SOCIAL JUSTICE IRELAND

working to build a just society

Social Justice Ireland

Policy Briefing June 2015

Budget Choices

Inside this issue

After years of coping with the crisis and its consequences Ireland now faces major choices. What kind of future do we want for Ireland? What level of services should we aspire to, in areas such as education and health? What level of infrastructure is required in areas such as public transport and social housing? How much of Ireland's services and infrastructure should be provided by the state? What would be the appropriate level of taxation for Ireland in the years ahead? Do we have any views on the distribution of wealth and power in our society?

It is time to have a real debate about our economic and social priorities in the years ahead; whether, for example, it is time to reduce taxes for higher-rate taxpayers, or whether it is time to invest in our social services and infrastructure and strengthen our social security system; whether we want to return to a privately-financed system of housing provision that leads to vacant homes, broken banks and record numbers on the social housing list, or whether we wish to create a society that guarantees quality accommodation for all; whether we wish the standard of healthcare to depend on the contents of our wallets, or the common demands of our humanity.

Whether, in a word, we wish to collectively pursue the public purpose, or return to the petty politics of private greed.

These are central questions that should be addressed when decisions are made on Government's annual Budget. On page 3 we set out a guiding vision for Ireland and a policy framework to move decision-making in this direction.

In the following pages we set out a series of investment packages and tax proposals focused on maximising the use of available resources and of moving Ireland towards becoming a just society.

Our proposals produce an increase of expenditure over revenue of €1.5bn as proposed by Government in its recent Spring Statement. Our approach, however, is different from that of Government, in three key areas. We disagree with what Government is proposing on:

- The distribution of new resources between tax cuts and investment in services.
- The focus on reducing taxation.
- The pace of increasing investment in services and infrastructure.

Distribution of resources

The Government's proposal to split available resources on a 50:50 basis, between tax cuts and investment in services, is profoundly unfair. As a ratio of 2:1 was applied when imposing austerity, surely the very minimum that would be expected would be that this ratio should also be used when resources become available, i.e. to apply one-third of the additional resources to tax reduction and two-thirds to expenditure increases.

Taxation

Despite significant increases in the tax-take from households (both directly and indirectly) since the outset of the recession, the scale of collapse in Ireland's tax revenues has been dramatic. (cf pp. 10-12).

As a policy objective, Ireland should collect a level of taxation capable of adequately supporting the country's economic, social and infrastructural requirements. The current low-tax

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Comments, observations and suggestions on this briefing are welcome.

Budgetary Stance and Proposals

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model is not sustainable and the current set of Government projections for taxation revenue are unrealistic.

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'.

A number of other false conclusions that underpin Government Budget policy need to be highlighted.

Poor people pay more of their gross income in tax

The often-repeated claim that poor people pay little or no tax is one of the major falsehoods on which bad policy decision-making is based. In fact people with less money spend far more of their money on things that are subject to indirect tax - primarily VAT and excise duties.

A 2014 study by Dr Micheál Collins of the Nevin Institute based on CSO statistics shows that the poorest 10 per cent of households (with average gross income of €10,000) pay just over 30 per cent of their gross income in total tax (indirect and direct). The richest 10 per cent (with an average gross income of €155,000) pay just under 30 per cent in tax (direct and indirect).

Government's claim to fairness when it proposes to reduce the top tax rate is false. The repeated emphasis on the marginal tax rate is a means of hiding the fact that Government is intent on continuing to support the better off at the expense of the poor and vulnerable.

Who is on 'middle income'?

Government constantly describes people on 'middle income' as those earning between €32,800 and €70,000. Revenue statistics however show that based on tax units the middle-income range is between €25,000 and €40,000. Tax units earning €50,000 are in the top quarter of earners. This provides further proof of the fact that despite the 'spin' put on the story, Government policy is clearly focused on supporting the better-off. This choice should change.

Budgetary stance

Social Justice Ireland believes that Ireland's services and infrastructure badly need substantially more investment than is planned by Government.

Funding for these areas has been dramatically reduced or eliminated in a series of four regressive budgets where the vulnerable were hit hardest.

Combined with the need for an overall increase in the total tax-take as mentioned already, we believe Budget 2016 should:

- **Start the process of increasing the proportion of GDP that the Exchequer collects in taxation and doing this in a fair and equitable manner;**
- **Increase investment in services and infrastructure so as to move towards the vision of a just society set out on page 3.**
- **Ensure the combined impact of the changes made should be to increase expenditure over revenue by €1.5bn in 2016.**

Government's proposed pace of increasing investment in services and infrastructure is far too slow. Far more is possible, sustainable and urgently needed.

Investment Proposals

On pages 5-9 we set out our investment proposals. These include packages of additional investment on:

- **Social Housing**: €680m to support the Social Housing Strategy and others aspects of social housing policy. We also propose a new off-balance sheet mechanism to access low-cost finance on the scale required to address Ireland's social housing crisis. (p.5)
- **Health**: €350m investment focused principally on Primary Care Teams, support for older people, addressing demographic pressures and tackling obesity and chronic disease.
- **Education**: €350m investment focused on adult literacy, lifelong learning and early childhood education and after-school care.
- **Pensions**: €714m to introduce a universal pension for everyone over 65 financed by a reform of the current system of pension related tax expenditures/reliefs .
- **Rural/Regional**: €710m investment package for Rural Ireland. This involves investing in broadband infrastructure, the rural transport programme, a rural enterprise scheme and retrofitting houses and community facilities.
- **Social Protection**: €255m to increase Social Welfare payments and direct provision payments.

Taxation Proposals

On pages 10-12 we set out a detailed series of proposals aimed at addressing Ireland's low tax-take in a fair manner, reforming the income tax and corporation tax systems and broadening the tax base. These include:

- Increasing the PAYE tax credit and making the two main tax credits refundable.
- Standard rating the tax break on all pension contributions and non-pension discretionary tax breaks.
- Introducing a minimum effective corporate tax rate of 6%.

These proposals taken together are fair and just, they are sustainable and they would move Ireland towards becoming a fair and just society.

Guiding vision and policy framework

Macroeconomic Stability	Just Taxation	Decent services	Good Governance	Sustainability
Reduce Ireland's debt burden	Bring total tax-take to EU average	Secure services and social infrastructure	Deliberative democracy and PPNs	Promote climate justice and protect the environment
Financial and fiscal stability and sustainable economic growth	Increase taxes equitably and reduce income inequality	Combat unemployment and under-employment	Reform policy evaluation	Balanced regional development
Investment programme	Secure fair share of corporate profits for the State	Ensure seven Economic, Social and Cultural rights are achieved.	Social dialogue - engage all sectors in deliberative process	New indicators of progress and new Satellite National Accounts

Having a guiding vision of Ireland's desired future is a prerequisite in the policy-making process if decisions made are to be integrated and coherent and all working to reach the same destination.

Social Justice Ireland has long advocated a new guiding vision for Irish society; one based on the values of human dignity, equality, human rights, solidarity, sustainability and the pursuit of the common good. These values are at the core of the vision for a nation in which all men, women and children have what they require to live life with dignity and to fulfil their potential: including sufficient income; access to the services they need; and active inclusion in a genuinely participatory society. We believe these are the aspirations of the majority of Irish citizens.

Yet there is an extraordinary reluctance to address the question of Ireland's future in a comprehensive and inclusive way, to be specific about the kind of society we wish to build from the trauma of recent years.

A new policy framework is required; one that recognises the need to increase taxes towards the European average in order to fund the public services that we need, while implementing new criteria for policy evaluation. We outline the five basic components of our policy framework above. The key elements are macro economic stability, just taxation, decent services, good governance and sustainability.

Examining these five policy areas together allows for a long-term perspective in relation to economic, social and environmental policy making. It would allow for planning now to ensure Ireland has the required infrastructure in place to face demographic changes.

While Government prioritises a short-term business-friendly economic policy, and justifies most policy developments on that basis, there is little or no discussion of what Ireland as a society should look like ten years from now, of how the common good and the well-being of this and future generations are to be promoted and attained in a fair and sustainable manner. Yet these are critical issues.

While there might be general agreement on eliminating poverty, unemployment and waiting lists (for housing or healthcare) there is little discussion on the steps to be taken if these and many other desirable outcomes are to be achieved. Ireland needs a robust public debate, involving all its people, to address these issues.

Planning for Ireland's future requires that decisions are made within a framework that gives priority to long term policy outcomes.

Looking back, we believe strongly that there were alternatives to the approach the Irish Government followed, alternatives that would have led to fewer job losses and greater protection of the vulnerable while rescuing the economy and moving Ireland towards a desirable and sustainable future.

Looking forward, we believe that Ireland is at another major moment in which choices must be made, choices that will decide whether Ireland becomes a just and fair society or reverts to the short-sighted policies that led to the excesses and poor decisions of the Celtic Tiger years.

It is crucial that Government take a long-term perspective, realising that there are serious economic, social and environmental challenges that must be faced but that these will take more than a single term of Government to resolve.

It is crucial that Government take a long-term perspective, realising that there are serious economic, social and environmental challenges that must be faced but that these will take more than a single term of Government to resolve.

Ireland cannot provide high-quality public services to all while allowing total public expenditure to fall as a percentage of GDP. If there is an improvement in various indicators additional revenue should be used to upgrade services and protect vulnerable people.

This policy framework would enable multiannual budgeting and long-term planning for social and physical infrastructural investment. It would enable policy makers and Government to plan for policy outcomes that will take a number of years to yield a return.

Investment in areas such as social housing, quality childcare and broadband requires policy planning based on what can be achieved in the medium to long term. This investment is required on a multi-annual basis in order to develop our infrastructure. Such investment takes a number of years of planning and will require a number of years to filter through. However it would yield very significant long term returns for Government .

