

Budget Choices

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As Budget 2017 is being prepared, Ireland finds itself facing major challenges. Some of these have been with us for a while, others have emerged as a result of the recent Brexit vote in the UK.

After years of coping with the crisis and its consequences, Ireland has seen its economic growth rate rise dramatically while unemployment and the debt/GDP ratio both fell.

However, there are still major problems in areas such as poverty, homelessness, and long-term unemployment, while the level of public investment is far below what is required if infrastructure and services are to be close to the EU average.

This is a time for long-term thinking and planning; a time for a real debate about our economic and social priorities in the years ahead and on how we propose to deliver a prosperous and cohesive society.

This debate should revolve around questions like:

- 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 is the appropriate level of taxation to deliver those services?
- What are our views on the distribution of wealth and power in our society?

In the context of Budget 2017, examples of some of the questions that must be asked include:

- Is this the time to reduce taxes for higher-income taxpayers, or is it time to invest in our social services and infrastructure and strengthen our social security system?
- Do we want to return to a privately-financed system of housing provision that leads to vacant homes, broken banks, rising homelessness and record numbers on the social housing list, or do we wish to create a society that delivers quality accommodation for all?
- Should the standard of healthcare we receive depend on the contents of our wallets or the common demands of our humanity?
- Put more simply, do we wish to collectively pursue the common good, 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 moving Ireland towards becoming a just society.

Taxation

Since the onset of the recession the scale of the collapse in Ireland's tax revenues has been dramatic. (cf pp. 10-12).

It should be a key policy objective to collect a level of taxation capable of supporting the country's economic, social and infrastructural requirements. This is not possible under the current unsustainable model.

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Budgetary Stance and Proposals

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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'.

Economic Progress

An obvious consequence of our low tax-take is low public investment. Ireland's investment level has been dangerously low for several years now; it is currently the second lowest in the European Union as a percentage of GDP.

Yet the cost of borrowing has been at a record low level for some time now. The argument against borrowing to invest revolves around an aversion to increasing an already heavy debt burden. But this ignores the fact that *productive* investment would be a net gain in the medium to long-term.

If governments invest in productive assets that provide a return, future generations will inherit assets that create revenue that exceeds the cost of borrowing. The net debt burden will have declined.

It is fair to say that future generations will not understand why we have not increased public investment when borrowing was so cheap.

There is no shortage of areas where it could be spent. The *Financial Times* recently addressed Ireland's housing crisis, noting its effect in diluting Dublin's ability to attract financial service firms from the City of London in the wake of the Brexit referendum.

It is now clear that the current housing situation is reducing Ireland's economic growth potential. Tackling the social housing crisis will free up space in the private rental sector, alleviating strain on both sides of the market, and there is a clear requirement for off-the-books investment as the problem has reached a scale where it is no longer possible to deal with it adequately through conventional spending methods.

Innovation and enterprise, particularly in rural areas, is being hindered by Ireland's inadequate broadband network, and government efforts to tackle this problem have been insufficient. The development of rural Ireland is heavily dependent on a good quality broadband network.

Professor Sean O'Riain of Maynooth University has argued that weak state investment in broadband has constrained the diffusion of new technology industries into the broader private sector.

***Social Justice Ireland* believes that the €1bn government has identified as the fiscal space available for Budget 2017 should be spent on social housing and broadband.**

Meanwhile, a recent publication from the Nevin Economic Research Institute (NERI) highlights the disproportionately low levels of per capita spending on Research and Development by government. This is the kind of investment that would boost Ireland's long-run growth potential.

Similarly, barriers to labour force participation such as an inadequate childcare infrastructure are also hindering Ireland's long-term economic growth prospects. Economic growth is greatly dependent on the supply of labour. The

Future generations will not understand why we have not increased public investment when borrowing was so cheap

productivity of that labour is driven largely by innovation and investment, particularly in education.

These are the areas where Ireland must focus. Rather than concentrating on economic growth in the hope that everything else will take care of itself, government should focus on investing in social and productive infrastructure, laying a foundation for Irish society to thrive economically, socially and culturally.

Investment Proposals

Social Justice Ireland believes that we should continue to be a country that is attractive to business by remaining a low tax economy. However, we should not do so at the expense of being able to provide the services and social infrastructure required by our citizens, or at the expense of being able to provide an environment where those businesses can truly thrive.

Therefore, in this Policy Briefing we outline plans for:

- **Social Housing:** €600m to support the Social Housing Strategy and other aspects of social housing policy. We also urge Government to use the structural reform clause of the fiscal rules (which could provide an additional €1bn within the fiscal rules) together with a new off-balance sheet mechanism to access low-cost finance on the scale required to address the current situation. (p.5)
- **Rural/Regional development:** €710m to help complete the rollout of a high quality rural broadband network, as well as additional investment in the rural transport programme, a rural enterprise scheme and retrofitting houses and community facilities. (p.6)
- **Education:** €350m investment focused on adult literacy, lifelong learning, further and higher education, early childhood care and after school care. (p.8)
- **Healthcare:** €327m investment prioritising primary care teams and networks, children and family services, homecare and residential care services together with an obesity and chronic disease prevention programme. (p.7)
- **Pensions:** A universal pension financed by reducing tax-breaks that currently strongly favour the better-off. (p.8)
- **Disability and social welfare:** Increase basic social welfare payments to compensate for the rise in the cost of living since 2010 i.e. by €6.50 a week and introduce a cost of disability payment to go towards meeting additional costs experienced by people with disabilities. (pp. 9 & 7)

Guiding Vision and Policy Framework

Vibrant economy	Decent services and Infrastructure	Just taxation	Good governance	Sustainability
Fiscal and financial stability and sustainable economic growth	Secure services and social infrastructure	Bring tax-take towards the EU average	Deliberative democracy & PPNs	Promote climate justice and environmental protection
Adequate Investment programme	Combat unemployment & underemployment	Increase taxes equitably and reduce income inequality	Social dialogue: all sectors in deliberative process	Balanced regional development
Reduction of Ireland's debt burden	Achievement of seven Social, Economic and Cultural rights	Secure a fair share of corporate profits for the State	Reform of policy evaluation	New indicators of progress and Satellite National Accounts

Having a guiding vision of Ireland's desired future is a pre-requisite 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.

