transfer of social welfare payments for participants. **Increased expenditure: €150m**

Education Proposals

Education 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

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.

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.

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.

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:

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

***Social Justice Ireland* believes such a scheme should be introduced in Budget 2012. 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 Educations 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.

We re-iterate our previous claims that this target is illogical, un-ambitious and suggests a complete lack of serious interest in addressing this problem.

The current target on adult literacy should be revised downwards dramatically and the necessary resources committed to ensuring that the revised target is met.

Proposal:

What is required is a major step-change in adult literacy programmes.

***Social Justice Ireland* believes that €20m should be allocated in Budget 2012 as the first tranche of additional funding for this purpose.**

For further information on education and educational disadvantage

See: *Social Justice Ireland*'s *Socio-Economic Review 2011* Section 3.7

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**

Health Proposals

Urgent action is required in four key areas if the basic model of care that is to underpin the health services is not to be undermined. These areas are:

1. Older People's Services
2. Primary Care Teams
3. Children and Family Services
4. Mental Health 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 community-based services to meet their needs. An appropriate mix of public & private residential care will be required. This needs to be complemented by ensuring access to acute services is available as required.

There is an urgent need to address the specific deficits in public residential care (community hospitals) infrastructure that exist. If this is not done we will see the inappropriate admission of older people to acute care in increasing numbers with consequent negative impacts on people and services across the country.

Proposal:

Investment of €325m is required over five year i.e. €65m each year. This would enable 12-15 community nursing facilities with about 50 beds each to be replaced or refurbished each year.

Social Justice Ireland **proposes €65m should be allocated in Budget 2012 as the first tranche of funding for this purpose.**

Primary Care Teams (PCT)

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 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, public health nurses and community RGNs, physiotherapists, occupational therapists and home-care staff. 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 provided for. PCTs provide a single point of contact for the person and the health system.

Proposal:

Investment of €250m is required 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.

Social Justice Ireland **proposes €50m should be allocated in Budget 2012 as a new 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 for 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 pubic and private provision.

In many communities there are community & voluntary services being operated out of very poor facilities in need of refurbishment /rebuilding. 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:

€250m is required 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.

Social Justice Ireland **proposes €50m be allocated in Budget 2012 as the first tranche of funding for this purpose.**

Mental Health - Implementation of Vision for Change

A Vision for Change is the national strategy for mental health published in 2006, which sets out how services should be structured and delivered in Ireland.
This strategy will see a continued move away from the old model of institutional care to a wide range of modern community based mental health services. This approach aims to support people to live as independently as possible and avoid admission to hospital if possible.

Proposal:

€175m is required over five year i.e. €35m each year to support the development of Extended Catchment Areas.

Social Justice Ireland **proposes €35m should be allocated in Budget 2012 as the first tranche of funding for this purpose.**

Summary of Proposals on Health and Children	**5-year requirement**	**Budget 2012**
Older People	€325m	€65m
Primary Care Teams	€250m	€50m
Children and Family Services	€250m	€50m
Mental Health Services	€175m	€35m
Total increase in expenditure:	**€1 billion**	**€200m**

Capital Investment Proposal

Ireland's Bailout agreement with the IMF, the ECB and the European Commission has no proposals that are likely to generate jobs on the scale required to rescue Ireland from its current situation.

To date the Bailout Agreement:

- Conditions are being honoured and benchmarks on a wide range of issues are being met by the Irish Government and Ireland's citizens.
- Benchmarks on banks and fiscal issues set out in the Memorandum of Understanding are being met.
- However, the promised outcomes are not materialising:

◊ Economic growth is not reaching the forecast targets.

◊ Jobs are not being created on the scale required.

◊ Unemployment is not falling at the rate envisaged.

◊ Finance is not available on the scale required for small and medium enterprises.

◊ Essential services are being reduced to such an extent that the health and wellbeing of citizens is being put at risk.

◊ The Community and Voluntary sector, often the place of last resort for many vulnerable people, has seen a huge increase in demand for its services. At the same time its funding has been reduced dramatically.

As we have seen earlier in this Briefing (p.6) the underlying growth rates required to meet the Bailout agreement's targets require Ireland to produce Celtic Tiger growth rates with no investment programme. This simply makes no sense.

Capital investment in Budget 2012 is set to be €4.3bn as set out in the Stability Programme published by the Department of Finance. This is a reduction of €400m on capital investment in 2011.

Proposal:

Government should include a further €1bn for capital investment in Budget 2012. This programme should be targeted specifically at initiatives that assist both the vulnerable and the economy. Investment in areas such as retrofitting houses, improving the water infrastructure and developing the broadband infrastructure fit these categories. They would create jobs in Ireland and the benefits would be available locally.