Macro-Economic Stability - Fiscal Policy

Sound & Fair Fiscal Policy

In framing Budget 2016, Government is required to make its choices in the context of the agreed EU-wide Stability and Growth Pact rules and the Fiscal Compact. Adhering to these rules has driven policy towards achieving a less than 3% of GDP budget deficit - a benchmark likely to be achieved in 2015.

The rules also determine the shape of Budget policy in the years to come, requiring reductions in debt levels and structural deficits of less than 0.5% of GDP from 2016 onwards.

While adhering to these rules places limits on Government policy choices, neither the adherence to the rules or budget policy choices in general should deviate from the need for fiscal policy to be both sound and fair.

The rules should not impede Government from making worthwhile and overdue investments in the economy and society - initiatives which can be part funded through 'off-the-books' methods such as those we outline on page 5.

Composition of Budget Choices

Throughout this document we highlight that fairer policy choices are feasible and possible. As a start, the fairness of Budget choices can be judged against the commitment of Government to split the available resources.

While we have developed our proposals based on Government indications of a total budget package of €1.5 billion, we believe that it is appropriate, and fair, that this adjustment be split 2:1 between expenditure (including investment in services and infrastructure) and tax cuts. Such a composition reflects the nature of the austerity measures implemented in various budgetary adjustments between 2008-2014 (see Table 1).

Social Justice Ireland does not believe it is either appropriate or fair for Government to allocate the resources planned for Budget 2016 with a 50:50 split between tax reductions and spending increases. Given the persistent deficiencies in so many areas of public services and provision, it is unjust that funds, as they become available, are skewed away from addressing these deficits and towards the prioritisation of tax cuts.

Our proposals in this Briefing are based on a Budget adjustment of €1.5bn as proposed by Government in its Spring Statement in April.

Irrespective of the scale of the final adjustment announced by Government for the forthcoming Budget, this document clearly highlights that fairer choices are feasible and possible in Budget 2016.

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Table 1: Composition of Austerity Budget Adjustments, 2008-2014 (€m)

Adjustment Description	Tax ↑	Expenditure ↓	Total	Running Total
Adjustment July 2008		€1,000	€1,000	**€1,000**
Budget 2009	€1,215	€747	€1,962	**€2,962**
Adjustments Feb/March 2009		€2,090	€2,090	**€5,052**
Supplementary Budget 2009	€3,621	€1,941	€5,562	**€10,614**
Budget 2010	€23	€4,051	€4,074	**€14,688**
Budget 2011	€1,409	€4,590	€5,999	**€20,687**
Budget 2012	€1,600	€2,200	€3,800	**€24,487**
Budget 2013	€1,432	€1,940	€3,372	**€27,859**
Budget 2014	€880	€1,600	€2,480	**€30,339**
Total of Adjustments	**€10,180**	**€20,159**		
% Division of Adjustments	**33.6%**	**66.4%**		

Source: Department of Finance, various Budget and Acts (2008-2015). **Notes:** Budget 2015 was the first expansionary Budget since 2008 and delivered reductions in taxation and increases in expenditure.

...at the very least, Budget 2016 should be structured such that it reverses the composition of austerity measures implemented over the past few years - 33% tax and 66% expenditure

Debt: Costs & Overdue Write-down

At the end of 2014 Ireland's Gross National Debt stood at almost €203bn equivalent to almost 110% of GDP. The contrast between the period before the recession is stark; in 2007 the national debt stood at €47bn (25% GDP). Throughout the economic crisis, debt has been driven up by: (i) borrowing to fund differences between government spending and tax revenues; and (ii) the cost of the various bank bailouts.

A key legacy of this enormous increase in debt is the annual costs of servicing the debt through interest payments. Chart 1 profiles this cost to 2020.

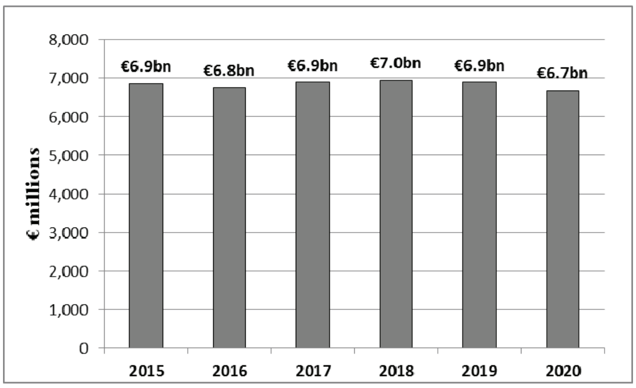
In 2016 interest costs will be almost €6.8bn and they are expected to remain more-or-less at this level to 2020. By itself, debt service has become one of the main areas of government annual expenditure.

Social Justice Ireland regrets that during the past year Government failed to achieve a significant write-off of the banking component of the national debt - this is debt predominantly derived from inappropriate lending by international institutions and bond holders to Ireland, it is not our debt.

As part of Budget 2016 Government should commit to achieving a significant reform in the ongoing cost of this debt; a write-off of all or a significant proportion of the debt is essential.

Such a policy change is a matter of fairness and appropriateness and is overdue.

Chart 1: Annual Cost of National Debt 2015-2020



Source: Department of Finance, SPU April 2015.

Investment - Social Housing

Ireland is in the midst of a serious housing crisis. Demand far exceeds supply especially in the Greater Dublin area. As a result the cost of accommodation has risen steeply and is now far beyond the financial capacity of many.

There are about 90,000 households on waiting lists for social housing. These households are not in a position to purchase a house. The number of households becoming homeless because their rent has been increased has been escalating steadily.

The number of homeless people in emergency accommodation across the State during the final week of April was 3,143, including 1,118 children.

There is also a relatively large cohort of householders who are unable to meet their mortgage payments following on from the consequences of the crash of 2008 and the subsequent recession.

Demand for housing far exceeds supply especially in the Greater Dublin area. As a result the cost of accommodation has risen steeply and is now far beyond the financial capacity of many.

At end-March 2015, there were 757,175 private residential mortgage accounts for principal dwellings held in the Republic of Ireland. Of these, 104,693 were in arrears. 74,395 accounts (9.8 per cent) were in arrears of more than 90 days. While each of these numbers has been falling, the number of mortgages in arrears for more than two years has been rising. More than one third of all mortgages in arrears are now in this category.

In recent years Government policy was based on the premise that the private sector would provide sufficient rental accommodation to meet the total need for accommodation in Ireland. However, the private sector is nowhere near delivering the number of units required to meet the demand.

The Government's Social Housing Strategy (SHS) is a welcome initiative that sets targets up to 2020. However, even if it succeeds in providing the planned level of increase in social housing it will be far from the level required to eliminate housing waiting lists. Further initiatives on a much larger scale are required if Ireland is to respond effectively to the current housing crisis.

Consequently, ***Social Justice Ireland*** **recommends** that Government fully resource the Social Housing Strategy and expand its scale to effectively eliminate the current waiting list of 90,000 households while also providing for the increased demand for social housing in coming years. It will not be possible for Government to finance this level of provision 'on the books' because of the fiscal rules that have been adopted since the crash. Consequently, a viable means of financing this provision 'off-the-books' is urgently required. *Social Justice Ireland*'s proposals in this regards are set out in the box (right).

Securing sufficient finance to provide the scale of Social Housing required is a major challenge. The Government's Social Housing Strategy (SHS) is very welcome. It is on a scale that Ireland has not seen for many years. Despite this, however, it is not going to meet the demand unless a new approach is taken to securing the necessary finance.

Currently there are about 90,000 households on waiting lists for social housing. This number is set to rise quite dramatically as a growing number of households will not be in a position to finance their own accommodation.

The key challenge is to increase the supply of housing generally and of social housing in particular.

Social Justice Ireland supports proposals contained in a recent report by the National Economic and Social Council (NESC) that cover areas such as rent certainty, secure occupancy, tax treatment and others.

However, there is an urgent need to address the issue of financing to underpin the provision of social housing in the years ahead.

To put this in context it is important to note that while Budget 2015 increased funding for social housing by €210m to €800m (a very welcome decision), this is still less than half the expenditure of €1.5bn in 2008 when the demand for social housing was far less than it is today.

It is clear that the Exchequer cannot provide the funding necessary to deal with the current demand and more sustainable solutions are required. Ireland cannot continue to borrow using traditional methods such as an increase in borrowing to fund local authority social housing because this adds to the Government deficit which Ireland is committed to reduce as part of the Fiscal Compact and related initiatives.

There needs to be an adequate supply of housing for those on low incomes, financed by way of new off-balance sheet mechanisms. That supply is required to stabilise the rental market and enable cost-based rental to work within the market, which in turn will require initial subsidies to allow housing bodies to service available loans.

Currently, the Irish Government can borrow substantial sums of money at record low interest rates.

Social Justice Ireland **recommends** that Government put in place an off-balance sheet mechanism that could access low-cost finance required to address the lack of supply of social housing sufficient to eliminate waiting lists.

One possibility might be to use a vehicle such as NAMA which has expertise in developing such a mechanism. Given the fact that there are about 107,000 social housing units owned by Local Authorities and paying rent regularly it should be possible to put together a proposal that meets the Eurostat conditions for an acceptable off-balance sheet initiative.

Another possibility suggested by NESC in its 2014 report, based on a French model, was the use of a portion of the An Post savings deposits which could be available through the NTMA to the Housing Finance Agency which would then lend to housing bodies at moderate fixed mark-up on the rate paid to savers.

Investment - Healthcare and Disability Services

The cutbacks in the 2008-2014 period (resulting in measures like high prescription charges, increased thresholds for the Drug Repayment Scheme and other measures) are most adversely affecting people on low incomes.

Very long waiting times are impacting on poorer people without private health insurance. This is not compatible with a health-service designed to include safety, high-quality and equity.