If such a vision of Ireland's future is to be reached then clarity is required and care must be taken to ensure that decisions made in each year's budget moves society and the economy in that direction.

A new policy framework is required; one that rejects the failed approach of focusing on the economy and assuming everything else would follow. Instead there is a need to recognise the importance of an integrated approach that seeks to deliver five outcomes simultaneously: (i) a thriving economy, (ii) just taxation, (iii) decent services and infrastructure, (iv) good governance and (v) sustainability. These five policy areas are interdependent. All must be focused on in tandem if Ireland is to achieve its long-term economic, social and environment policy goals.

This integrated approach also recognises the need to plan now to ensure Ireland has the required infrastructure in place to provide for its growing population and changing demographics

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.

Building a vibrant business-friendly economy requires that Government simultaneously focus on the other aspects of this framework that must be secured if a vibrant economy is to emerge.

Broken societies are bad for business. Without the integrated approach we advocate here Ireland will not become the fair, just and sustainable society Irish people seek but will, instead, continue to be a country being shamed by its poverty, unemployment, waiting lists (for housing or healthcare) and poor infrastructure.

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

Looking forward, we believe that Ireland is at another pivotal moment in which choices must be made: choices that will decide whether or not Ireland becomes a just and fair society.

Adopting the framework set out here would ensure that Government has a coherent and integrated approach to building such a future.

Taxation and Budget 2017

In recent times, we have all heard the assertion that "we need to make work pay". *Social Justice Ireland* agrees, and believes that the best way to do this is to increase the PAYE tax credit and make the two main tax credits refundable.

On pages 10-12 we set out a detailed series of other proposals aimed at broadening the tax base and addressing Ireland's low tax-take in a fair manner. These include tax decreases, tax reform and tax increases. The net impact of our tax changes is to increase the total tax-take by about 1 per cent of GDP which still leaves Ireland with one of the lowest total tax-takes in the EU.

We are proposing that none of the fiscal space of €1bn identified by government be used to reduce taxation, but should instead be invested in increasing Ireland's economic and social capacity.

We are also recommending that our proposed tax increases be used to improve Ireland's infrastructure and social services.

These proposals to promote the vision and policy framework outlined above, are fair, just and sustainable, and they would move Ireland towards becoming a fair and just society.

Macro-Economic Stability - Fiscal Policy

Sound & Fair Fiscal Policy

In framing Budget 2017, Government is required to make its choices in the context of the agreed EU-wide Stability and Growth Pact rules and the Fiscal Compact. During the past year Ireland moved from abiding by the 'corrective arm' of that pact to the 'preventative arm'.

Under this new procedure the net size of and Budget package is limited by the available 'fiscal space' - simply the money available for Budget decisions after account is taken of demographic pressures on public spending, capital plans, the indexation of income taxation structures and other pre-committed policies.

The *Summer Economic Statement* estimated this to be 'of the order of €1 billion' for Budget 2017.

As the fiscal space measure is a net one, Government has the freedom in Budget 2017, and in any future Budget, to generate additional taxation revenue, from raising taxes in one area, and then spending or investing this money elsewhere. Similarly, it has the ability to ignore some of the assumptions involved in the calculation of the fiscal space and, for example, decide not to index the income taxation system.

This is particularly relevant as the calculations for Budget 2017 assume this will happen at a cost of €330 million. Deciding not to do this, as has been the case in all other Budgets, increases the size of the 2017 Budget package by one-third.

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.

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 a net budget package of €1.2 billion, we outline how resources should be allocated in detail on pages 17 and 18. As detailed elsewhere in this document, complementing this allocation should be a significant off-books capital investment plan targeted at addressing the significant infrastructural and social housing deficits that have emerged. We also include additional spending funded by increased tax.

Our proposals in this Briefing are based on a net Budget package of €1.2bn. In recent years the scale of the Budget package has notably differed from the size previously signalled by Government (in the SPU and Spring statements). However, irrespective of the scale of the final Budget package announced by Government for the forthcoming Budget, this document clearly highlights that fairer choices are feasible and possible in Budget 2017.

While adhering to the fiscal 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

Budget 2017 should reverse regressive trend

Over the past few years *Social Justice Ireland* has developed its ability to track the distributive impact of annual Budget's on households across Irish society.

Following Budget 2016, we assessed the cumulative impact of changes to income taxation and welfare over the five Budgets since 2011 (Budget 2012). At the outset it is important to stress that our analysis does not take account of other budgetary changes, most particularly to indirect taxes (VAT), other charges and property taxes. Similarly, it does not capture the impact of changes to the provision of public services - changes which, as we have pointed out elsewhere, have been severe given the scale of the expenditure reductions introduced. As the impact of these measures differs between households it is impossible to quantify precise household impacts and include them here. However, as we have demonstrated in previous publications, these changes have been predominantly regressive.

The households we examine are spread across all areas of society and capture those with a job, families with children, those unemployed and pensioner households - see charts. Over the years examined all household types recorded increases in their disposable income (after taxes and welfare payments). However, the gains have been skewed towards those with the highest incomes.

Among households with jobs the gains experienced over the past five years

range from €4.53 per week to twelve times as much, €54.97 per week, for couples with 2 earners and an income of €200,000. Overall, across these households the main gains have flowed to those on the highest incomes.

Among households dependent on welfare, the gains have ranged from €4.63 per week to €14 per week to pensioner couples.

Our analysis points towards the choices and priorities the Government has made. Budget by Budget these choices, whether cuts or increases, have favoured the better-off in our society. Budget 2017 should reverse this trend.