Social Justice Ireland **proposes that a further investment of €1bn should be added to the capital programme in Budget 2012.**

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.

In this context, it needs to be understood that social welfare payments are the key to reducing poverty among older people. Without social welfare payments 88% of all those aged between 65-74 would be living in poverty. Social welfare payments reduce the poverty level among these groups to approximately 10% a fact which underscores the importance of these payments to older people.

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 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 Homemaker's Scheme, and be simple to administer

Proposal:

Standard rating pension contributions in Budget 2012 would be a step towards a less skewed tax system. Government should introduce this reform in one step rather than in an incremental way.

Social Justice Ireland **proposes that the tax-break for all pension contributions should be standard rated in Budget 2012. This would increase the tax-take by €700m on a full-year basis.**

Summary of Proposals on further Capital investment and on Pensions	Impact on Government income and expenditure
Capital investment programme in areas such as retrofitting houses, water infrastructure and broadband.	**Increased expenditure of: €1,000m**
Standard rating pension contributions	**Increased income of: €700m**
Additional savings to be identified	**Increased income of: €300m**

Budget 2012 - Issues (further information in our annual Socio-Economic Review)

WORK

Context:

Unemployment has risen to 14.1%. Long-term unemployment must be addressed.

Proposals:

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

Reference
Socio-Economic Review 2011

Section 3.3

WORKING POOR

Context:

37% 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 2011

Section 3.1 and 3.2

HOUSING

Context:

98,313 households are on housing waiting lists. Many are homeless. These cannot afford to provide appropriate accommodation for themselves.

Proposal:

- Increase investment by at least €20m to support the work of social and cooperative housing organisations in addressing needs in this area.

Reference
Socio-Economic Review 2011

Section 3.5

DISABILITY

Context:

People who are ill or have a disability are among the two categories at highest risk of poverty (21.7%). They have additional expenses because of their disability.

Proposal:

- Increase investment by at least €10m to ensure the disability support infrastructure is not destroyed (cf. p.5).

Reference
Socio-Economic Review 2011

Section 3.1 and 3.3

PUBLIC SERVICES

Context:

Funding for public services is being reduced and the supporting infrastructure is being eroded.. Poorer people bear the brunt of this development.

Proposals:

- Protect the social support infrastructure.
- Increase support to CV sector to deliver public services..

Reference
Socio-Economic Review 2011

Section 3.4

CHILD POVERTY & CHILD BENEFIT

Context:

More than 18% of children (200,000+) 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 2011

Section 3.1 and 3.2

Budget 2012 - Issues (further information in our annual Socio-Economic Review)

OVERSEAS AID

Context:

Ireland has committed to providing 0.7% of GNP in foreign aid by 2015 - reaching the UN target. This expenditure is targeted at the most vulnerable people on the planet.

Proposal:

- Increase the ODA budget by €50m to ensure it meets the 2015 target.

Reference
Socio-Economic Review 2011

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:

- Publish the National Carers Strategy immediately and resource its implementation adequately without delay.

Reference
Socio-Economic Review 2011

Section 3.3

SUSTAINABLE DEVELOP-MENT

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 the production and implementation of an updated National Sustainable Development Strategy.

Reference
Socio-Economic Review 2011

Section 3.10

COMMUNITY AND RURAL DEVELOP-MENT

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 2011

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 2011

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:

- Establish a new framework to address integration issues to ensure human rights are respected.

Reference
Socio-Economic Review 2011

Section 3.8

TAXATION: Social Justice Ireland's key Budget Initiatives for Budget 2012				
Area	**Proposal**	**Increase in Exchequer Income**	**Decrease in Exchequer Income**	**Balance**
Carry-over	Carry-over from 2011 Budget (p.4)	€ 700m		
Buoyancy	Tax revenue buoyancy	€ 300m		
Carbon	Carbon levy proposed in Government 4-year Plan (p.9)	€ 160m		
Households	Household charge as proposed by Government (p.9)	€ 160m		
Tax Credits	Make tax credits refundable (p.9).		€ 140m	
Lump sums	Eliminate tax break for lump sum pension payments	€ 130m		
Other tax breaks	Implement outstanding Commission on Taxation recommendations re tax breaks (with exception of taxing child benefit) (p.8).	€ 100m		
USC	Extend USC levy of 3% to all income above €100,000 irrespective of source (p.9).	€ 50m		
Nutrition	Introduce an anti-bad nutrition tax (p.10)	€ 15m		
Text messages	Introduce tax of one third of one cent per text sent via SMS through mobile phones or any other device (p.9).	€ 40m		
Gambling	Increase tax from gambling (bookmakers / internet)	€ 40m		
Corporate sector	Introduce 2.5% levy on all corporate profits as a contribution towards solving Ireland's fiscal problems (p.8).	€ 892m		
TOTALS		**+ €2,587m**	**€ 140m**	**€ 2,447m**