Furthermore, *Social Justice Ireland* is seriously concerned that there is no evidence that funding has been provided to address the ageing of the population that will result in a steady increase in older people and people with disabilities accessing services.

For example, those over 65 are increasing in number annually by approximately 20,000. Those over 80 years, who have the greatest healthcare needs, are growing by some 4% annually. This ageing of the population is the most dramatic anticipated change in the future structure of the Irish population according to the Department of Health.

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Social Justice Ireland recognises that successive budget cuts in recent years have occurred while simultaneously a major system transformation was being pursued.

Budget 2015 also envisaged a move to multi-annual planning, with the health budget now set to be developed over a two-year period, something that *Social Justice Ireland* has welcomed.

However, community-based health and social services require a model of care that:

- Is accessible and acceptable to the communities they serve;
- Is responsive to the particular needs and requirements of local communities;
- Is supportive of local communities in their efforts to build social cohesion; and
- Accepts primary care as the key component of the model of care, affording it priority over acute services as the place where health and social care options are accessed by the community;
- Provides adequate resources across the full continuum of care, including primary care, social care as well as specialist acute hospital service to fully meet the needs of our ageing population.

Consequently ***Social Justice Ireland* proposes** that Government:

- Roll out the nine Community Healthcare Organisations and 90 primary care networks intended, inter alia, to support primary care teams. An investment of €250m over a five year period is needed to support the infrastructural development of the Primary Care Teams (PCT) required to cover the whole country. €50m of that should be included in Budget 2016.
- In tandem with the development of PCT services, focus on health and social care provision for children and families particularly in the areas of therapies and other community supports (an additional €50m).
- Provide additional support for older people to live at home by expanding community based services to meet their needs. A mix of public & private residential care is required. An investment of €500m over a five year period enabling 12-15 community nursing facilities with about 50 beds each to be replaced or refurbished each year. €50m of this should be allocated in Budget 2016.
- Invest €75m in a prevention of obesity and chronic disease programme (financed by a tax on sugar sweetened drinks).
- Provide an additional €125m to support provision of additional services to meet demographic pressures through provision of;

⇒ €60m towards the continuing of services for Older People including Residential, home care, and other community supports.

⇒ €30m for Disability Services including residential, Respite and PA services

⇒ €35m to progress implementation of *Vision for Change*

People with a Disability

People with a disability experience higher everyday costs of living because of their disability when compared to others in society. Ireland's poverty figures reveal that people who are ill or have a disability are part of a group at high risk of poverty.

In a report published in November 2012, the CSO found that a total of 595,335 people had a disability in Ireland; equivalent to 13 per cent of the population. It also found that persons with a disability in the labour force represented a participation rate of 30 per cent, less than half that for the population in general. This low rate of employment among people with a disability is of concern. Apart from restricting their participation in society it also ties them into state dependent low-income situations.

Since 2008 there has been a 9.4% reduction in spending on disability services (excluding inflation) at a time when there were increased demands for these services. People with a disability have experienced cumulative cuts in recent Budgets. These include cuts to disability allowance, changes in medical card eligibility criteria and increased prescription charges, cuts in respite services, home help and personal assistant hours and other community supports such as the housing adaptation grants scheme.

***Social Justice Ireland* proposes** that government implement a multi annual investment programme to support people with disabilities through income support, employment support, access to appropriate healthcare support and access to appropriate housing, in particular implementation of the Congregated Settings report. Initial funding of €240m should be allocated to this in Budget 2016.

Investment - Education and Pensions

Investment is needed in education at all levels if it is to deliver a more equal and inclusive society. In Ireland under-investment in education is most severe in early childhood education, lifelong learning and second chance education. These are the very areas vital to promote equity and fairness. Access in adult life to desirable employment and choices is closely linked to the level of educational attainment. The lifelong opportunities of those who are educationally disadvantaged are in sharp contrast to the opportunities for meaningful participation of those who have completed second or third level education.

Adult literacy

A very significant proportion of Ireland's adult population does not possess the most basic literacy, numeracy and information processing skills considered necessary for success in the world today (OECD, 2013). A significant proportion of Ireland's adult population is not equipped with the skills required by the modern labour market. Those with low literacy skills are almost twice as likely to be unemployed, are more likely to report poor health outcomes and are less likely to participate in social and civic life. Adults with low literacy and numeracy skills are also likely to be furthest from the labour market and will require targeted and ongoing upskilling and training in order to achieve the basic skills to enable them to participate in society.

Significant resources must be allocated to adult literacy programmes and second chance education through SOLAS in order to address this problem. ***Social Justice Ireland* proposes a €50m investment in adult literacy in Budget 2016.**

Lifelong learning

Lifelong learning is defined as formal, non-formal, and informal learning for improving basics skills, obtaining new qualifications, up-skilling, or re-skilling for employment. Ireland's participation rates in lifelong – learning do not compare well with other European countries, being well below the average. The EU 28 average for 2014 is 10.7 per cent, Ireland's rate is 6.7 per cent. The EU has set a benchmark in ET 2020 that an average of at least 15 per cent of adults aged 25-64 should participate in lifelong learning by 2020. The OECD recommends that lifelong learning opportunities should be accessible to all through systems which combine high-quality initial education with opportunities and incentives for the entire population to continue to develop proficiency and skills, whether outside work or in the workplace, after initial education and training are completed. It is important that Government develop a long-term investment strategy and policy on lifelong learning. This would enable the continual upskilling of the labour force, in particular those in low-skilled employment. ***Social Justice Ireland* proposes a €50m investment in lifelong learning in Budget 2016**.

Capitation grants

Capitation grants at all levels were cut by successive Governments since Budget 2010. ***Social Justice Ireland* proposes an investment of €100m in Budget 2016 to partially restore the successive cuts to capitation grants.**

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Early childhood education and After School Care

Early childhood education and care play a crucial role in providing young people with a chance to develop their potential to the fullest possible extent. Age 0-5 is the point at which differences in early health, cognitive and non cognitive skills can be addressed most effectively. Neglect of these early development areas is costly as it leads to inequality. For every €1 invested in children aged 0-5 there is a €7 return.

Under investment in early childhood education and after school care is a significant infrastructural problem in Ireland today. The European Commission in its Country Specific Recommendations in 2014 and 2015 highlights childcare as an area that Government must address given the significant impact it has on a child's development, in addressing child poverty and in enabling parents to enter or re enter the labour market.

***Social Justice Ireland* proposes that Government develop a multi annual investment strategy of €150m per annum** in early childhood education and care and after school care between 2016 and 2020. This investment is crucial to ensuring that all children have access to quality childcare and after school care. In Budget 2016 we propose that this €150m be used to (i) extend the community childcare subvention scheme to all early years providers in the State, public and private (ii) extend the current ECCE programme to 3.5 hours per day for 48 weeks of the year (iii) develop quality after school care provision and (iv) invest in training and facilities.

Universal Pension

The Irish pension system is now characterised by a modest flat-rate state pension paid on the basis of contribution and - if there has been insufficient contribution through the social insurance system - on the basis of need. Private pensions attract extremely generous tax subsidies that cost the state over €2.6bn a year. While government has restricted the level of tax relief available over the last five years, the pension system remains extremely inequitable and the tax relief granted operates as a subsidy to Ireland's poorly performing pensions industry, which has consistently been unable to generate the returns on private pensions that Government assumed.

***Social Justice Ireland* proposes that a universal pension be introduced for all those aged 66 and over at the same level as the State Pension (Contributory).** This would replace the current various state pension payments and cost €714m in a full year. Government should reform the current system of tax expenditures, through standard rating the relief for pension contributions and reducing the maximum tax-free pension pot.

Investment - Rural Ireland and the Regions

A growing urban-rural divide has developed in Ireland since 2008. Poverty and unemployment are higher in rural Ireland. The economic recession and restructuring of agriculture and subsequent decline in off-farm employment has led to a narrowing of the economic base in rural areas. Low-paid, part-time and seasonal work and long-term underemployment are significant factors in rural poverty and exclusion. A targeted approach is urgently required if these urban/rural disparities are to be addressed effectively.

In order to prevent the urban/rural divide widening even further all Government policies should include the long term costs of not investing in rural areas and not providing adequate and quality public services to rural and regional communities. These costs which include the costs of unemployment, continued and sustained underemployment, poverty, social exclusion and isolation should be factored into all Government expenditure decisions.

Employment

The areas that are highlighted as possible drivers of rural job creation are social enterprise and social services (e.g. childcare and elder care), tourism, 'green' products and services and cultural and creative industries. In order to promote development of these drivers of employment and to support local entrepreneurs and local enterprises in rural and coastal areas the economic policies for these areas must take into account specific local needs such as accessible transport and access to childcare.

Employment and enterprise policy should have a rural and regional specific element with a dedicated budget line. Economic and social policies should also have rural and regional specific elements.

***Social Justice Ireland* proposes €200m investment in a Rural Enterprise Scheme** focussed on enabling entrepreneurs and start-ups access to finance and on creating quality, sustainable jobs with career progression. This scheme should be accompanied by investment in accessible transport links, childcare and afterschool care and an apprenticeship and skills programme.

Training

A targeted apprenticeship and training programme should be designed to help long-term unemployed people whose skills are now redundant retrain for employment opportunities that have been identified in particular regions. The skills programme would involve reskilling and upskilling workers in rural areas. This would involve collaboration, cooperation and commitment between the IOTs, LEO's, employers, Intreo offices (and other employment services in the area), and community groups.

This programme should also ensure the integration of transversal skills, particularly literacy, numeracy, maths, science and ICT. Equity of access to training and skills development is an issue for people in rural Ireland and this must be taken into consideration by SOLAS, the ETBs and training providers when designing and delivering courses.

Rural Transport

The Rural Transport Programme is vital for the active support and promotion of social inclusion in rural areas.