Chart 1: Welfare Dependent Households, 2011-2016

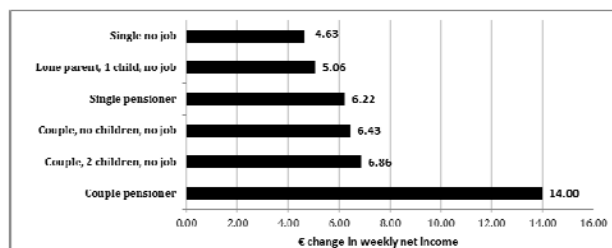
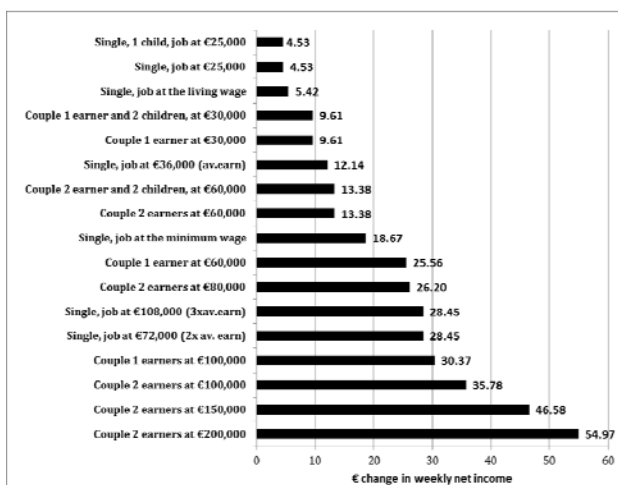


Chart 2: Household with Jobs, 2011-2016



Source: Social Justice Ireland Socio-Economic Review 2016 (p62-63).

Investment - Social Housing

Ireland has a major 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.

The most recent assessment of housing need in Ireland was published in May 2013. At that point there were 89,872 households qualified for social housing. The number of households on waiting lists has almost certainly risen since then.

The number of households becoming homeless because their rent has been increased has also been escalating.

The number of homeless people in emergency accommodation across the State in May 2016 was 6,170. This includes 2,177 children with their families. These numbers have been rising steadily. In the past most homeless people were single adults but this has changed dramatically in recent years. In May 2016 there were 1,054 homeless families in Ireland accessing local authority managed emergency accommodation. It should be noted that these numbers do not include people who are sleeping rough or the 'hidden homeless' who live in squats or with friends.

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.

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.

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

The Government's Social Housing Strategy (SHS) was a welcome initiative that sets targets up to 2020. However, its targets are far too low to meet the scale of the challenge Ireland currently faces. For example, it sets out to provide 35,000 new social housing units by 2020 with the balance of need being met by support schemes. This is far below 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's new proposed plan for housing be of sufficient 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 are set out in the box (right).*

Financing Social Housing Construction

Government needs to plan on the scale required to end Ireland's social housing crisis. The key challenge is to increase the supply of housing generally and of social housing in particular. Currently there are 90,000 households on waiting lists. 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.

However, there is an urgent need to address the issue of how the required increase in social housing is financed. The fiscal rules that set the parameters for each year's budget are blocking Ireland from investing in this essential infrastructure.

Government cannot provide the amounts required by 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. New approaches are needed.

Currently, the Irish Government can borrow substantial sums of money at record low interest rates. In this context **Social Justice Ireland proposes** two new initiatives.

(i) Structural Reform Clause

Government could substantially increase the resources available to finance social housing by invoking the structural reform clause contained in the EU's Stability and Growth Pact. This clause allows Government's to cater for the short-term costs of implementing structural reforms that will have long-term positive budgetary effects. While additional 'off-the-books' financing would still be required, this clause would allow for up to 0.5 per cent of GDP (about €1bn) additional 'on-the-books' financing to be available to address this challenge.

(ii) Special Purpose Vehicle (SPV)

Government should also put in place an *off-balance-sheet* mechanism that would access low-cost finance to address the lack of supply of social housing. One way of doing this would be to use a vehicle such as NAMA which has expertise in developing such mechanisms.

There are about 107,000 social housing units owned by Local Authorities and paying rent regularly which could be used as collateral against the loans taken on by an SPV. It should be possible to put together a proposal that meets the Eurostat conditions for an acceptable off-balance-sheet initiative.

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

Both of these initiatives would provide the finance for Local Authorities and Approved Housing Bodies to dramatically increase the supply of social housing. This supply is required to stabilise the rental market and enable Ireland to move to a cost-based rental approach. In passing we note that a move to a cost-rental approach will require initial subsidies to allow housing bodies to service available loans and to ensure that those on low incomes do not lose out.

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 specific rural and regional element with a dedicated budget line. Regional and national enterprise policy should be better aligned. 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, lifelong learning 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, Local Employment Offices, 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 Education and Training Boards 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 2017 **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 2017.**

Energy efficiency and Retrofitting

One of the most cost effective measures to promote sustainable development is to increase building energy efficiency (through retrofitting for example). This is one of the most effective 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 2017.** 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. Across the European Union the level of investment dropped by €300bn, or 15% since 2007. In Ireland this fall was even more dramatic; with the level of investment in Ireland falling 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's Investment Plan for Europe aims to ensure 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. To date Ireland has seven projects approved under the investment plan.

Recent 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. *Social Justice Ireland* urges Government to explore invoking the structural reform clause of the stability and growth pact in order to increase the amount of current expenditure available to fund the social housing strategy. While off balance sheet funding is imperative to deal with the scale of the crisis, and increase in current expenditure can help expedite the response to the immediate crisis Government faces this clause could, potentially, provide an additional €1bn for social housing provision.

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 85 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.

We welcome the commitment to enhance primary care and the integration of care between primary and secondary care by Government. We also welcome the commitment by Government to publish a detailed long-term budget for the health service.

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 access to specialist services to fully meet the needs of our ageing population, particularly those with the most complex needs and who are most at risk of unplanned hospitalisation or requiring access to long-stay care prematurely.

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 2017.
- 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 €250m over a five year period enabling 7-8 community nursing facilities with about 50 beds each to be developed to provide additional capacity each year in priority locations where current capacity is insufficient to meet the needs of local communities. €50m of this should be allocated in Budget 2017.
- Invest €75m in a prevention of obesity and chronic disease programme (financed by a tax on sugar sweetened drinks).
- Provide an additional €102m to support provision of additional services to meet demographic pressures through provision of;
 - ⇒ €30m towards the continuing of services for Older People targeted at home care, and other community supports.
 - ⇒ €30m for Disability Services including residential, Respite and PA services
 - ⇒ €42m to improve mental health services and 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.