Fiscal impact of *Social Justice Ireland*'s Budget Proposals for Budget 2012	
Net increase in taxation	€ 2,447m
Net decrease in expenditure	€ 1,200m
TOTAL IMPACT ON GOVERNMENT BORROWING:	**- € 3,647m**

Additional Investment programme for Budget 2012	
	Impact on Government Borrowing
Additional capital investment for retro-fitting houses, water, broadband etc. (p15)	Plus: € 1,000m
To be part-funded by: Standard rating of pension contributions (p.15)	Minus: € 700m
Balance to be funded by expenditure reductions to be identified from the CER	Minus € 300m
TOTAL IMPACT ON GOVERNMENT BORROWING:	**€ 0m**

EXPENDITURE: Social Justice Ireland's key Budget Initiatives for Budget 2012				
Area	**Proposal**	**Decrease in Exchequer Expenditure**	**Increase in Exchequer Expenditure**	**Balance**
Labour Market	Introduce a Part-Time Job Opportunity Programme for those who are long-term unemployed (p.12)		€ 150m	
Jobs, Enterprise, and Innovation	Implement recommendations from the McCarthy Report on the IDA, Enterprise Ireland, FAS etc.	€ 27m		
Health	Older people programme (p.14).		€ 65m	
	Primary care teams programme (p.14)		€ 50m	
	Children + Family Services programme (p.14)		€ 50m	
	Mental Health programme (p.14)		€ 35m	
Education	Introduce an income-contingent loan scheme for 3rd level students to pay their fees and cover living costs (p.13).	€ 445m		
	Increase funding for adult literacy (p.13)		€ 20m	
	Increase funding for primary schools (p.13)		€ 100m	
Social Welfare	Reverse cuts to fuel, electricity and phone allowances introduced in Budget 2011 (p.7).		€ 17m	
	Relief for low-income and rural dwellers for carbon tax increases in 2011 and 2012 (p.9)		€40m	
Disability	Increase the allocation for disability services (p.15)		€10m	
Soc. Housing	Increase provision for social housing (p.15)		€ 20m	
Transport	Increase the allocation for the Rural Transport Initiative (p.10)		€10m	
Third World	Increase Aid Budget to meet UN target (p.20)		€ 50m	
Finance	Implement McCarthy Report recommendations regarding savings not implemented to date.	€ 35m		
Public Expenditure	Reduce the cost of public procurement contracts to Government (p.10).	€300m		
	Reduce the cost of Government payments for legal fees (p.10)	€10m		
Comprehensive Expenditure Review	Items to be specified by *Social Justice Ireland* when the Comprehensive Expenditure Review is published (p.10)	€600m		
Capital Programme	Reduce the public capital programme as foreseen already in Government documentation	€400m		
TOTALS		**€1,817m**	**€ 617m**	**€ 1,200m**

A Fair Budget in a Time of Crisis

Ireland is in an exceedingly difficult position as Budget 2012 is finalised. The growth forecast for 2012 is 2.3% but unemployment is expected to rise to 14.5%. More than 600,000 people are at risk of poverty. The plight of the working poor is still being ignored. 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.

Budget 2012 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 the proposals contained in this Policy Briefing 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 believes that Government decisions on Budget 2012 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 always be to serve this purpose.

Protecting the World's Poorest

Social Justice Ireland believes that in Budget 2012 Ireland's overseas aid budget should not be reduced any further. 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 2011, Ireland will give €636 million in overseas aid; an amount equivalent to 0.50% of GNP. The Irish Government made a commitment to reach a target of spending 0.7% of our national income on overseas aid by 2015. *Social Justice Ireland* strongly urges Government to provide an additional €50m in Budget 2012 towards reaching that 2015 ODA target.

Social Justice Ireland

We're on the web

www.socialjustice.ie

Recent Publications from *Social Justice Ireland*

- A New and Fairer Ireland: Socio-Economic Review 2011
- Sharing Responsibility in Shaping the Future
- Policy Briefing on Health
- Policy Briefing on Work, Jobs and Unemployment
- Policy Briefing on Poverty and Income Distribution
- The Future of the Welfare State
- Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits

All of these are available on our website at 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* or by contacting our offices directly.

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.

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