In Budget 2016 ***Social Justice Ireland* proposes that Government allocate an additional €50m to ensure the Rural Transport Programme is fully implemented**.

Broadband

There is a mismatch between a Government policy aimed at attracting Foreign Direct Investment (FDI) and export-led industry and rural areas which are dominated by micro-businesses and small and medium sized enterprises. The lack of broadband in rural areas continues to hinder job creation and the growth of SMEs outside of major urban centres. The immediate roll out of the fibre infrastructure for rural broadband must be a priority for Government. ***Social Justice Ireland* proposes that €400m should be made available for this roll out in Budget 2016.**

Energy efficiency and Retrofitting

One of the most cost effective measures to promote sustainable development is to increase building energy efficiency. Increasing building energy efficiency (through retrofitting for example) is one of the most efficient ways to move towards meeting our energy targets as part of Europe 2020. ***Social Justice Ireland* proposes a €60m investment in retrofitting houses and community buildings and facilities be allocated in Budget 2016.** This would have long-term social, economic and environmental benefits

European Union Funds

Investment is crucial to ensure that Ireland's social and physical infrastructure can meet the needs of society. At present across the European Union the level of investment has dropped by €300bn, or 15% since 2007. In Ireland this fall is even more dramatic; the level of investment in Ireland has fallen by 39% since 2007.

Ireland already has access to allocations from the European Social Fund, European Regional Development Fund and Horizon 2020. These funds cover areas related to activation, supporting youth employment, education and training, social inclusion, regional operation programmes and research and development.

The European Commission recently launched an Investment Plan for Europe aimed at ensuring investment reaches the 'real economy'. An integral part of this plan is the European Fund for Strategic Investments. This fund aims to provide investment funds to strategic infrastructure including digital, transport and energy, environmentally sustainable projects, expansion of renewable energy and resource efficiency and education, research and innovation.

This funding is primarily aimed at mobilising private investment and relevant public funding. The initial investment by the European Commission is €21bn. While this fund can certainly be used to address some of the infrastructural problem in Ireland it is simply not sufficient to address them all.

A problem faced by the Government is that the Stability and Growth Pact limits flexibility in terms of the amount Government can invest. The Eurostat guidance on Public Private Partnerships (PPPs) and risk bearing implies that most infrastructural project PPPs would have to remain on balance sheet. This presents a significant challenge to Government in terms of addressing the social housing deficit in Ireland.

Investment - Work, Jobs and Unemployment

Unemployment has fallen below 10% in recent months. This is a major improvement on the situation at the height of the crisis when it exceeded 14%. However, it is a lot worse than the situation before the recession when it stood at 4.7% in 2007.

The key facts make sobering reading:

- There are 272,000 fewer full-time jobs in Ireland today compared to 2007 (-15%).
- The number of people in part-time jobs is 55,700 higher than in 2007 (+14%).
- More than a quarter (115,500) of part-time workers are underemployed.
- Between 2010 and end-2014 the number long-term unemployed fell by 48,700.
- But, in the same period the net loss of Irish people to emigration was 123,800.
- 58% of those unemployed are long-term unemployed (more than one year).

It is clear that the recession has left Ireland with a deep long-term unemployment crisis and a growing number of people in precarious employment. These two developments are having huge negative impacts on the wellbeing of individuals, families and communities.

2010 was the first time on record that more than 50% of those unemployed were long-term unemployed. While unemployment has been falling the proportion of those who are long-term unemployed has risen to 58%.

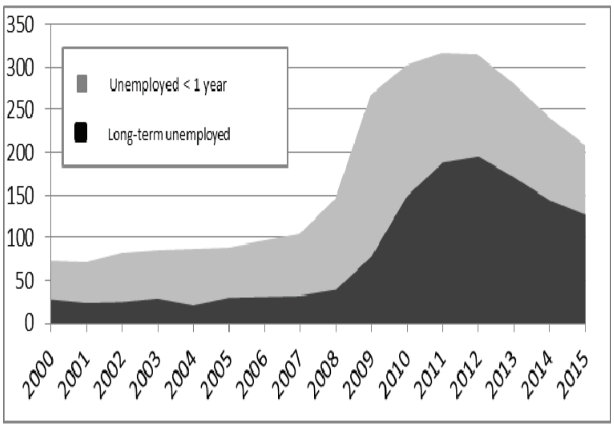
The situation is particularly difficult for those under 25 and over 55 who find it difficult to return to employment.

The key problem is that those seeking jobs far outnumber the jobs available.

The experience of the 1980s showed the dangers and long-lasting implications of persistent long-term unemployment.

Reskilling of unemployed people must be at the core of policy.

Chart 2: Unemployment, 2000-2015 (000s)



***Social Justice Ireland* proposes** that Government:

- Reform the taxation system to address the working poor issue by making tax credits refundable. This would cost €140m in a full year.
- Increase the PAYE tax credit by €6.50 a week. This would cost €392m in a full year.
- Resource the up-skilling of those who are unemployed and at risk of becoming long-term unemployed through integrating training and labour market programmes. and maintain a sufficient number of active labour market programme places for those who are unemployed.
- Adopt policies to address youth unemployment. In particular, these should include education and literacy initiatives as well as retraining schemes.
- Recognise the scale of long-term unemployment and adopt targeted policies to address this.
- Publish a rural and regional employment and economic development policy statement and incorporate it into all national employment and economic strategies.
- Ensure that new jobs have reasonable pay rates and adequately resource the labour inspectorate.
- Reduce the impediments faced by people with a disability in achieving employment. In particular, address the current situation in which many face losing their benefits when they take up employment.
- Recognise the right to work of all asylum seekers whose application for asylum is at least six months old.

Social Welfare Rates

Social welfare plays a very important role in addressing poverty. Without the social welfare system almost 50 per cent of the Irish population would have been living in poverty in 2013. Such an underlying poverty rate suggests a deeply unequal distribution of direct income. In 2013 social welfare payments reduced the poverty rate by almost 35 percentage points to 15.2 per cent. Adequate social welfare payments are required to prevent an increase in poverty.

In 2013 there were 698,151 people in Ireland living below the poverty line. Of these 218,521 were aged under 18. This poverty line is defined as 60 per cent of the median income. The figures for 2015 are outlined in table 5 on page 15. Since 2010 the minimum social welfare payment has remained at €188. However, as chart 6 on page 15 illustrates, consumer prices have not stood still and inflation increases have eroded the value of the basic jobseekers payment.

Between 2010 and 2015 inflation was 3.46 per cent - implying that a buying power of €188 in 2010 was equivalent to €194.50 by January 2015. This suggests that a jobseekers payment at this level is required in 2015 to protect the basic living standards of welfare recipients.

***Social Justice Ireland* proposes** that Budget 2016, should address this unacceptable decrease in the living standards of those on the lowest incomes in society. An **increase of €6.50 per week to the basic payment** would address the gap and it should be a priority for Government in the year ahead (total cost: €242m). Budget 2016 should also increase direct provision payments to €65 per week for an adult and €38 per week for a child (total cost: €12.5m).

Taxation—tax take and choices

Low Overall Tax-Take is Unrealistic

Despite significant increases in the tax-take from households (both directly and indirectly) since the outset of the recession, the scale of collapse in Ireland's tax revenues has been dramatic.

The 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 take. While a proportion of this decline is related to the recession, a large part is structural and requires further policy reform in the forthcoming Budget and in the future.

Looking to the years immediately ahead, table 2 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 five years, assuming the policies signalled by Government are followed, overall tax receipts will climb to €71.3bn. However, even with these increases Ireland will remain a low tax economy with its total tax take (as a % GDP) equivalent to those among the lowest European countries.

> *If Government were to maintain overall tax levels at their 2014 level, the state would collect an average of €4.1 billion per annum in additional tax revenue between 2016 and 2020*

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'. The Tax Gap, the difference between this benchmark and the planned level of overall taxation by Government is an average of €12bn over the next five years. Indeed, if Government were to maintain overall taxation levels at their 2014 level (31.1% of GDP), rather than pursuing the planned reductions highlighted in the table, the state would collect an average of €4.1 billion per annum in additional taxation revenue between 2016 and 2020.

As a policy objective, Ireland should remain a low-tax economy, but not one incapable of adequately supporting necessary economic, social and infrastructural requirements. The current low tax model is not sustainable and the current set of Government projections for taxation revenue is unrealistic.

Table 2: Ireland's projected total tax take and the tax gap, 2014-2020*

Year	Tax as % GDP	Total Tax Receipts	The Tax Gap**
2014	31.1%	€57,659m	€7,045m
2015	30.4%	€60,276m	€8,922m
2016	29.8%	€62,252m	€10,654m
2017	29.5%	€64,244m	€11,760m
2018	29.2%	€66,379m	€12,958m
2019	29.0%	€68,701m	€13,977m
2020	28.9%	€71,318m	€14,807m

Source: Calculated from Department of Finance, SPU April 2015. **Notes:** * Total tax take = current taxes + social insurance fund income + charges by local government. ** The tax gap is calculated as the difference between the projected tax take and that which would be collected if total tax receipts = 34.9% of GDP. The Irish Fiscal Advisory Council (IFAC) propose an alternative measure of national income for measuring the tax-take (H). The 34.9% of GDP target is equivalent to approximately 38% of their H measure.

Over the remainder of this page and page 11 we outline a series of taxation proposals for inclusion in Budget 2016. Each proposal concludes with an estimated cost of the reform - cost figures which are reflected in the costed summary of all our proposals on pages 16 and 17. The overall thrust of our proposals is the development of a fairer taxation system and a broader taxation base.

Tax Choices

Reforming Income Taxes

USC on all Incomes over €100,000

The current structure of the USC includes an anomaly whereby self-employed earners with income in excess of €100,000 pay 11% of that income in USC but similar earning PAYE employees only pay 8%.