There was a 9.4% reduction in spending on disability services (excluding inflation) between 2008 and 2015 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 introduce a cost of disability payment of €20 per week. We propose this as an interim measure to ensure an adequate income for people with a disability who face extra costs on a daily basis and who experience disproportionately high levels of poverty and deprivation. Initial funding of €132m should be allocated to this in Budget 2017.

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 apparent 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). 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 an additional €50m investment in adult literacy in Budget 2017.**

Lifelong learning

Lifelong learning is defined as formal, non-formal, and informal learning for improving basic 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. 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 an additional €50m investment in lifelong learning in Budget 2017.

Further and Higher Education

The fundamental aim of education is to serve individual, social and economic well-being and to enhance quality of life. The National Risk Assessment (Department of An Taoiseach, 2015) identifies the lack of investment in education as one of the seven social risks facing Ireland. The report singles out human capital as an area for investment as our future economic performance will depend on the quality of Ireland's human capital. Projected increased demand in all areas of our education system must be matched by a policy of investment that is focussed on protecting and promoting quality services for those in the education system. The need for investment is most acute

in the further and higher education sector where there has been a 20.4 per cent reduction in funding per student in higher education and a 30 per cent decline in the staff to student ratio. Investment is required in order to enable further and higher education institutions to begin planning for the intake of increased students due to demographic pressures.

Social Justice Ireland proposes a €100m investment in funding per student for Higher Education and Further Education institutions in order to address some of the deficits and challenges the sector faces.

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 2017 and 2021. This level of investment is crucial to ensuring that all children have access to quality childcare and after school care.

In Budget 2017 we propose that this €150m be used to consolidate the sector, improve facilities, develop and improve qualifications, pay and conditions for staff in the sector and develop quality after school care provision.

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 - Work, Jobs and Unemployment

The scale and severity of the 2008-2010 economic collapse saw Ireland revert to the phenomenon of widespread unemployment. Since then, despite the attention given to the banking and fiscal collapse, the transition from near full-employment to high unemployment was the most telling characteristic of that recession. The implications for individuals, families, social cohesion and the exchequer's finances have been serious and the effects continue to be felt.

CSO data and economic forecasts for the remainder of 2016 indicate that unemployment will reach an annual rate of between 8.5 and 8 per cent of the labour force, having been 4.7 per cent before the recession in 2007.

Significant improvements have been achieved over the past four years, but there can be little doubt but that we are in a very challenging period in which a high level of long-term unemployment has once again become a characteristic of Irish society.

Challenges are also emerging regarding the quality of jobs available to workers, the growing prevalence of part-time work, low-hour contracts and persistently high levels of low pay.

The Long-Term Unemployment Challenge

The latest CSO data indicate that there are 100,600 people in long-term unemployment. They represent 4.7% of the labour force and 56 per cent of the unemployed. The long-term unemployed have comprised the majority of the unemployed since late 2010.

The experience of the 1980s showed the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates. It remains a major policy failure that Ireland's level of long-term unemployment has been allowed to increase so rapidly in recent years. Furthermore, it is of serious concern that to date Government policy has given limited attention to the issue.

Addressing a crisis such as this is a major challenge and should be a core focus of Budget 2017. It is clear that re-skilling many of the unemployed, in particular those with low education levels, will be a key component of any response.

The experience of the 1980s showed the dangers and long-lasting implications of an unemployment crisis characterised by high long-term unemployment rates...

...addressing a crisis such as this is a major challenge and should be a core focus of Budget 2017

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 €407m 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. Also 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 2014. Such an underlying poverty rate suggests a deeply unequal distribution of direct income. In 2014 social welfare payments reduced the poverty rate by 33 percentage points to 16.3 per cent. Adequate social welfare payments are required to prevent an increase in poverty.

In 2014 there were 751,000 people in Ireland living below the poverty line. Of these 230,000 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 4 on page 15. Since 2010 the minimum social welfare payment has remained at €188. However, as chart 5 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 early 2016 inflation was 3.44 per cent - implying that a buying power of €188 in 2010 was equivalent to €194.50 by February 2016. This suggests that a jobseekers payment at this level is required in 2016 to protect the basic living standards of welfare recipients.

Social Justice Ireland proposes that Budget 2017, 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: €274m). Budget 2017 should also increase direct provision payments to €65 per week for an adult and €38 per week for a child (total cost: €10m).

Taxation - Choices

Low Overall Tax-Take = Lost Revenue

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 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 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 1 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 €79.5bn. 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.

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 €19bn over the next five years.

If Government were to maintain overall taxation levels at their 2015 level, the state would collect an average of €4.7 billion per annum in additional tax revenue between 2017 and 2021

If Government were to maintain overall taxation levels at their 2015 level (29.2% of GDP), rather than pursuing the planned reductions highlighted in the table, the state would collect an average of €4.7 billion per annum in additional taxation revenue between 2017 and 2021.

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 1: Ireland's projected total tax take and the tax gap, 2015-2021*

Year	Tax as % GDP	Total Tax Receipts	The Tax Gap**
2015	29.2%	€62,671m	€12,234m
2016	28.0%	€64,666m	€15,936 m
2017	27.7%	€67,304m	€17,494m
2018	27.5%	€70,352m	€18,931m
2019	27.4%	€73,357m	€20,079m
2020	27.3%	€76,365m	€21,259m
2021	27.3%	€79,545m	€22,145m

Source: Calculated from Department of Finance, SPU April 2016. **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.

Over the remainder of this page and page 11 we outline a series of taxation proposals for inclusion in Budget 2015. Each proposal concludes with an estimated cost of the reform - cost figures which are reflected in the costed summary of all out 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

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 €407m in 2017.

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 18 per cent of all those in poverty have a job.

Our detailed study on this issue in 2010 entitled '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 €140 million in 2017.