Budget 2016 should remove this anomaly and extend the 11% rate to all income in excess of €100,000.

Proposal: Reform the current structure of the USC so that PAYE income in excess of €100,000 is charged at 11%. This would yield €210m in 2016.

Increase the PAYE tax credit

Any individual whose salary is subject to PAYE is entitled to a PAYE tax credit. At present the PAYE tax credit is €1,650 per annum. In this *Policy Briefing* we recommend that social welfare rates be increased by €6.50 a week. To ensure that this increase will not lead to the creation of any disincentive to take up a paid job we are also recommending that the PAYE tax credit be increased by the same amount €6.50 a week (€338 a year).

In distributing the available resources through the tax credit system we are also ensuring that they are distributed in a progressive manner. While everyone receives the same amount of cash benefit, the increase is proportionately much larger for lower paid employees.

To maximise the capacity of tax credits to tackle the 'working poor' issue we propose that they be made refundable.

Proposal: Increase *the PAYE tax credit by €6.50 a week (€338 a year). This would cost the Exchequer €392m in 2015.*

Introduce Refundable Tax Credits

Social Justice Ireland's 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. According to the most recent data (see p. 19) 15.7 per cent of all those in poverty are at work.

Our detailed study on this issue in 2010 'Building a Fairer Tax System: The Working Poor and the Cost of Refundable Tax Credits' identified that 113,000 low-income individuals would benefit in an efficient and cost effective manner from making tax credits refundable. The proposal only applies to the unused portions of the Personal and PAYE tax credits. The cost of refunding unused tax credits to individuals satisfying all of the criteria outlined in the study is €140 million.

A system of refundable tax credits would address part of the working poor problem in a straightforward and cost-effective manner. This system would also result in all future changes on tax credits being equally experienced by all employees in Irish society.

Proposal: *Social Justice Ireland* proposes that tax credits be made refundable. This would cost €140m in 2016.

Taxation—proposals for reform

Reforming Tax Breaks

Standard Rating

Making all discretionary tax reliefs/expenditures only available at the standard 20 per cent rate would represent a crucial step towards achieving a fairer tax system. If there is a legitimate case for making a tax relief/expenditure available, then it should be made available in the same way to all. It is inequitable that people on higher incomes should be able to claim certain tax reliefs at their top marginal income tax rates while people with less income are restricted to claim benefit for the same relief at the lower standard rate of 20 per cent.

The standard rating of tax expenditures, otherwise known as reliefs, offers the potential to simultaneously make the tax system fairer and fund the necessary developments they are designed to stimulate without any significant macroeconomic implications. Reflecting this, Budget 2016 should standard rate the tax break on all pension contributions and standard rate all other discretionary tax reliefs

Proposals: Standard rate pension tax break (yield: €410m).

Standard rate non-pension discretionary tax breaks (yield: €480m).

Reform the R&D tax credit

A tax break for companies engaged in research and development was introduced in 1997 and has been revised and reformed on a number of occasions since.

A curious component of the current structure is that firms may claim a tax refund on unused R&D credits - i.e. where they have not paid tax to cover the refund amount. A reform to this structure is overdue and it should be removed from the structure of this tax break in Budget 2016.

Proposal: Remove the tax refund element for unused R&D tax credit (yield: €112m in 2016).

Reforming Corporation Taxes

The standard rating of tax expenditures, otherwise known as reliefs, offers the potential to simultaneously make the tax system fairer and fund the necessary developments they are designed to stimulate without any significant macroeco-

Introduce a Minimum Effective Rate

Despite a low headline rate (12.5%), there is limited data on the effective rate of corporate taxation in Ireland. A report from the Department of Finance in 2014 pointed towards four methods of calculating that rate. Although each were valid methods, it favoured one which reported an effective rate of 11.9 per cent on 'taxable income'. As 'taxable income' excludes income removed or offset from taxation through various tax breaks, it is unsurprising that the measure is close to the headline rate. However, in practical terms, the provision of tax breaks and exemptions is likely to imply corporations enjoy a substantial reduction in their tax liability. Data from Eurostat estimate an implicit corporate tax rate on business income of between 6% and 8.6% although it is likely to be as low as 3% for many large corporations while Small and Medium Enterprises (SMEs) pay close to 12.5% for the most part.

Social Justice Ireland believes that the issue of corporate tax contributions is principally one of fairness. Profitable firms with substantial income should make a contribution to society rather than pursue various schemes and methods to avoid these contributions.

Proposal: Introduce a minimum effective corporation tax rate of 6% (yield: in excess of €1000m in 2016).

Behavioural Taxes

Taxing Sugar Sweetened Drinks

A recent joint report by the Irish Heart Foundation and *Social Justice Ireland* estimated that the cost of obesity could more than quadruple within the next 15 years to a total of €1,175 a year for every man woman and child in the State unless more is done to tackle the problem. However, by targeting a 5% reduction in the population's body mass index through a package of measures funded by revenue from a sugar sweetened drinks tax, the annual cost of obesity could actually be reduced by as much as €394 million by 2020. The report proposed a package of measures including: targeted subsidies for fruit and vegetables, food poverty initiatives, school programmes and reforms and labelling and marketing reforms.

In order to make significant progress towards reducing BMI by 5 per cent by 2020, the Irish Heart Foundation and *Social Justice Ireland* propose that Government introduce a sugar-sweetened drinks (SSD) tax in Budget 2016 and use a portion of the revenue generated to develop effective obesity prevention programmes and initiatives to eradicate food poverty.

Proposal: Introduce a tax on sugar sweetened drinks. This would yield €75m in 2016.

Taxing Empty Houses / Underdeveloped Land

Budget 2016 should empower local authorities to collect a new site value tax on underdeveloped land - such as abandoned urban centre sites and land-banks of zoned land on the edges of urban areas. This tax should be levied at a rate of €2,000 per hectare (or part thereof) per annum. The objective of the tax should be to encourage land owners to utilise the land they possess and prevent speculation and land banking.

In the context of a shortage of housing stock, building new units is not the entire solution. There remains a large number of empty units across the country. Policy should be designed to reduce the number of these units and penalise those who own units and leave them vacant for more than a six month period. We propose that Budget 2016 introduce a levy on empty houses of €200 per month with the revenue from this charge collected and kept by local authorities.

Income from both these measures should reduce the central fund allocation to local authorities by €75m per annum.

Proposal: Introduce taxes on empty houses and a site value tax on underdeveloped land. These measures would yield €75m in 2016.

Broadening the Tax Base

Social Justice Ireland proposes three further taxation reforms aimed at broadening the tax base. These include the

- **restoration of the Windfall Gain Tax** on rezoned land (abolished in Budget 2015);
- an **increase in the online betting tax to 5%**;
- and the adoption by Ireland of current European plans for a **Financial Transactions Tax** (FTT).

Taxation – income tax

Fairness in Changing Income Taxes

Possible changes to income taxation levels have been highlighted as a potential policy reform in Budget 2016. *Social Justice Ireland* believes that the best reform to the income taxation system would be to make tax credits refundable. Such a reform would mean that the full value of tax credits goes to everybody who has an earned income - we outline our proposal on this issue on page 10.

Broader reforms to income taxes is not a central priority for *Social Justice Ireland* either in the forthcoming Budget or in any future plans for taxation policy reform. We believe that any available money should be used to improve Ireland's social services and infrastructure, reduce poverty and social exclusion and increase the number of jobs – policy priorities highlighted throughout this publication.

However, as discussion and policy considerations often focus on income taxation reductions we have recently completed a study which examined, from the perspective of fairness, various reform choices. As a minimum, the analysis highlights the distributive impact taxation policy choices can have and the potential policy has to pursue both fair and unfair outcomes.

Table 3 presents this comparison. In all cases the policy examined would carry a full year cost of between 1% and 1.5% of the total income taxation yield (€184m-€268m).

The reforms examined are for changes to the 2015 income taxation system and are:

- a decrease in the top tax rate from 40% to 39%
- a decrease in the standard rate of tax from 20% to 19.5%
- an increase in the personal tax credit of €110 with commensurate increases in couple, widowed parents and the single person child carer credit
- an increase in the standard rate band (20% tax band) of €1,500
- a 1% point decrease in the 1.5% USC rate – that applied to income below €12,012
- a 2% point decrease in the 3.5% USC rate (so that it merges with the 1.5% rate) – that applied to income between €12,012 and €17,576
- a 0.5% point decrease in the 7% USC rate – that applied to income above €17,576

Although all of the income taxation options have similar costs (1%-1.5% of the income taxation yield), they each carry different effects on the income distribution.

...the best reform to the income tax system would be to make tax credits refundable.

Overall, three of the changes would produce a fair outcome:

- increasing the personal tax credit;
- reducing the 1.5% USC rate by 1% point; and
- reducing the 3.5% USC rate by 2 % points.

Four of the changes would produce an unfair outcome:

- reducing the top tax rate to 39%;
- reducing the standard tax rate to 19.5%;
- increasing the standard rate band; and
- reducing the 7% USC rate.

Each of the three fair options would provide beneficiaries with an improvement in their annual income of around €110-120. Each of the four unfair options would skew benefits towards those with higher incomes.

Social Justice Ireland believes that any future income tax changes should be focused on changes to tax credits rather than tax bands and tax rates. This is more desirable in the context of achieving fairness in the taxation system.