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

Taxation - Reform

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 2017 should standard rate the tax break on all pension contributions and standard rate all other discretionary tax reliefs costing more than €10m per annum in revenue forgone.

Proposal: Standard rate the tax break on all pension contributions. This would yield €725m in 2017.

Proposal: Standard rate non-pension discretionary tax breaks costing more than €10m per annum. This would yield €480m in 2017.

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 2017.

Proposal: Remove the tax refund element for unused R&D tax credits. This would yield €168m in 2017.

Reforming Corporation Taxes

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 an effective corporation tax rate of 6%. This would yield in excess of €1000m in 2017.

Behavioural Taxes

Taxing Sugar Sweetened Drinks

A 2015 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 (BMI) 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 2017 and use a portion of the revenue generated to develop effective obesity prevention programmes and initiatives to eradicate food poverty. The new Programme for Government commits to introducing a measure similar to our 2015 proposal.

Proposal: Introduce a tax on sugar sweetened drinks. This would yield €75m in 2017.

Taxing Empty Houses / Underdeveloped Land

Budget 2017 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 2017 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 2017.

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 - Fairness

FAIRNESS IN CHANGING INCOME TAXES

Possible changes to income taxation levels have been highlighted as a potential policy reform in Budget 2017. *Social Justice Ireland* believes 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 outlined goes to everybody who has an earned income.

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 focuses 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 2 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 (€174m-€271m).

The reforms examined are for changes to the 2016 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 €100 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% USC rate –

that applied to income below €12,012

- a 1.5% point decrease in the 3% USC rate – that applied to income between €12,012 and €18,668
- a 0.5% point decrease in the 5.5% USC rate – that applied to income between €18,668 and €70,044
- A 1.5% point decrease in the 8% USC rate– that applied to income above €70,044

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

- increasing the personal tax credit;
- reducing the 1% USC rate by 1% point; and
- reducing the 3% USC rate by 1.5% points.

The other five changes produce an unfair outcome where the benefits are skewed towards those with higher incomes.

Table 2: Comparing gains under eight 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 €246m)						
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 €271m)						
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 €100 (full year cost €220 million)						
Single earner	0	100	100	100	100	100
Couple 1 earner	0	20	200	200	200	200
Couple 2 earners	0	0	200	200	200	200
Increase in the standard rate band of €1,500 (full year cost €257 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% USC rate (full year cost €237m)						
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 1.5% point decrease in the 3% USC rate (full year cost €222m)						
Single earner	44.82	99.84	99.84	99.84	99.84	99.84
Couple 1 earner	44.82	99.84	99.84	99.84	99.84	99.84
Couple 2 earners	0.00	63.57	182.16	199.68	199.68	199.68
A 0.5% point decrease in the 5.5% USC rate (full year cost €174m)						
Single earner	0.00	31.66	156.66	256.88	256.88	256.88
Couple 1 earner	0.00	31.66	156.66	256.88	256.88	256.88
Couple 2 earners	0.00	0.00	69.16	188.32	313.32	382.29
A 1.5% point decrease in the 8% USC rate (full year cost €187m)						
Single earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 1 earner	0.00	0.00	0.00	74.34	449.34	824.34
Couple 2 earners	0.00	0.00	0.00	0.00	0.00	168.09

Source: *Social Justice Ireland* Occasional Paper (forthcoming, September 2016) **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.

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.

Social Justice Ireland welcomes the establishment of an Independent Budget Office as proposed in the Programme for Partnership Government. This is an important step towards implementing the OECD proposals for budget reform in Ireland and will serve to increase the transparency of the budget process, thus promoting wider participation. It is imperative that the Office must be adequately resourced to enable it to be fully effective.

The National Economic Dialogue (NED) which was held in 2015 and 2016 offers a model for a deliberative process which brings together key stakeholders at national level and is welcome. However, such engagement needs to occur more frequently throughout the year to be truly meaningful and also be extended to the social and environmental spheres.

The community and voluntary sector plays a critical role in Irish society, engaging with and supporting communities to participate in and contribute to government as well as providing services, advocacy and supports for people across the life-cycle. It offers detailed up-to-date analysis of the impacts of government policy, especially on vulnerable people. Since 2008, financing for the sector has been drastically reduced, and this should be reversed, starting with Budget 2017.

The Public Participation Network (PPN) is a key structure in each Local Authority area to support deliberative democracy. PPNs provide an opportunity for real engagement between environmental, social inclusion, community and voluntary organisations and local government, and build the capacity of locally based volunteer led organisations to increase social capital in their areas of operation. *Social Justice Ireland* believes PPNs must continue to be resourced by Government, and recommends an increase in funding to €5m in 2017, to enable critical development to be maintained and increased.

To improve Governance *Social Justice Ireland* proposes Budget 2017 should:

- Adequately resource the Independent Budget Office.
- 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
- Provide €5m towards funding for Public Participation Networks (PPNs) at Local Authority level.

Overseas Development Assistance - ODA

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 2016, Ireland will give €640 million in overseas aid; an amount equivalent to approximately 0.38 per cent of GNP.

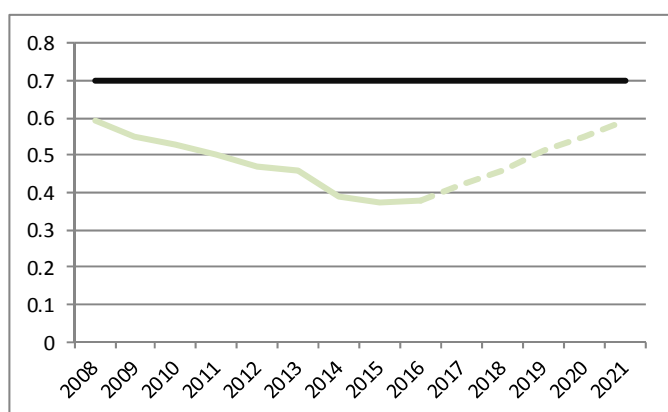
***Social Justice Ireland* strongly urges Government to provide an additional €94m in Budget 2017** and make a commitment to increase the aid budget over the next five years to 0.59 per cent of GNP (see Table 4 below). This would return the aid budget to pre-recession levels, and would allow coherent forward planning for the aid receivers which would maximize the impact of the aid.