Table 3: Comparing gains under seven possible income tax reforms (€ per annum)

Gross Income	€15,000	€25,000	€50,000	€75,000	€100,000	€125,000
Decrease in the top tax rate from 40% to 39% (full year cost €226m)						
Single earner	0	0	162	412	662	912
Couple 1 earner	0	0	72	322	572	822
Couple 2 earners	0	0	0	74	324	574
Decrease in the standard tax rate from 20% to 19.5% (full year cost €268m)						
Single earner	0	125	169	169	169	169
Couple 1 earner	0	50	214	214	214	214
Couple 2 earners	0	0	250	338	338	338
Increase in the personal tax credit of €110 (full year cost €235 million)						
Single earner	0	110	110	110	110	110
Couple 1 earner	0	20	220	220	220	220
Couple 2 earners	0	0	220	220	220	220
Increase in the standard rate band of €1,500 (full year cost €234 million)						
Single earner	0	0	300	300	300	300
Couple 1 earner	0	0	300	300	300	300
Couple 2 earners	0	0	0	600	600	600
A 1% point decrease in the 1.5% USC rate (full year cost €235m)						
Single earner	120.12	120.12	120.12	120.12	120.12	120.12
Couple 1 earner	120.12	120.12	120.12	120.12	120.12	120.12
Couple 2 earners	0.00	120.12	240.24	240.24	240.24	240.24
A 2% point decrease in the 3.5% USC rate (full year cost €202m)						
Single earner	59.76	111.28	111.28	111.28	111.28	111.28
Couple 1 earner	59.76	111.28	111.28	111.28	111.28	111.28
Couple 2 earners	0.00	84.76	221.04	222.56	222.56	222.56
A 0.5% point decrease in the 7% USC rate (full year cost €184m)						
Single earner	0.00	37.12	162.12	262.33	262.33	262.33
Couple 1 earner	0.00	37.12	162.12	262.33	262.33	262.33
Couple 2 earners	0.00	0.00	74.62	199.24	324.24	393.20

Source: *Social Justice Ireland* Occasional Paper (forthcoming, Summer 2015) **Notes:** All workers are assumed to be PAYE workers. For couples with 2 earners the income is assumed to be split 65%/35%. Cost estimates are based on the latest available Revenue Commissioners taxation ready reckoner and are applied to the structure of the 2015 income taxation system. The increase in the personal tax credit assumes a commensurate increase in the couple, widowed parents and the single person child carer credit. USC calculations assume earners pay the standard rate of USC.

Governance

Governance is a key part of *Social Justice Ireland*'s Policy Framework for a Just Ireland (p.3). It is essential that major Government decisions are made in an open and transparent manner. They should involve a process of real dialogue in advance of decisions being made and this dialogue should be open to all stakeholders who will be affected by the decisions.

Social Justice Ireland believes that Ireland should move towards a process of deliberative democracy, in which decisions about what kind of society and economy Ireland needs and what shape its annual budget should take are founded upon reasoned, evidence-based and enlightened debate, and in which decisions taken by government are justified and accessible to the general public.

A deliberative decision making process is one in which all stakeholders are involved in the framing, implementing and evaluating of policies and measures that impact on them. Each citizen should have a role and a voice in how our society is governed and in how its resources are used.

All communities are different and not every community has the capacity or the infrastructure to engage meaningfully with and participate in local and national government.

This is where the community and voluntary sector has a key role to play in informing, engaging with and providing the local communities with the skills to participate in and contribute to government. The community and voluntary sector has also been playing a key role in providing services, advocacy and supports for people all across the lifecycle. It also provides detailed up-to-date analysis of the current situation and the impacts government policy is having, especially on vulnerable people.

Since 2008 however financing for the sector has been drastically reduced. This decline in financing should be reversed, starting with Budget 2016.

In the development of deliberative democracy, the Public Participation Networks in Local Authorities are providing an opportunity for real engagement between local people and the local authorities across the country. *Social Justice Ireland* believes these Networks should be resourced by Government. We welcome the initial support provided and propose this grant be increased. The National Economic Dialogue is a step in the right direction but would need to be an ongoing process if it were to be really meaningful in terms of the annual Budget process.

To improve Governance ***Social Justice Ireland* proposes** Budget 2016 should:

- Take further steps towards deepening the process of multi-annual funding currently in place.
- Provide that all policy proposals have a poverty impact assessment to ensure they are not regressive.
- Substantially increase the funding for Community & Voluntary organisations to replace some of the funding lost in recent regressive budgets and to ensure they have the required support to meet the new regulatory requirements.
- Provide €5m towards funding for Public Participation Networks (PPNs) at Local Authority level.

Overseas Development Assistance -

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. In 2015, Ireland will give €602 million in overseas aid; an amount equivalent to 0.35% of GNP.

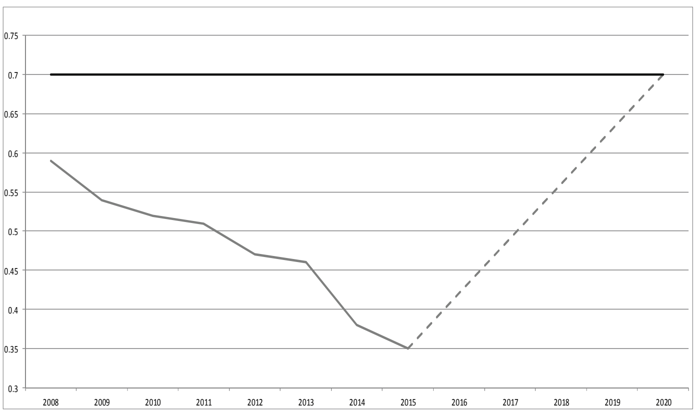
***Social Justice Ireland* strongly urges Government to provide an additional €140m in Budget 2016** and ring-fence the aid budget over the next five years to reach the UN target of 0.7 of GNP by 2020 (see Table 4 below). This would allow coherent forward planning for the aid receivers, which would maximize the impact of the aid. In the European Year for Development (EYD), Ireland should provide international leadership on this issue and honour its commitments on ODA.

In 2008, ODA reached 0.59% of GNP equating to €920 million euro. Since then, Ireland's ODA expenditure has significantly decreased (see Chart 3). The cumulative impact of these successive cuts to the ODA budget is to limit the resources tackling extreme poverty, hunger, human rights abuse, etc. The Irish government needs to recognize the mutual benefits in trade and stability from ODA that translate into security and prosperity and decide to reach the UN target by 2020.

Table 4: Pathway to reach ODA target of 0.7% of GNP by 2020

Year	GNP	% of GNP to achieve 0.7 target by 2020	Required budget for ODA in each year in €m's	Increase in Budget allocation for ODA in €m's
2015	*168,950*	*.35*	*602*	
2016	176,850	.42	742	140
2017	182,375	.49	893	151
2018	188,250	.56	1053	160
2019	193,950	.63	1221	168
2020	199,875	.7	1398	177

Chart 3: ODA as % GNP, Ireland 2008-2015 (2015-2020 projected)



Sustainability

Sustainable development is development which meets the needs of the present while not compromising the needs of the future. In this regard financial, environmental, economic and social sustainability are all key objectives. Policies must be adopted that create a sustainable future, through the introduction of measures to promote climate justice and protect the environment, the promotion of balanced regional development, and of new indicators to measure performance, alongside traditional national accounting measures such as GNP, GDP and GNI.

Sustainability and the adoption of a sustainable development model present a significant policy challenge: how environmental policy decisions with varying distributional consequences are to be made in a timely manner while ensuring that a disproportionate burden is not imposed on certain groups e.g. low income families or rural dwellers.

This policy challenge highlights the need for an evidence-based policy process involving all stakeholders. The costs and benefits of all policies must be assessed and considered on the basis of evidence only.

Shadow National Accounts

A sustainable economy requires us to acknowledge the limitations of finite natural resources and the duty we have to preserve these for future generations. It requires that natural capital and ecosystems are assigned value in our national accounting systems and that resource productivity is increased. By not assigning value to our natural capital and environmental resources, a major national asset, we are not measuring the cost to our society of the ongoing depletion of these resources.

A new scorecard or metric model is needed which measures the effects of policy decisions on people's lives as well as the environmental, social and economic costs and benefits of those policies. The United Nations High Level Panel on Global Sustainability recommends that the international community measure development beyond GDP and that national accounts should measure and cost social exclusion, unemployment and social inequality and the environmental costs of growth and market failures.

Shadow national accounts would help to make sustainability and 'green' procurement mandatory considerations in the decision and policy making process. The EPA and CSO collect a significant amount of data in this area and funding should be made available to finance a project to develop a system of accounts for Ireland which includes the value of our natural capital and biodiversity and the cost to society of their depletion.

In Budget 2016 Government should allocate €10m to the CSO in order to develop Shadow National Accounts for Ireland.

Climate change

Climate change remains the largest long-term challenge facing Ireland today. The economic crisis has, for obvious reasons, focused attention on economic growth and financial stability. This should not come at the expense of the physical environment, as the failure to tackle climate change now will have significant impacts into the future, including on food production, regional and global ecosystems, and on flood-prone countries and regions.

Budget impact assessments and poverty proofing

Social Justice Ireland welcomes the steps taken by Government to increase their research and evaluative capacity. However, we believe that Government should also take steps to increase the transparency of budgetary and other important decisions, which are often opaque. Government should publish their analysis of the distributional impact of budgetary measures, and engage in public debate in light of that analysis. Previously, the Government published Poverty Impact Assessment Guidelines provided by the Office of Social Inclusion (2008) in the budgetary documentation using the ESRI's SWITCH tax-benefit model which captures the distributional impact of changes in most taxes and benefits, but this practice was discontinued from Budget 2010. Government should reintroduce this practice and also adopt a gender equality analysis and apply it to each budgetary measure. This should be a statutory responsibility for Government.

Balanced regional development

A sustained recovery requires balanced regional development. During the recession, particular regions of Ireland have suffered more than others. Government must ensure that recovery takes hold in all parts of the country. Rural areas have been severely impacted by cuts in services. Policy must ensure balanced regional development through the provision of public services – including cultural, economic and social services - and through capital spending projects, and the adoption of a new National Spatial Strategy.