Since 2008, 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 that translate into security and prosperity, and should provide international leadership, honouring its commitments by aiming to reach 0.59 per cent of GNP by 2021 as a staging post on the journey towards the UN-agreed goal of 0.7 per cent.

Table 4: Pathway to reach ODA target of 0.59% of GNP by 2021

Year	GNP	% of GNP to achieve 0.59 target by 2021	Required budget for ODA in each year in €m's	Increase in Budget allocation for ODA in €m's
2016	168,495	0.38	640	
2017	173,887	0.42	734	94
2018	178,582	0.46	829	95
2019	183,403	0.51	928	99
2020	188,355	0.55	1032	104
2021	193,252	0.59	1140	108

Chart 3: ODA as % GNP, Ireland 2008-2015 (2016-2021 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. New indicators to measure performance, alongside traditional national accounting measures such as GNP, GDP and GNI should be developed.

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.

Climate change and Shadow National Accounts

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. In order to ensure we are making progress towards our international climate targets Government should ensure that the appropriate indicators are being monitored and measured.

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.

A new set of indicators are needed which measure 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 2017 Government should allocate €10m to the CSO in order to measure targets for the Sustainable Development Goals and to develop new indicators of progress through shadow national accounts.

Budget impact assessments and poverty proofing

Social Justice Ireland welcomes the commitments in the Programme for Partnership Government to fund an Independent Budget Office as a core part of the budgetary reform and to develop the process of equality and gender proofing for budget and policy proposals. It is important that the Independent Budget Office is sufficiently resourced in order to ensure Oireachtas members have all of the relevant information available to them when assessing budget and policy proposals.

Government must ensure that equality, gender, poverty, rural and regional proofing is integral to the decision making process and that this information is available to all Oireachtas members in advance of the budget and policy making process.

Social Justice Ireland proposes that €10m be made available for this in Budget 2017.

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 Planning Framework and 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 2017.*** 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 €121 million in 2015 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: National Debt as % GDP, 2000-2015

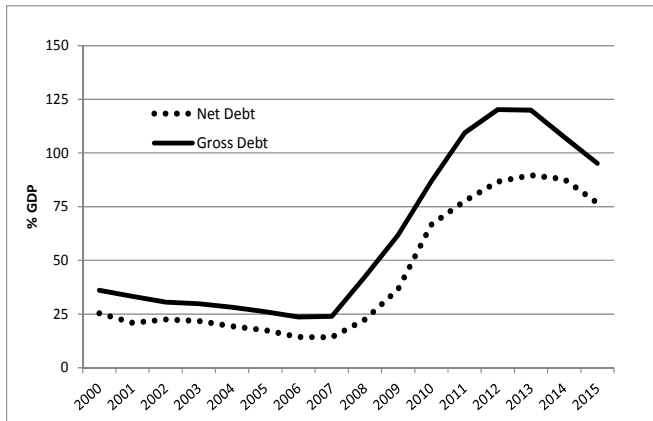


Chart 5: Inflation Jan 2011 - Feb 2016 (Jan 2011 = 100)

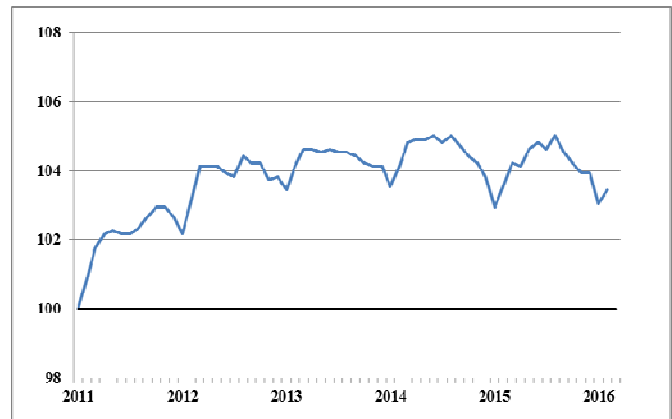


Chart 6: Poverty and Deprivation, 2005-2014

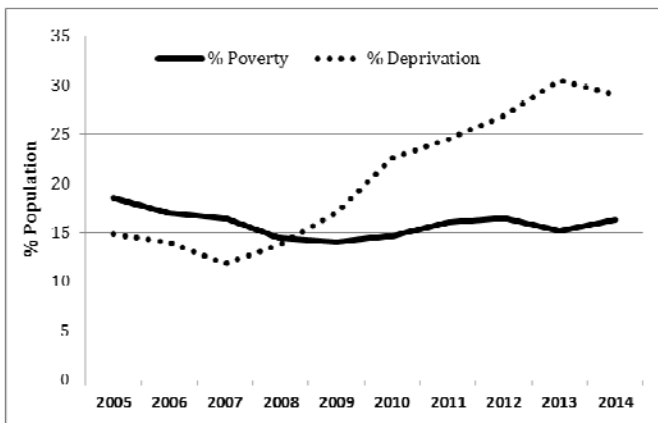


Chart 7: Unemployment 2007-2016 (000s)

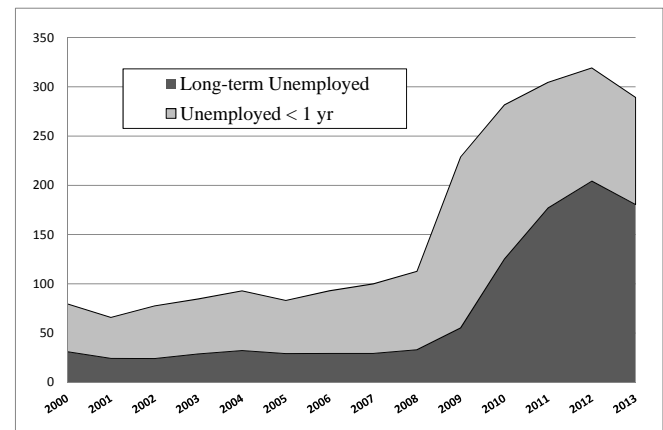


Table 4: The Minimum Weekly Disposable Income Required to Avoid Poverty in 2016, by Household Types