Environmental Subsidies

Government should publish the costs to the state of environmental subsidies. It should also undertake a review of these subsidies to ensure that taxpayers are not funding harmful environmental practices.

Aggregates Levy

In order to promote recycling of aggregates and the re-use of old buildings, ***Social Justice Ireland*** **proposes an aggregate levy of €2.50 per tonne should be introduced in Budget 2016**. This €2.50 levy would apply to each tonne of sand, gravel, crushed stone and other aggregates extracted from the ground or lifted from the surface and used in construction. The European Environment Agency project that this levy could yield €79m in a year.

Energy Efficiency

An increasing share of Ireland's generation capacity for electricity is subsidised. Under the EU 2020 targets Ireland has committed to generating 40 per cent of its electricity requirements from renewable sources. ***Social Justice Ireland*** **proposes that the PSO levy for Peat which cost over €54 million in 2014 be removed**. This saving should be diverted to a nationwide programme to retrofit houses and community buildings.

Increasing building energy efficiency through retrofitting is one of the most cost effective ways to promote sustainability and meet climate targets. This area should be prioritised for investment by Government as it will yield significant long-term dividends in terms of increasing Ireland's sustainability and reducing emissions.

Ireland: Some Key Diagrams and Tables

Chart 4: GDP Growth, Ireland and Germany 1996-2014

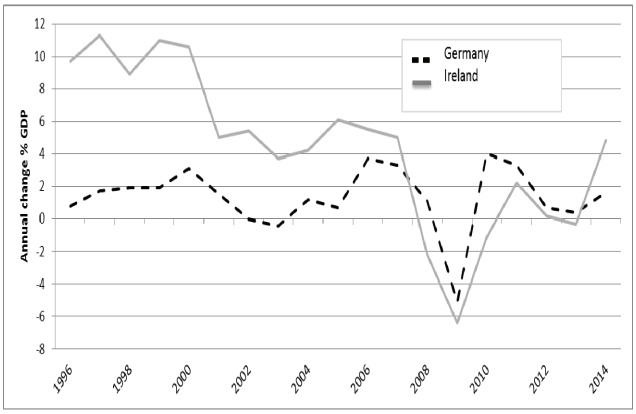


Chart 5: Debt as % GDP, Ireland and Germany 1995-2015

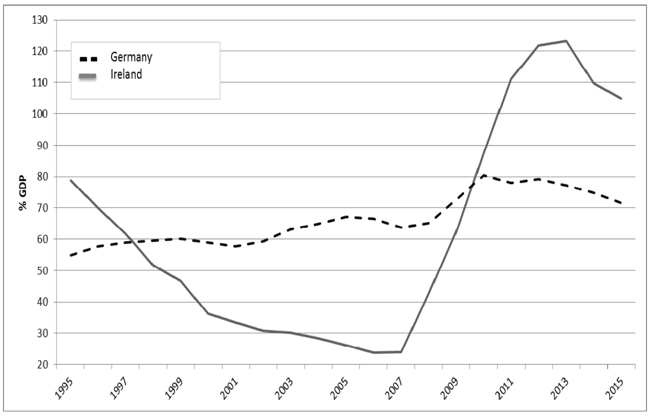


Chart 6: CPI Price Changes Jan 2010 - Jan 2015

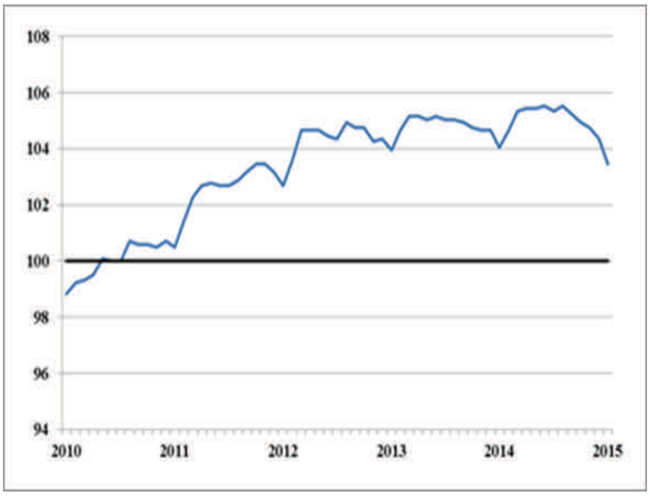


Chart 7: % Population at Risk of Poverty, 1994-2013

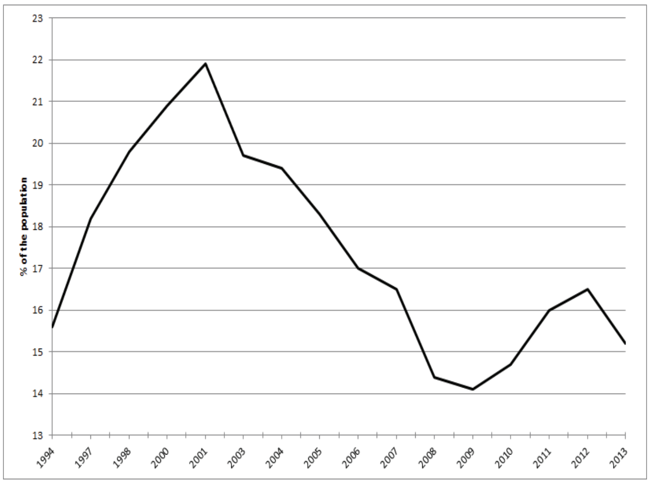


Table 5: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2015, by Household Types

Household containing:	Weekly poverty line	Annual poverty line
1 adult	€208.08	€10,850
1 adult + 1 child	€276.75	€14,430
1 adult + 2 children	€345.41	€18,011
1 adult + 3 children	€414.08	€21,591
2 adults	€345.41	€18,011
2 adults + 1 child	€414.08	€21,591
2 adults + 2 children	€482.74	€25,172
2 adults + 3 children	€551.41	€28,752
3 adults	€482.74	€25,172

Table 6: Effective Taxation Rates for selected household types, 2000 / 2008 / 2015

	2000	2008	2015
Single earner			
Gross Income €25,000	24.0%	8.3%	14.4%
Gross Income €60,000	37.7%	27.5%	32.8%
Couple 1 earner			
Gross Income €40,000	20.2%	9.4%	14.4%
Gross Income €60,000	29.0%	19.8%	25.7%
Couple 2 earners			
Gross Income €40,000	17.5%	3.6%	9.1%
Gross Income €100,000	35.9%	23.8%	29.2%

Data on this page is from: OECD *Economic Outlook*; CSO *National Income and Expenditure Annual Results*; CSO *Quarterly National Accounts*; Department of Finance *Stability Programme Update*; IMF *World Economic Outlook*; CSO *QHNS*; and CSO *SILC*.

Table 7: Taxation: *Social Justice Ireland's* key Budget Initiatives for Budget 2016

Area	Proposal	Increase in Exchequer Income	Decrease in Exchequer Income	Balance
Carry-over	Carry-over from Budget 2015 (Taxation)		€230m	
USC	PAYE income in excess of €100,000 @11% USC levy	€210m		
Health	Introduce tax on Sugar Sweetened Drinks	€75m		
Gambling	Increase Betting Duty to 5%	€100m		
Tax Credits	Make tax credits refundable		€140m	
PAYE	Increase the PAYE credit by €6.50 per week		€392m	
Pensions	Standard rate the tax break on all pension contributions	€500m		
	Reduce annual contribution ceiling to €75,000	€100m		
	Reduce the standard fund threshold from €2m to €622,500	€90m		
Tax Breaks	Standard rate non-pension discretionary tax reliefs	€480m		
R & D Tax Credit	Remove tax refund element for unused R & D credits	€112m		
Corporate sector	Introduce a minimum effective corporate tax rate of 6%	€1000m		
Undevel-oped Land	Tax on empty dwellings and undeveloped land	€75m		
Sustaina-bility	Aggregate Levy	€79m		
Totals		**€2821m**	**€762m**	**€2059m**

Table 8: Expenditure: *Social Justice Ireland's* key Budget Initiatives for Budget 2016

Area	Proposal	Decrease in Exchequer Expenditure	Increase in Exchequer Expenditure	Balance
Carry-over	Carry-over Budget 2015 (Expenditure)	€79m		
Savings	Combine Comprehensive Review of Expenditure Savings	€62m		
Public Sector pay	Expenditure from the Lansdowne Road Agreement		€300m	
Sustainability	Remove Peat subsidy	€54m		
	Central Statistics Office		€10m	
	Energy Efficiency & Retrofitting programme		€60m	
Health	Older people programme to replace or refurbish 12-15 units with approx. 50 beds		€50m	
	Primary Care Teams Programme		€40m	
	90 Primary care networks		€10m	
	Children and Family Services Programme		€50m	
	Health—Demographic pressures		€125m	
	Obesity and chronic disease prevention		€75m	
Disability	Invest in services for people with disabilities		€240m	
Education	Capitation grant reversal initiative		€100m	
	Increase funding for Adult Literacy		€50m	
	Increase funding for life-long learning		€50m	
	Increase funding for Early Childhood Care and Education and After School Care		€150m	
Housing	Increase provision for Social Housing		€680m	
Social Protection	Increase core social welfare rates by €6.50 per week		€242m	
	Increase direct provision payments to €65 per week for an adult and €38 per week for a child		€13m	
Pensions	Introduce a Universal Basic Pension		€714m	
Rural	Invest in broadband infrastructure in rural areas		€400m	
	Rural enterprise programme		€200m	
	Rural transport programme		€50m	
ODA	Increase the Aid Budget to approach UN target		€140m	
Citizen Engagement	Resource the PPN structure of local government		€5m	
Totals		**€195m**	**€3754m**	**€3559m**