Household containing:	Weekly poverty line	Annual poverty line
1 adult	€218.06	€11,379
1 adult + 1 child	€290.02	€15,133
1 adult + 2 children	€361.99	€18,888
1 adult + 3 children	€433.95	€22,643
2 adults	€361.99	€18,888
2 adults + 1 child	€433.95	€22,643
2 adults + 2 children	€505.91	€26,398
2 adults + 3 children	€577.87	€30,153
3 adults	€505.91	€26,398

Table 5: Effective Taxation Rates for selected household types, 2000 / 2008 / 2016

	2000	2008	2016
Single earner			
Gross Income €25,000	24.0%	8.3%	13.5%
Gross Income €60,000	37.7%	27.5%	31.6%
Couple 1 earner			
Gross Income €40,000	20.2%	9.4%	12.9%
Gross Income €60,000	29.0%	19.8%	24.1%
Couple 2 earners			
Gross Income €40,000	17.5%	3.6%	8.3%
Gross Income €100,000	35.9%	23.8%	28.0%

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; CSO SILC, Social Justice Ireland Budget Analysis and Critique and Socio-Economic Review.

Table 6: Taxation: Social Justice Ireland's key Budget Initiatives for Budget 2017

Area	Proposal	Increase in Exchequer Income	Decrease in Exchequer Income	Balance
	Tax decreases			
Carry-over	Carry-over from Budget 2016 (Taxation)		€192m	
Tax Credits	Make tax credits refundable		€140m	
PAYE	Increase the PAYE credit by €6.50 per week		€407m	
	Tax reform			
Pensions	Standard rate the tax break on all pension contributions	€725m		
Tax Breaks	Standard rate non-pension discretionary tax reliefs	€480m		
R & D Tax Credit	Remove tax refund element for unused R & D credits	€168m		
	Tax increases			
Gambling	Increase Betting Duty to 5%	€100m		
SSD	Introduce a Sugar Sweetened Drinks Tax	€75m		
Corporate sector	Introduce a minimum effective corporate tax rate of 6%	€1000m		
Undeveloped Land	Tax on empty dwellings and undeveloped land	€75m		
Sustainability	Aggregate Levy	€79m		
High earners	Increase the minimum effective tax rate of people earning above €400k pa from 30% to 35%	€12m		
Totals		€2714m	€739m	€1975m

Table 7: Expenditure: Social Justice Ireland's key Budget Initiatives for Budget 2017

Area	Proposal	Decrease in Exchequer Expenditure	Increase in Exchequer Expenditure	Balance
Housing	Increase provision for Social Housing		€600m	
Governance	Independent Budget Office		€10m	
	Central Statistics Office		€10m	
Environment	Energy Efficiency & Retrofitting programme		€60m	
	Remove the PSO levy for peat	€121m		
Health	Older people programme to develop 7-8 Community Nursing Facilities with approx. 50 beds		€50m	
	Primary Care Teams Programme		€40m	
	90 Primary care networks		€10m	
	Children and Family Services Programme		€50m	
	Obesity and chronic disease prevention		€75m	
	Residential and Home Care supports		€30m	
	Respite, residential and PA services		€30m	
	Mental Health funding		€42m	
Disability	Introduce a cost of disability payment		€132m	
Education	Increase funding for Further and Higher education		€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	
Social Protection	Increase core social welfare rates by €6.50 per week		€274m	
	Increase living alone allowance by €5 per week		€50m	
	Increase direct provision payments to €65 per week for an adult and €38 per week for a child		€10m	
	Additional two weeks paternity leave		€10m	
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 towards UN target		€94m	
Citizen Engagement	Increase resources for the PPN structure of local government		€5m	
Totals		€121m	€3296m	€3175m

Table 8: Fiscal impact of Social Justice Ireland's Budget proposals for Budget 2017

Area	Impact on Expenditure	Impact on Revenue	Impact on Government Balance
Increases in expenditure	€3296m		
Decreases in expenditure	€121m		
Overall change in Government Expenditure	€3175m		
Increases in revenue		€2714m	
Decreases in revenue		€739m	
Overall change in Government Revenue		€1975m	
Total Adjustments	€3175m	€1975m	€1200m

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: €30m
 Residential, Respite and PA services: €30m
 Implementation of *A Vision for Change*: €42m
Total investment: €327m

Education

Further and Higher Education: €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

Pensions

Universal Pension for everyone aged 66 and over: **€714m**

Social Welfare

Increase of €6.50 per week in core social welfare payments: €274m
 Increase direct provision payments to €65 per week for an adult and €38 per week for a child: €10m
 Increase Living Alone Allowance by €5 per week: €50m
 Cost of Disability Payment: €132m
Total investment: €466m

Social Housing

Fully resource and expand social housing strategy: €600m
Total investment: €600m

Taxation

Tax reductions

Make tax credits refundable in Budget 2017: €140m
 Increase the PAYE Credit by €6.50: €407m

Total: €547m

Tax reform

Standard rate all discretionary tax expenditures: €480m
 Standard rate the tax break on all pension contributions: €725m
 Remove tax refund element for unused R & D credits: €168m

Total: €1373m

Tax increases

Tax on empty dwellings and undeveloped land: €75m
 Introduce an Aggregates levy of €2.50 per tonne: €79m
 Introduce a Sugar Sweetened Drinks tax: €75m
 Increase the tax take on online gambling to 5%: €100m
 Increase minimum effective tax rate for earners above €400k per annum to 35%: €12m
 Introduce a minimum effective corporate tax rate: €1000m

Total: €1341m

Other key proposals

Increase ODA budget by €94m to reach 0.42 per cent of GNP in 2017, and move towards 0.59 per cent by 2021.
 Invest €10m to support the Independent Budget Office.
 Invest €10m in monitoring progress towards the Sustainable Development Goals.
 Increase paternity leave by an additional two weeks.
 Invest €5m to further resource and support the PPN structure of local government.
 Remove PSO Levy for peat saving €121m.

The Social and Economic Position Framing Budget 2017

Table 9 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 2017 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; grow-

ing 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 9: Ireland's Social and Economic Position in 2016

Real GDP growth 2016*	4.9%	Minimum Wage (per hour / 39hr week)	€9.15 / €356.85
Real GDP growth 2017*	3.9%	Minimum Social Welfare Payment (1 adult)	€188.00 per week
Real GNP growth 2016*	4.1%	Average Gross Household Income (2014)	€1080.82 per week
Real GNP growth 2017*	3.7%	Average Disposable H-hold Income (2014)	€810.41 per week
2016 General Gov Balance (%GDP)*	-1.1%	Poverty line 1 Adult (week / year)	€218 / €11,379
Gross National Debt (%GDP) 2007	25.1%	Poverty line 2 Adults (week / year)	€362 / €18,888
Gross National Debt (%GDP) 2016*	88.2%	Poverty line 1 Adult + 1 Child (week / year)	€290 / €15,133
Gross National Debt (%GDP) 2017*	85.5%	Poverty line 2 A + 2 Children (week / year)	€506 / €26,398
Net Exchequer Capital Investment 2017* (2016)	€4.76bn (€5.21bn)	% of population living in poverty (numbers)	16.3% (751,365)
Investment as a % GDP 2015	22.0%	% of children living in poverty (numbers)	18.6% (230,000)
Total Taxation as % GDP 2017*	27.7%	% of population experiencing deprivation 2007	11.8% (2+ basic items)
%Tax on €25,000 income (single / 2 earners)	13.5% / 1.0%	% of population experiencing deprivation 2014	29.0% (2+ basic items)
%Tax on €60,000 income (single / 2 earners)	31.6% / 16.1%	LA Housing Waiting list - households	89,872
%Tax on €100,000 income (single / 2 earners)	39.5% / 28.0%	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 costed Tax Reliefs (per annum)	€21.2 billion	Level 1 - Literacy problems adults (2013 data)	17.9%
Labour Force 2016	2,156,000	% Waste Landfilled (2012)	38.2%
Employment 2016	1,976,500	Greenhouse Gas Emissions v. Kyoto target	-5.3%
Unemployment 2016 /rate (ILO Basis)	179,500 / 8.4%	Population 2011 Census	4,588,252
Long-Term Unemployment 2016 / rate	100,600/ 4.7%	Population 2016 *	4.691m
Youth Unemployment 2016 /rate	29,800 / 16.9%	Population 2021* / 2041*	4.901m / 5.701m
Net migration (year to April 2015)	-11,600	Inflation rate (HICP) 2016*	+0.4%
Net migration Irish Nationals (2015)	-23,200	Core Inflation (excluding energy /food) 2016*	+1.0%

Sources: Department of Finance *Stability Programme Update* and *Summer Statement*, Revenue Commissioners (2016), 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 *Measuring Ireland's Progress 2016*, and Social Justice Ireland *Socio-Economic Review*. **Note:** * = projection;

Good choices needed to build long-term sustainable future

One hundred years after the 1916 Rising Ireland faces major choices that will shape its future for the decades ahead. The dominant economic approaches and policies which have been favoured in recent decades in Ireland, the EU and beyond have failed to recognise the interdependent relationships between a vibrant economy, social cohesion, good governance and sustainability that must characterise any society if it is to thrive in the long run. Yet recognition of this interdependency is critically important if we are to fulfil our obligations to future generations of Irish people and to the planet on which we depend for our existence.

President Michael D. Higgins summarised the consequences of inaction in these areas recently as follows: *“Should we fail to change our policies, our institutions and, more importantly perhaps, our theory of growth, should we fail to tackle decisively current patterns of deregulation, of rocketing inequality, of cannibalisation of the real economy by financialisation, then our citizens will continue to pick up the tab, not just “in money value”, but “in the hard currency of their daily existences.”*

It is essential that Ireland today faces up to one of the most basic questions: What kind of society, served by what kind of economy, do we want in Ireland, in Europe and across the rest of the planet where the vast majority of the world’s poorest people live?

Social Justice Ireland believes that Government should **put the common good at the heart of all its decisions** about services, taxation and infrastructure, about governance, sustainability and the economy. Such an approach would mean that Government 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 services 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, particularly for those who are better off; spurious arguments that such cuts should be introduced to attract Brexit refugees from the UK should be rejected out of hand.

Ireland today needs **investment** in housing, in childcare, healthcare, eldercare, care of the vulnerable, in broadband, in rural and regional development, in education, in disability services, in sustainability and in public transport. These should be the priorities in Budget 2017 and in the years ahead.

Failure to invest in these areas now will have enormous **long-term** social, environmental and economic costs.

Ireland has been at this point before. We must not miss again this **opportunity** to build a society where everyone has what is required to live life with dignity and to fulfil their potential while also meeting our obligations to the planet and to future generations.

Recent Publications and Research from *Social Justice Ireland*

Poverty, Deprivation and Inequality - Policy Briefing (July 2016)

Choices for Equity and Sustainability - *Annual Socio-Economic Review* (April 2016)

Ireland and the Europe 2020 Strategy - *Shadow Report* (January 2016)

Measuring Up? - *Ireland’s progress: past, present and future* (November 2015)

Europe: A Union for the Powerless as well as the Powerful? - Review of the Social Situation in Europe and Considerations for a More Sustainable and Inclusive Future (September 2015)

*All of these and many more of our publications are available on our website at www.socialjustice.ie
Printed copies can be purchased from the Social Justice Ireland offices.*

Acknowledgement

This work has been partly supported by the Scheme to Support National Organisations via the Department of the Environment, Community and Local Government and Pobal.



Social Justice Ireland is an independent think-tank and justice advocacy organisation 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.

Membership of *Social Justice Ireland* is open to individuals and groups who share these objectives. We are always keen to hear from new members. Full details of what membership entails and how to join can be found at www.socialjustice.ie/members.

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