Table 9: Fiscal impact of *Social Justice Ireland's* Budget proposals for Budget 2016

Area	Impact on Expenditure	Impact on Revenue	Impact on Government Balance
Increases in expenditure	€3754m		
Decreases in expenditure	€195m		
Overall change in Government Expenditure	**€3559m**		
Increases in revenue		€2821m	
Decreases in revenue		€762m	
Overall change in Government Revenue		**€2059m**	
Total Adjustments	**€3559m**	**€2059m**	**€1500m**
% Division of Adjustments	63%	37%	

Summary of Areas for Investment and Key Proposals

Health

Primary Care Teams and Networks: €50m
Children and Family Services Programme: €50m
Public Residential Care Infrastructure: €50m
Obesity and Chronic Disease Prevention: €75m
Residential and Home Care Supports: €60m
Residential, Respite and PA services: €30m
Implementation of *A Vision for Change*: €35m

Total investment: €350m

Education

Capitation grant: €100m
Adult Literacy: €50m
Life Long Learning: €50m
Early Childhood Education and Care and After School Care: €150m

Total investment: €350m

Rural and Regional

Investment in Broadband infrastructure: €400m
Rural Enterprise Scheme: €200m
Rural Transport Programme: €50m
Residential and Community Retrofitting: €60m

Total investment: €710m

Social Welfare

Universal Pension for everyone aged 66 and over: €714m
Increase of €6.50 per week in core social welfare payments: €242m
Increase direct provision payments to €65 per week for an adult and €38 per week for a child: €13m

Total investment: €969m

Social Housing

Fully resource and expand social housing strategy: €680m

Total investment: €680m

Other Key Proposals

1. Introduce a minimum effective corporate tax rate that would ensure that all corporations in Ireland pay at least 6% tax on their profits here.
2. Make tax credits refundable in Budget 2016. At a cost of €140m this proposal would directly benefit 113,000 low income individuals and begin to address the 'working poor' issue.
3. Extend the USC levy of 3% to all income in excess of €100,000 irrespective of its source. This would increase revenue by €210m.
4. Increase the PAYE Credit by €6.50 per person in 2016.
5. Introduce a tax on empty dwellings and undeveloped land (+€75m).
6. Introduce an Aggregates levy of €2.50 per tonne to yield €79m in a year.
7. Introduce a Sugar Sweetened Drinks tax to yield €75m in 2016.
8. Remove the PSO Peat subsidy in 2016.
9. Increase the tax take on online gambling to 5% to yield €100m.
10. Standard rate all discretionary tax expenditures in Budget 2016.
11. Standard rate the tax break on all pension contributions in Budget 2016.
12. Increase the ODA Budget by €140m to reach 0.42% GNP in 2016.
13. Invest €5m to support and resource the PPN structure of local government.

The Social and Economic Position Framing Budget 2016

Table 10 brings together a range of relevant data and indicators reflecting various aspects of Ireland's social and economic reality today. These show us the context in which the Budget 2016 is being framed.

Some of the indicators are positive and much improved on recent years. GDP is growing. Unemployment is falling. Job numbers are growing.

At the same time there are a number of significant challenges facing Ireland.

Ireland continues to have high national debt levels; literacy, numeracy and information processing skills deficits; growing pressure on public services; a sustained problem with poverty, particularly child poverty; major infrastructure deficits, unemployment remains high despite recent welcome improvements, and long-term unemployment is now seen as structural in nature.

Ireland's total tax-take is well below the EU average. It will not be possible to address the challenges listed here without increasing taxation, in a fair and equitable manner, towards the EU average.

This is necessary to provide the investment for the services and infrastructure most Irish people seek.

Table 10: Ireland's Social and Economic Position in 2015

Real GDP growth 2015*	4.0%	Minimum Wage (per hour / 39hr week)	€8.65 / €337.35
Real GDP growth 2016*	3.8%	Minimum Social Welfare Payment (1 adult)	€188.00 per week
Real GNP growth 2015*	3.9%	Average Gross Household Income (2013)	€1041.47 per week
Real GNP growth 2016*	3.5%	Average Disposable H-hold Income (2013)	€786.86 per week
2015 General Gov Balance (%GDP)*	- 2.3%	Poverty line 1 Adult (week / year)	€ 208 / €10,850
Gross National Debt (%GDP) 2007	25.1%	Poverty line 2 Adults (week / year)	€345 / €14,430
Gross National Debt (%GDP) 2015*	109.7%	Poverty line 1 Adult + 1 Child (week / year)	€276 / €14,430
Gross National Debt (%GDP) 2016*	105.0%	Poverty line 2 A + 2 Children (week / year)	€482 / €25,172
Exchequer Capital Investment 2016 (2015)	€3.2bn (€3.2bn)	% of population living in poverty (numbers)	15.2% (687,151)
Investment as a % GDP 2015	15.3%	% of children living in poverty (numbers)	17.9% (218,000)
Total Taxation as % GDP 2015*	30.2%	% of population experiencing deprivation 2007	11.8% (2+ basic items)
%Tax on €25,000 income (single / 2 earners)	14.1% / 1.3%	% of population experiencing deprivation 2013	30.5% (2+ basic items)
%Tax on €60,000 income (single / 2 earners)	32.8% / 17.1 %	LA Housing Waiting list - households	89,872
%Tax on €100,000 income (single / 2 earners)	40.4% / 29.2%	LA Housing Waiting list - persons	approx. 225,000
Corporation Tax rate	12.5%	% on LA housing waiting list for 2 years +	60%
Capital Gain Tax rate	33%	Homelessness (Census 2011)	3,808
Value of top 30 Tax Reliefs (per annum)	€17 billion	Level 1 - Literacy problems adults (2013 data)	17.9%
Labour Force 2015	2,142,400	% Waste Landfilled (2011)	47.6%
Employment 2015	1,929,500	Greenhouse Gas Emissions v. Kyoto target	-2.7%
Unemployment 2015 /rate (ILO Basis)	209,700 / 9.8%	Population 2011 Census	4,588,252
Long-Term Unemployment 2015 / rate	127,000/ 5.9%	Population 2016 *	4.691m
Youth Unemployment 2015 /rate	37,100 / 20.2%	Population 2021* / 2041*	4.901m / 5.701m
Net migration (year to April 2014)	-21,400	Inflation rate (CPI) 2015*	+0.1%
Net migration Irish Nationals (2014)	-29,200	Inflation rate (CPI) 2015*	+1.1%

Sources: Department of Finance *Stability Programme Update,* Collins (2013), CSO *QNHS*, CSO *Population and Migration Estimates,* CSO *SILC*, CSO *Census 2011*, OECD *PISA 2013*, CSO *Population and Labour Force Projections (assumption M2F1)*, Department of Environment, Heritage and Local Government *Housing Statistics*, CSO *Environment Indicators 2014,* ESRI *Quarterly Economic Commentary* and Social Justice Ireland *Socio-Economic Review*. **Note:** * = projection;

Good choices could improve wellbeing of all Ireland's people

Ireland currently faces key choices that will shape its future. If the correct choices are made in Budget 2016 and in the years immediately ahead, Ireland could move towards becoming a country characterised by justice, fairness and the improving wellbeing of all its people.

This would require Government to **put the common good at the core of all its decisions** about services, taxation and infrastructure. Such an approach would look closely at the current situation, as set out throughout this *Policy Briefing*, and recognise that despite recent improvements in the economy and on employment, Ireland has some major gaps that need to be addressed immediately if everyone is to have the income and services required to live life with dignity.

Tax cuts will not solve Ireland's infrastructure problems, will not improve social service and will not deliver a fairer society. Tax cuts will not deliver better healthcare services, quality childcare and after school care. Tax cuts will not deliver social housing, appropriate services for people with disabilities, a rural recovery or a move towards a more sustainable and low carbon Ireland.

This is not the time for tax cuts. All available resources should be used to address Ireland's deficits. There are **huge deficits** in care that should be addressed e.g. in childcare, healthcare, eldercare, care of the vulnerable. There are huge deficits in housing. We have increasing numbers homeless and 90,000+ households on waiting lists. The demand for accommodation is far outstripping the supply and consequently prices are rising dramatically.

Failure to invest in these areas now will lead to huge costs in the long run for this and future generations. There will be enormous **long-term** social, environmental and economic costs if Ireland fails to invest in its health services, childcare and after school care, disability services, social housing, rural and regional Ireland and promoting a green, low carbon economy.

...If good choices are made in Budget 2016 and in the years immediately ahead, Ireland could move towards becoming a country characterised by justice, fairness and the improving wellbeing of all its people.

The need for **multiannual** budgeting and long term planning for infrastructural investment needs to be strongly embedded in the policy-making process. Several years of investment and development will be required if real progress is to be achieved in areas such as social housing, childcare etc. The challenges these present cannot be resolved in a year or two.

Government currently has **options**. We set out some of the EU-related ones on page 8. We set out social housing options on page 5. Other examples are spread throughout this Briefing. The return from such investment will be significant in social, environmental and economic terms and have a major positive impact on people's quality of life. Results may not be visible for a number of years but that should not be an issue. **This is a time for making good choices.**

Recent Publications and Research from *Social Justice Ireland*

Reducing obesity and future health costs - Irish Heart Foundation and *Social Justice Ireland* (June, 2015)

Policy Briefing on Work, Jobs and Unemployment - (May 2015)

Towards a Just Society - Annual Socio-Economic Review (April 2015)

Poverty and Inequalities on the rise - Just Social Models Needed. (Research by *Social Justice Ireland* for Caritas Europa; February 2015)

Ireland and the Europe 2020 Strategy - Shadow Report (January, 2015)

Planning and Delivering a Fairer Future - Values, Democracy and Service Provision (November 2014)

All of these are available on our website at www.socialjustice.ie
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working to build a just society

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

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